



RULES OF ORIGIN

We provide clarity and expertise on Rules of Origin. In the ever-demanding regulatory landscape, our clients trust us with their compliance needs, and our expertise with the Rules of Origin global regulatory framework.

RULES OF ORIGIN OVERVIEW

Rules of origin provide the criteria to determine the nationality (origin) of a product. They are a neutral tool for implementing trade policies, compiling economic statistics, and the marking / manufacturing of the product.

Rules of origin are used to make accurate decisions on trade laws that treat goods differently at import and export depending upon their country of origin and their destination. Origin can also determine if a product can be imported at all, and if there are any reductions in duty, quotas, countervailing duties, and antidumping measures that restrict the movement of the goods from producing countries.

Globally there are various bilateral and regional trade agreements that affect products for World Trade Organization (WTO) member countries. A country must be a WTO member to obtain access to the Most Favored Nation (MFN) regulations which include reduced rates of duty and the removal of trade barriers. It is perfectly legal for organizations to design products (in structure or manufacturing processing) to take advantage of rules of origin providing duty minimization programs or to avoid controls when exporting.

There are two rules of origin:

1. **Preferential:** To determine whether a product qualifies for preferential tariffs offered under a specific Free Trade Agreement.
 - o There are specific origin criteria that each product must comply with that include significant processing or transformation.
2. **Non-preferential:** Applied where a trade preference agreement is either not in place or the goods do not qualify for preferential status.

When determining a product's origin for regulatory purposes, it must be determined which category of origin the goods are.

- Originating refers to all parts on the Bill of Materials originating in the country of manufacture or those included in the applicable FTA, this is known as "Cumulation" in the WTO rules of origin.
- Non-Originating refers to parts contained within a Bill of Materials where the materials have not originated in the country of manufacture and/or have a different origin to that of the country of manufacture and do not meet the WTO rules of processing or transformation.

When a product's origin status is known, an importer can apply country-specific or trade area-specific trade preferences or restrictions as a result of approved certification provided by the supplier.



RULES OF ORIGIN PENALTIES

The importance of Rules of Origin has grown significantly as countries increasingly treat goods differently according to where the product originated. An example of this is the North American Free Trade Agreement (NAFTA). Where Mexico, Canada, and the United States eliminated duties on each other's imports, while imports into the NAFTA region produced in nonmember countries continued to face tariff barriers.

If declarations as to the origin of goods to the authorities or conclusions as to a products origin are wrong enabling an incorrect claim to preferential duty rates, or origin simply cannot be proven or documented, the goods can be excluded, seized, recalled by Customs and be subjected to additional duties, liquidated damages or penalties.

GLOBAL TRADE MANAGEMENT

Our focus on Origin compliance includes expertise in business best practices, country regulatory controls and process and procedures to help support your Rules of Origin requirements.

WTCS can assist importers and exporters in their establishing a products origin and compliance with the requirements of both Preferential and Non-Preferential Origin.

Our Rules of Origin Program review is customized to your business model and its requirements, providing a comprehensive assessment of your supplies, manufacturing process, trade lanes and product classifications to establish documented origin compliance procedures

Livingston can also support the following Origin practices

- Trade Program Authorisation
- Record Keeping
- Duty waivers and reductions
- Long Term Supplier Declaration Service
- Training

BUSINESS PROCESS SERVICES

We deliver technical and business process expertise, so you can focus on your core business competencies. WTCS helps businesses of all types accelerate their compliance program and implement streamlined, efficient processes by designing and delivering program management, statutory reporting, information management and contact center services.

Find out how WTCS can work with you for all your Rules of Origin needs.