



Regional Convention on pan-Euro-Mediterranean preferential rules of origin

*WORKING PARTY ON EURO-MEDITERRANEAN
INDUSTRIAL COOPERATION
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Rules of origin**

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1) What is the PEM system of cumulation? Pan-Euro-Mediterranean free trade zone and its rules of origin

- **Network of bilateral free trade agreements** between the EU, EFTA States, Faroe Islands, Turkey and Mediterranean countries participating in the Barcelona process (42 countries in total)
- A system of pan-Euro-Mediterranean cumulation operates on the basis of **identical** rules of origin (**PEM protocol on rules of origin**) annexed to each bilateral free trade agreement
- Cumulation concept: *"what is yours is mine and what is mine is yours"*
- Tool of **regional integration/enhanced sourcing possibilities**

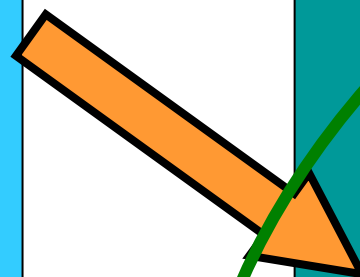




European
Commission

40% max non-originating

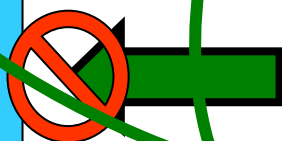
1.000 €



Morocco



10.000 €



PEM cumulation

Turkey

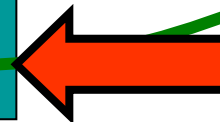
4.000 €

Tunisia

1.000 €

Russia

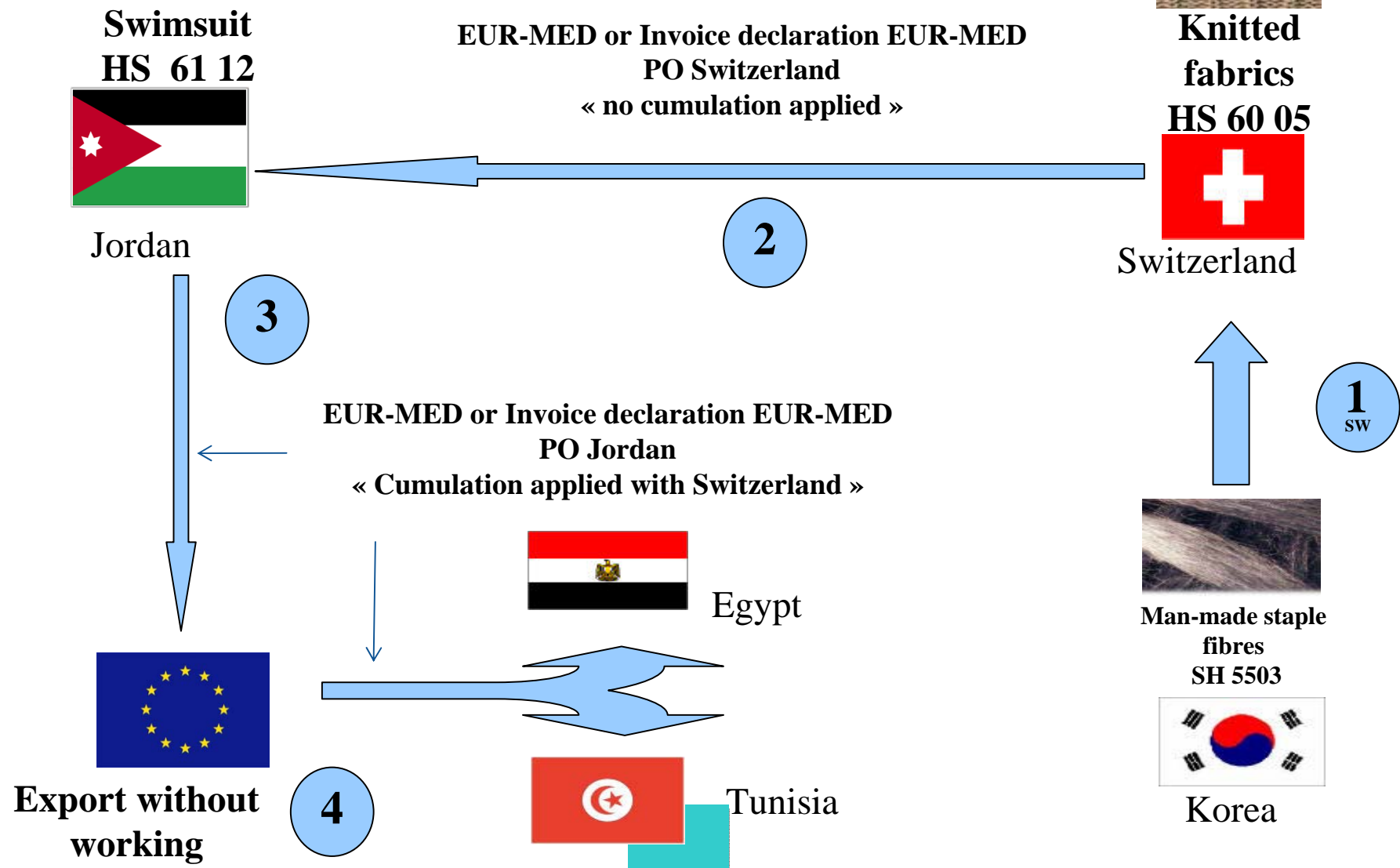
2.000 €

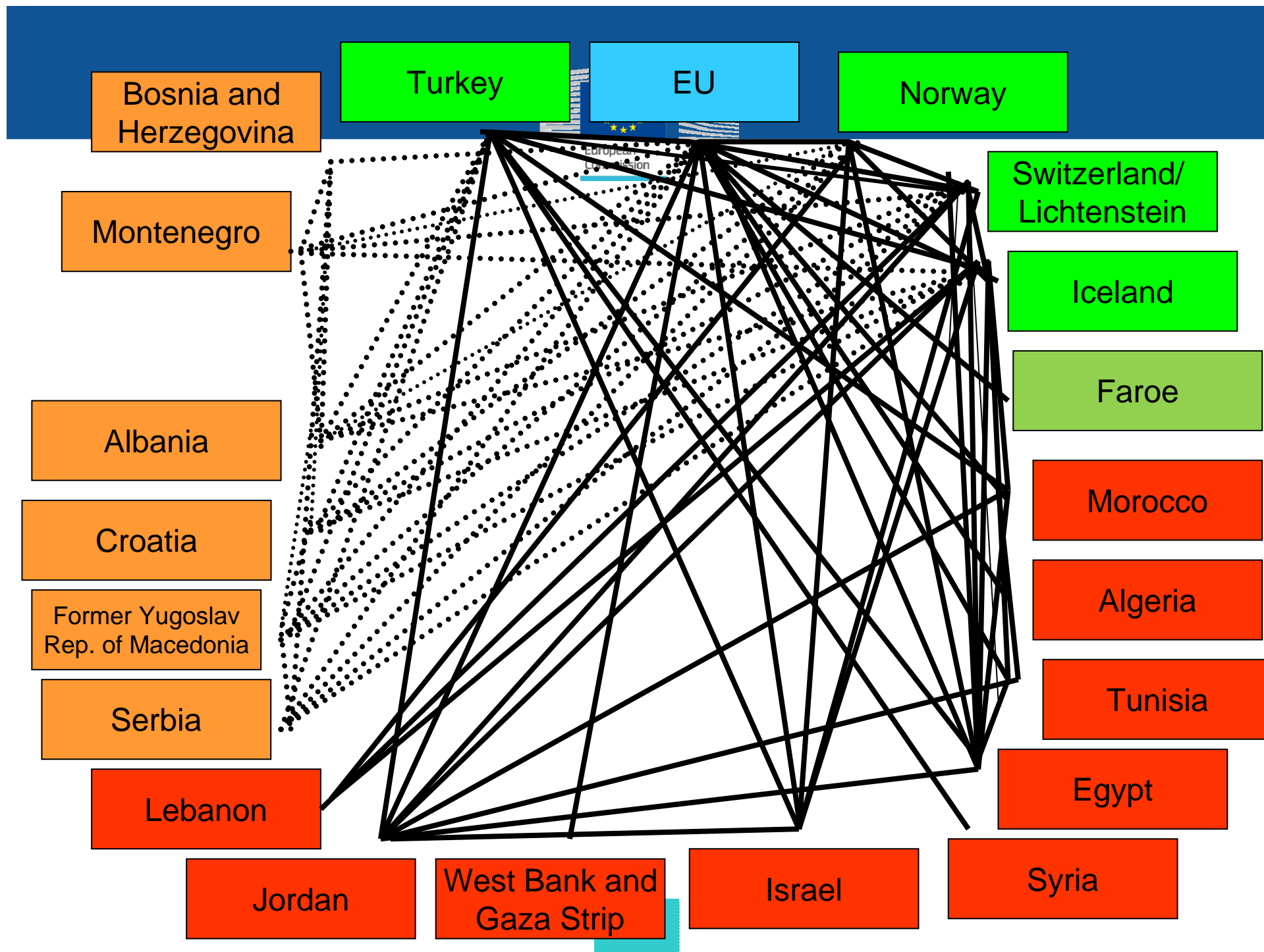




European
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Manufacture from yarn





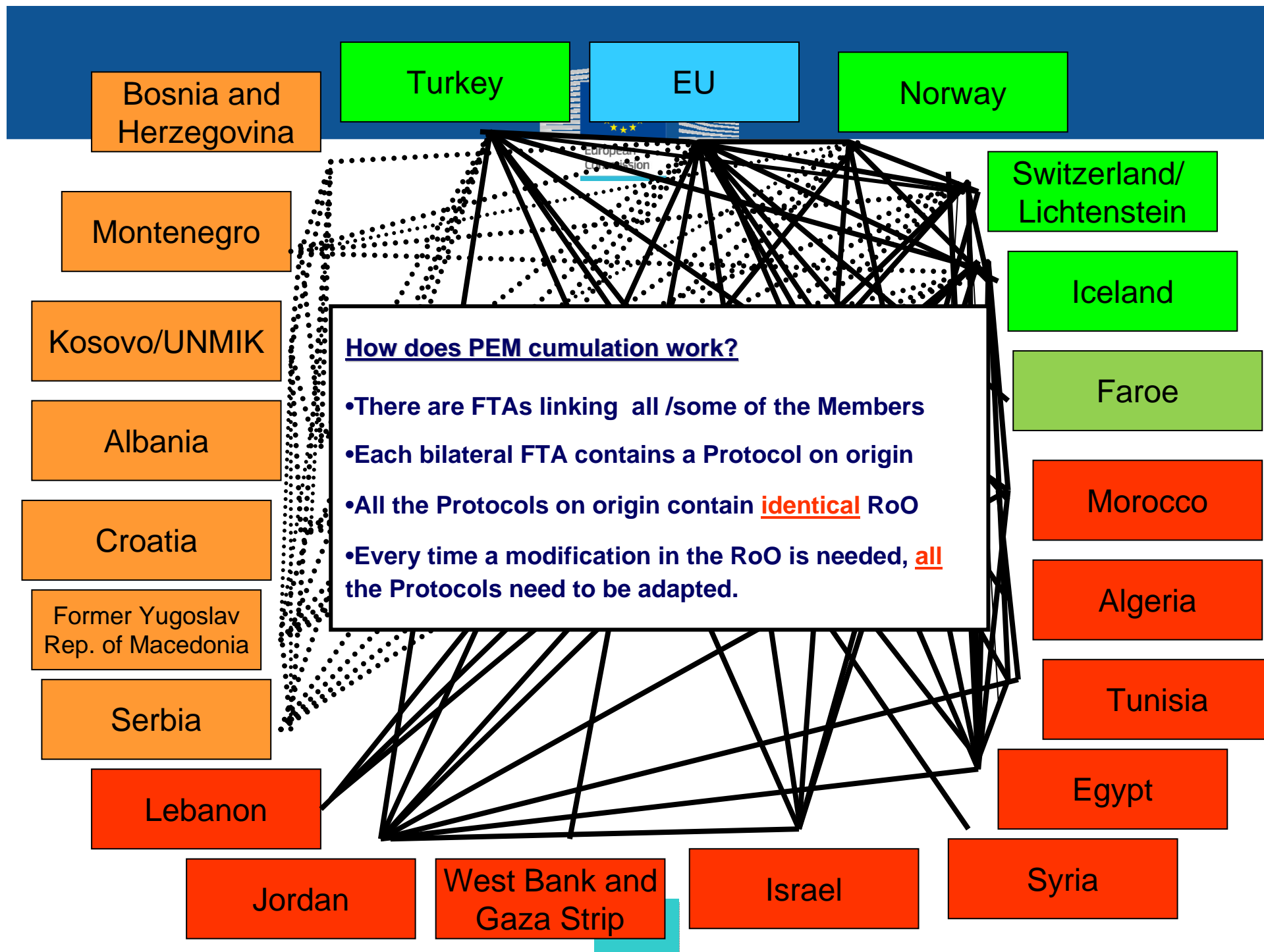
PEM cumulation - 16 parties:

