

APEC Elements for Simplifying Customs Documents and Procedures Relating to Rules of Origin

Introduction

1. In February 2009, Senior Officials identified Rules of Origin as a priority for 2009, and tasked the Committee of Trade and Investment (CTI) and its various sub-fora to look into making rules of origin (ROOs) more business-friendly. They sought to undertake work relating to (i) harmonisation; (ii) cumulation; and (iii) simplification of documentation and procedures.
2. To address item iii, Singapore would like to propose for the Market Access Group (MAG) to undertake work to promote the usage of five key elements to simplify documents and procedures relating to rules of origin. The objective of this is to facilitate trade, provide better utilization of the FTAs that APEC economies enter with each other, and to reduce compliance costs for business.

Background

3. In the APEC region, documents and procedures administering preferential rules of origin are as complex as the rules themselves as they are usually the outcome of a negotiated process. In many cases, there is even a need to streamline such procedures *within* individual economies. The resulting divergences within and across APEC economies are cumbersome to business and add unnecessary costs to trade¹.
4. Recent studies have revealed that costs associated with administering rules of origin are around 6 percent of the value of goods traded within NAFTA², and as high as 25 percent of the value of goods traded within ASEAN.³ These numbers suggest that preferential margins must at least be equivalent to the costs to positively influence trade flows. The additional costs of dealing with these divergences and complexities have resulted in the under-utilization of FTAs within the APEC region.
5. In a round of consultations conducted among APEC-based companies⁴, importers and exporters noted the burdensome process associated with the use of origin-related documents. Many alluded to the tedious layers of information required for application and authentication of such documents, the lack of predictability as a result of low tolerance for errors, and in general the huge workload involved.

Singapore's Proposal

6. Singapore believes that APEC could reap additional trade gains by simplifying and streamlining documents and procedures. The effort will not only result in tangible benefits for business but is a significant step towards streamlining the spaghetti bowl effect caused by FTAs and RTAs.
7. To address the challenges faced by businesses, we propose that work be undertaken to promote the usage of five key concepts for simplifying documents and procedures relating to rules of origin. The proposed five elements are applicable to both traditional authorized certification and self-certification regimes.

¹ To illustrate convergences and divergences among APEC economies, please see Table 1 comparing *some* aspects of procedures applicable to FTA arrangements.

² Carrière, C. and J. de Melo, 2004. "Are Different Rules of Origin Equally Costly? Estimates from NAFTA", CEPR Discussion Paper No. 4437.

³ Manchin, M. and A. O. Pelkmans-Balaoing, 2007. "Rules of Origin and the Web of East Asian Free Trade Agreements". World Bank Policy Research Working Paper 4273 (July).

⁴ Business Feedback: Customs Procedures Relating to Preferential Rules of Origin, APEC Market Access Group (MAG), May 2009

a. Validity period

A reasonably long validity period prevents documents or declarations from expiring before goods reach their final destination. Validity periods of documents stating origin vary across APEC FTA arrangements and range from as short as four months⁵ to as long as four years.

b. Waiver of Certificate of Origin or Declaration

Waiving the need for origin-proving documents for low value goods facilitates trade. Due to the associated work and cost, businesses have found suppliers to be reluctant to provide origination documents for low value shipments as it is simply not cost effective to do so. For Customs authorities, the administrative burden associated with verifying the origin of low value shipments is often greater than the revenue it could potentially gain.

c. Minimum data requirements

Origin related documents should be as simple as possible requiring only the minimum amount of information needed to establish the claim of preference and to enable the start of a verification process if required.

d. Clarity on Treatment of Errors Made in Certificates of Origin or Declarations

Companies trading in the APEC region note the importance of clarity on the types of errors that result in rejection of origin-related documents. Currently rejection can take place for discrepancies as minor as spelling, font type, or ink color, to tariff classification differences between the issuing and receiving authorities. At times it would appear that the types of errors causing acceptance or rejection are determined at the discretion of the customs officer. This results in frustration amongst business.

To promote greater clarity and predictability for business, economies recognize that errors which do not prevent disclosure or create doubts do not on their own invalidate documents if the origin of the good is not in doubt. Similarly, for multiple goods declared under the same document, endeavour that a problem encountered on one of them should not affect or delay the granting of the preferential tariff treatment and clearance of the rest.

e. Harnessing IT to Ease Documentation and Procedures

Information technology can help streamline and ease documentation and procedures and improve transparency and predictability. IT can for example facilitate the application of documents between the exporter and the issuing authority or facilitate the submission of a self-declaration. Claiming procedures between the importer and importing authority can also be conducted electronically to reduce paper work.

Next Steps

8. We recognize that implementation of each of these elements is often based on unique circumstances faced by economies and their relationships with trading partners. However, we welcome your interest in taking forward particular elements, for which further information gathering and comparative analysis could possibly be conducted. We look forward to collaborating with APEC economies on a future work program.
9. Singapore has revised this proposal for endorsement at MAG 3. We thank APEC's economies for your comments to this proposal and look forward to working with you to deliver concrete benefits for business in this area.

⁵ Eg under the ASEAN-China FTA validity period for Certificates of Origin is 4 to 6 months. An extension of up to 6 months is allowed if the shipment is passing through one or more of territories.