Questions and Answers - Reform of GSP rules of origin

What is GSP and what is its impact?
The Generalised System of Preferences (GSP) is a preferential trade arrangement which gives preferential tariff treatment (i.e. reduced or zero import duty) to imports from developing countries. It is a unilateral arrangement (i.e. granted autonomously by the European Union, and not reciprocal). It includes the so-called "Everything But Arms" (EBA) arrangements, which grants duty- and quota-free access to all goods except arms originating in the least developed countries (LDCs).

What are rules of origin?
They are rules that determine the criteria to decide whether goods were really produced or manufactured in the beneficiary country to which the preferential tariff treatment is granted.

To be considered as originating in the beneficiary country concerned and thus to be able to benefit from the preferential treatment, goods must be wholly obtained (e.g. grown, mined) there or, where this is not the case, have undergone sufficient processing there. The rules of origin define "sufficient processing" by way of a list of origin criteria that vary from product to product. These may be based on change of tariff heading, value added, a specific processing requirement, the use of wholly obtained inputs, or a combination of these.

Countries which have identical rules of origin can work together for the purpose of manufacturing products which are eligible for preferential tariff treatment. This is referred to as culmination of origin.

On the practical side, proof of origin is currently usually given through a certificate of origin called "Form A", which is stamped for each consignment by the customs authorities.

Why is it necessary to change the rules of origin?
The present rules of origin are old and outdated, having been drawn up in the 1970s. The commercial world has changed with globalisation, and the rules have long been criticised as being both too complex and too stringent. LDCs in particular find it hard to comply with them, which means they are unable to access the preferences on offer. The European Commission adopted a communication in 2005 which argued that the rules needed to be made simpler and more development-friendly, while at the same time management and control procedures needed to be improved to combat fraud. This communication was based on three pillars: appropriate rules for the determination of origin; efficient procedures; and a secured environment for legitimate trade.
What is in the new Regulation?
- Appropriate rules determining the acquisition of origin: The rules for determining whether goods have been sufficiently worked or processed are adapted to each sector. The rules are based on the calculation of the content of non-originating materials, change of tariff heading, a specific processing requirement or the use of wholly obtained inputs, according to the case. There are a number of simplifications compared to the current rules, plus targeted relaxation, for the least developed countries in particular.
- Cumulation of origin: Regional cumulation of origin which allows countries with identical rules of origin to work together for the purpose of manufacturing products eligible for preferential tariff treatment is maintained. However, the conditions are relaxed for more efficiency. A new cumulation region, comprising member countries of Mercosur, is added, and new types of cumulation are introduced in the reformed rules, notably between countries of different regions and between GSP beneficiary countries and EU Free Trade Agreement partner countries under certain conditions.
- Efficient procedures / responsibilities of operators and authorities in establishing and controlling origin: a clarification and re-balancing of the rights and obligations of both operators and administrations is established. In particular, the current system of certification of origin by the authorities will be replaced by statements on origin to be given directly by registered exporters. The authorities of the country concerned will then concentrate on more effective post-export controls.

How will the Regulation simplify matters for developing countries?
The Regulation simplifies many rules on origin, for example by removing unnecessary exceptions and relaxing the rules where appropriate and useful. In some cases, less stringent rules for LDCs, are laid down, in recognition of their lower industrial capacity. However, non-LDCs also benefit from the changes. In the textiles and clothing sector, which is of particular importance to many developing countries, single-stage processing (manufacture from fabric) is allowed in many cases, instead of the two stages of processing (manufacture from yarn) required by the present rules. The Commission also believes that allowing exporters to give evidence of origin themselves will be a substantial reduction in red tape.

Will the proposed new procedures for declaring origin help to prevent fraud and abuse?
Yes. In the current system, customs authorities are not often able to make proper checks at export and determine the legality of exported goods, so the protection offered by certificates of origin is sometimes illusory. Under the new system, the authorities would be able concentrate their resources on more effective post-clearance controls. Requiring exporters to be registered would ensure that the authorities know who they were dealing with.

Where can I find out more about GSP rules of origin?
See
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