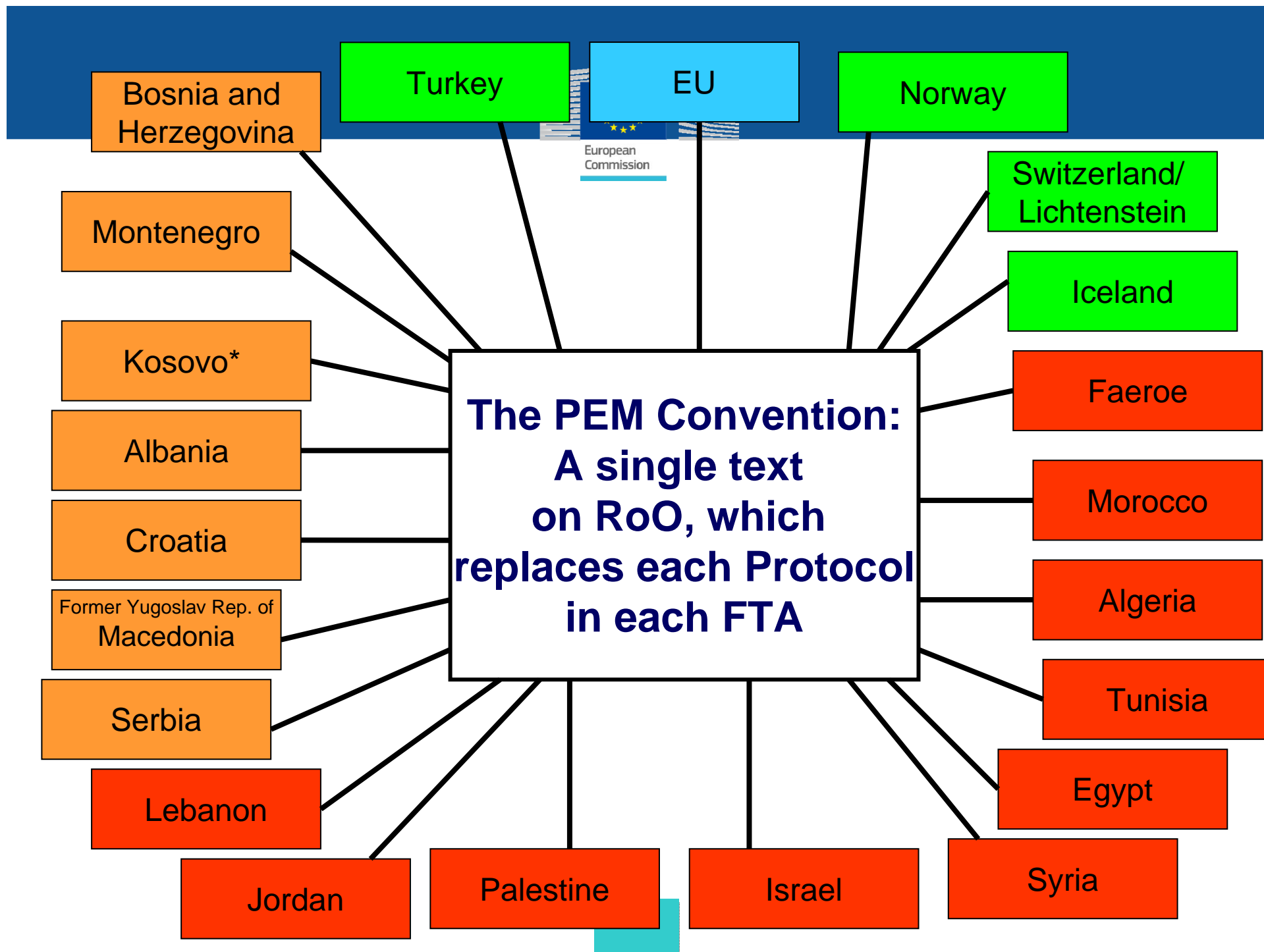
EU, TR, Faroe Islands, EFTA
States, Mediterranean
Countries

SAP cumulation (Stabilisation and Association Process) – 8 partners:

EU, TR, 6 Western Balkan partners

- More than 60 Free Trade Agreements (FTA) between these partners
- Each containing a Protocol setting identical rules of origin
- Modifying rules of origin requires changing all the Protocols
- PEM and SAP do not overlap







European
Commission

New Matrix of PEM cumulation

(OJ C 110, 17.4.2013, p.3)

Date of application of rules of origin providing for diagonal cumulation in the pan-Euro-Med zone

		EFTA States					Participants in the Barcelona Process										Participants in the EU's Stabilisation and Association Process ⁽²⁾							
	EU	CH (+ LI)	IS	NO	FO	DZ	EG	IL	JO	LB	MA	PS	SY	TN	TR	AL	BA	KO	ME	MK	RS	HR		
EU		1.1. 2006	1.1. 2006	1.1. 2006	1.12. 2005	1.11. 2007	1.3. 2006	1.1. 2006	1.7. 2006		1.12. 2005	1.7. 2009		1.8. 2006	⁽¹⁾									
CH (+ LI)	1.1. 2006		1.8. 2005	1.8. 2005	1.1. 2006		1.8. 2007	1.7. 2005	17.7. 2007	1.1. 2007	1.3. 2005			1.6. 2005	1.9. 2007				(C) 1.9. 2012					
IS	1.1. 2006	1.8. 2005		1.8. 2005	1.11. 2005		1.8. 2007	1.7. 2005	17.7. 2007	1.1. 2007	1.3. 2005			1.3. 2006	1.9. 2007				(C) 1.10. 2012					
NO	1.1. 2006	1.8. 2005	1.8. 2005		1.12. 2005		1.8. 2007	1.7. 2005	17.7. 2007	1.1. 2007	1.3. 2005			1.8. 2005	1.9. 2007				(C) 1.11. 2012					
FO	1.12. 2005	1.1. 2006	1.11. 2005	1.12. 2005																				
DZ	1.11. 2007																							
EG	1.3. 2006	1.8. 2007	1.8. 2007	1.8. 2007					6.7. 2006		6.7. 2006			6.7. 2006	1.3. 2007									
IL	1.1. 2006	1.7. 2005	1.7. 2005	1.7. 2005					9.2. 2006						1.3. 2006									
JO	1.7. 2006	17.7. 2007	17.7. 2007	17.7. 2007			6.7. 2006	9.2. 2006			6.7. 2006			6.7. 2006	1.3. 2011									
LB		1.1. 2007	1.1. 2007	1.1. 2007																				
MA	1.12. 2005	1.3. 2005	1.3. 2005	1.3. 2005			6.7. 2006		6.7. 2006					6.7. 2006	1.1. 2006									
PS	1.7. 2009																							
SY															1.1. 2007									
TN	1.8. 2006	1.6. 2005	1.3. 2006	1.8. 2005			6.7. 2006		6.7. 2006		6.7. 2006				1.7. 2005									
TR	⁽¹⁾	1.9. 2007	1.9. 2007	1.9. 2007			1.3. 2007	1.3. 2006	1.3. 2011		1.1. 2006		1.1. 2007	1.7. 2005										

2) The PEM Convention concept and benefits

- Will base diagonal cumulation of origin on a **single legal instrument**. No more separate protocols on RoO.
- Will allow easier **revision and update of RoO**.
- Will include entire **Western Balkan** region into in the pan-Euro-Mediterranean zone of diagonal cumulation.
- Will allow **accession of neighbouring countries** in the pan-Euro-Mediterranean cumulation zone.
- Will create extended opportunities for cumulation





Other
EU neighbouring countries

Lybia

Ukraine

**Pan Euro Med
Convention**

Reciprocal
Preferences

Balkans

Meds - EFTA - Turkey

EU

Autonomous
Preferences

ATMs	ATPs
XK	MD

GSP countries
(Georgia, Armenia)



3) State of play of ratification process

Contracting Parties for which the Convention has entered into force.

NB: Convention still needs to be referred to in their origin protocols so as to become applicable)



Partner	Signature	Ratification	Entry into force
Norway	15.06.2011	09.11.2011	01.01.2012
Switzerland	15.06.2011	28.11.2011	01.01.2012
Lichtenstein	15.06.2011	28.11.2011	01.01.2012
Croatia	15.06.2011	20.01.2012	01.03.2012
Iceland	30.06.2011	12.03.2012	01.05.2012
Albania	27.06.2011	05.03.2012	01.05.2012
EU	15.06.2011	26.03.2012	01.05.2012
Former Yugoslav Republic of Macedonia	15.06.2011	14.06.2012	01.08.2012
Montenegro	15.06.2011	02.07.2012	01.09.2012
Serbia	12.11.2012	May 2013	Prev: 01.09.2013
Faroe Islands	15.06.2011		
Jordan	07.07.2011		

Partner	Signature	Ratification	Entry into force
Turkey	04.11.2011		
Morocco	18.04.2012		
Algeria	05.10.2012		
Tunisia	16.01.2013		
Bosnia and Herzegovina			
Egypt			
Israel			
Kosovo*			
Lebanon			
Palestine			
Syria			

* This designation is without prejudice to positions on status and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.





The PEM Convention – ongoing work

- Communication on "A New Response to a Changing Neighbourhood" May 2011. http://ec.europa.eu/world/enp/pdf/com_11_303_en.pdf

"The rapid implementation of the new Convention on Pan-Euro-Mediterranean preferential rules of origin will be one important element for the partners in the South."





The PEM Convention – ongoing work

- Two exercises conducted in parallel:
 - **phasing-in of Convention and**
 - **discussions on revision (both on articles and 'list rules')**





4) Accession of the countries of the Eastern Partnership to the PEM Convention

- The EU Neighbourhood Policy:
 - the Eastern Partnership,
 - the Union for the Mediterranean
- Communication on "A New Response to Changing Neighbourhood" May 2011:

"The Commission will examine how the Convention can be extended to other ENP partners and will make appropriate proposals."
- Accession to PEM Convention offered in DCFTA:
 - Ukraine,
 - Georgia,
 - Moldova,
 - Armenia



5) The revision of 'PEM' rules of origin

- The revision work is being carried out in the Pan-Euro-Med Working Group (PEM WG)
- Contracting Parties (as much as possible grouped geographically) were invited to express their positions regarding list rules:
 - EU + Turkey
 - EFTA States
 - MED countries
 - Western Balkans
- Aim of the revision:
 - **simpler** rules,
 - more **liberal** rules, and
 - rules **responding to traders' needs.**





The revision of 'PEM' rules of origin

SIMPLER

more RELAXED

***responding to ECONOMIC
REALITIES***





The revision of 'PEM' rules of origin

The state of play:

- **Article by article examination** already well advanced but all partners rightly consider that provisions such as cumulation cannot be assessed without full knowledge of future list rules
- On **list rules**, first exchange of views took place on 22-23 May 2012 in PEM working group
- Convergences were found in October 2012 and May 2013
- Next steps will seek convergence for textile and clothing





The revision of 'PEM' rules of origin for Textile & Clothing

Modernisation (position of the EU)

Through **Tolerances**

Through **Printing rule**

Through **a balanced approach**



Modernisation

The current standard PEM rule

- defines the origin of the final product by taking into account the manufacturing process in relation to the non-originating materials used at the start of the processing.

New approach with the reform of EU GSP RoO

- Identification of key manufacturing processes carried out in relation to the final product
- The origin of the materials used in these manufacturing processes should not be taken into account.



Current PEM rule for yarn:	GSP rule for yarn:	EU proposal for PEM rule for yarns:
<p>Manufacture from:</p> <ul style="list-style-type: none">- raw silk or silk waste, carded or combed or otherwise prepared for spinning,- other natural fibres, not carded or combed or otherwise prepared for spinning,- chemical materials or textile pulp, or- paper-making materials	<p>Spinning of natural fibres or extrusion of man-made fibres accompanied by spinning or twisting</p>	<p>Spinning of natural fibres or Extrusion of man-made fibres combined with spinning or Twisting combined with gimping</p>

Modernisation

The printing rule

- recognised as origin conferring when combined with specific additional processes and fulfils a value added criterion.

Two steps:

- 1: the creation of a simple printing rule (definition)
- 2: the creation of a standalone printing rule



Modernisation

A balanced approach

- double transformation
- strike the balance between the needs of more traditional and more innovative textile industries.
- allows more flexibility; allows more qualifying processes and processes at a higher transformation level; provides simplification; increases legal certainty.



POSITION OF PEM PARTNERS

		Current PEM	Position 1 Status quo	Position 2 Adding printing	Position 3 Adding Printing and Dyeing	Position 4 Single transformation	Position 5 Single transformation	Position 6 Relaxation
ex Chapter 62	Articles of apparel and clothing accessories, not knitted or crocheted; except for:	Manufacture from yarn	PEM Rule to be kept	Weaving combined with making-up <i>or</i> Making-up preceded by Printing (as standalone operation)	Weaving combined with making-up <i>or</i> Making-up preceded by Printing (as standalone operation) <i>or</i> Dyeing (as standalone operation)	Manufacture from unbleached fabric	Manufacture from fabric	Manufacture from materials of any heading, except that of the product Or Manufacture in which the value of all the materials used does not exceed 70% of the ex-works price of the product

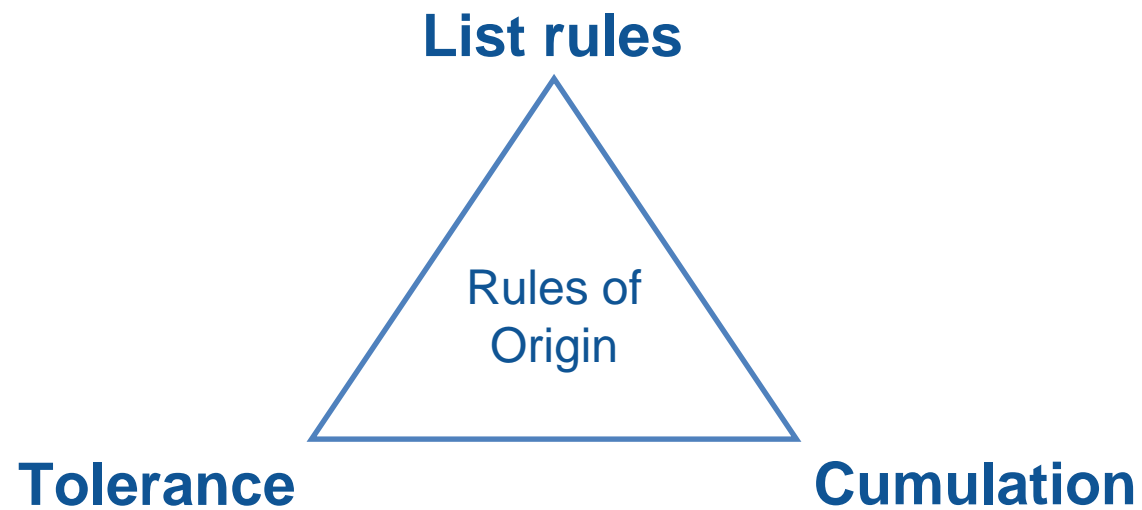
The revision of 'PEM' rules of origin

The way forward:

- Comparison exercise has to be deepened so as to increase mutual understanding and find basis for narrowing down gaps between divergent positions
- Compromise will have to be sought... at PEM working group level... and EU level ('common position' to be adopted by qualified majority)
- Given the divergent views which have been presented during consultations, no Party can escape making concessions.



A general balance





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http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/preferential/index_en.htm

