

THE EUROPEAN UNION'S PREFERENTIAL TRADE AGREEMENTS

Performing an Origin Status Assessment

Minna Hyvärinen

Bachelor's Thesis
November 2012

Degree Programme in Logistics Engineering
Technology, communication and transportation



JYVÄSKYLÄN AMMATTIKORKEAKOULU
JAMK UNIVERSITY OF APPLIED SCIENCES



Author(s) HYVÄRINEN, Minna	Type of publication Bachelor's Thesis	Date 30.11.2012
	Pages 78	Language English
	Confidentiality Appendix 9 - confidential until 30.11.2017; Appendix 12 - perpetually confidential	Permission for web publication (X)
Title THE EUROPEAN UNION'S PREFERENTIAL TRADE AGREEMENTS Performing an Origin Status Assessment		
Degree Programme Logistics Engineering		
Tutor(s) LÄHDEVAARA, Hannu		
Assigned by Metso Paper, Inc.		
Abstract <p>The thesis was assigned by the Metso Paper, Inc. Jyväskylä unit, which is a global supplier of paper and board machinery. Under preferential trade agreements, which the European Union (EU) has negotiated with several countries around the world, Metso Paper and its customers have the possibility to benefit from duty preferences when exporting/importing goods. In order to be entitled to preferential treatment, the goods need to be of EU origin. For determining the origin, there are prescribed rules.</p> <p>A need for a systematic approach to assess the origin status of Metso Paper's products has been generated. Thus, the main research problem was: How to perform an origin status assessment?</p> <p>In the research, the primary approach was qualitative. Solutions to the research problem were looked for by gathering information through written data and internal interviews and by exploiting practical experience. The work required input mainly from the forwarding and procurement functions of the company.</p> <p>The outcomes of the thesis include instructions for performing an origin status assessment, and two tools to help this process. The outcomes provide good guidelines for Metso Paper and the thesis also works as a good source of information for other companies in their practice of international trade.</p>		
Keywords Preferential trade agreements, preferential rules of origin, international economic integration, Metso Paper, export, classification of goods		
Miscellaneous		

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1 INTRODUCTION: THE CHANGING WORLD

This thesis is addressed to the Metso Paper, Inc. Jyväskylä Logistics Operations department. Metso Paper, as a truly global company, has business in countries all around the world. These countries include nations which the European Union (EU) has **Preferential Trade Agreements** (PTAs) in place with. PTA, as described in BusinessDictionary.com (2012), is:

A trade pact between countries that reduces tariffs for certain products to the countries who sign the agreements. While the tariffs are not necessarily eliminated, they are lower than countries not party to the agreements. It is a form of economic integration.

Under the PTAs, Metso Paper and its customers can benefit from preferential treatment granted by the customs, in other words, import and/or export goods at a lower or nil rate of duty. There are both reciprocal and non-reciprocal agreements. The non-reciprocal agreements relate only to goods being imported into the EU from certain countries. Reciprocal trade agreements work both ways between the parties of the agreement.

This thesis was made from the export function's point of view, not imports'. Whether it is Metso Paper or the customer, who is accountable for the duties in the destination country, depends on the terms of delivery.

In order to be entitled to preferential access when exporting goods to a preference-giving country, the goods need to originate in the EU¹, in other words, they need to achieve 'an origin status'. For determining the origin, there are prescribed rules called **preferential rules of origin**. These rules differ per agreement and type of the product, i.e. its tariff code.

¹ In some PTAs, the EU is referred to as "Community".

Back in the days Metso Paper used to manufacture its products mainly by itself, which made it easy to determine that the goods were of EU origin. Nowadays lots of components are purchased from outside the company. Hence, it is no longer self-evident that Metso Paper's products are of EU origin, and it requires more work to determine the origin status of the products.

Earlier there has not been a systematic approach in assessing the origin status. The main objective of the thesis was to develop instructions and needed tools for performing the assessment, and uniform practices with the help of the instructions and tools. The assessment requires input from Forwarding and the Procurement Department. Through the instructions, the responsibilities and tasks of Procurement and Forwarding are defined. Desirable is that they would also improve internal integration between the two functions and increase awareness and knowledge about the matter inside the company. Also the Sales Department needs to be aware about the issue.

More and more PTAs have been negotiated lately and more is to come. This makes the topic particularly current both in Metso Paper and in general. The thesis and its findings also have a big role when Metso Paper, as planned, applies for an expansion of their approved exporter status (community-level authorization) and for an Authorized Economic Operator (AEO) status.

To me personally the study has offered valuable information needed in my work. The subject is also excellent from the point of view that I have considered a career in the Finnish Customs in the future.

Studies on the PTAs, preferential rules of origin and the interpretation of the rules have been made but not too many on how to use them in practice by exporters. A Bachelor's Thesis on the subject was made in 2006 for Metso Paper Jyväskylä Service unit: *The manifestations of preferential trade: Rules of origin and customs tariffs* (Kangas). There was no overlap as my thesis was

made for Capital side, and Service and Capital business are two completely different fields. In Service business the origin status of goods is evaluated on item-level, which is quite simple, whereas in Capital business we talk more about big wholenesses.

A thesis about “developing customs benefit processes” has also been made for a company called Kalmar Industries: Tullietuuskohteluprosessin kehittäminen (Koskentausta 2006). However, the thesis also deals with Service business.

Capital business includes big projects covering sales of whole or partial machine lines, smaller projects such as machine rebuilds, mill improvements, and separate sales such as Roll Sales. Sometimes also spare part packages are sold together with a project. Perspective in this thesis is project-oriented.

This thesis includes an introduction to Metso Corporation and in more detail to Metso Paper and its products (chapter 2) followed by the theoretical basis (chapter 3). The purpose of subchapter 3.1 “International Economic Integration” is to shortly introduce the history and reasons behind the agreements and subchapter 3.2 “Preferential Trade Agreements and Preferential Rules of Origin” deals with the agreements in general.

The reason for choosing the World Trade Organization (subchapter 3.3) as one of the theory themes is that as a member of the WTO, Finland is entitled to preferences also under the multilateral trading system overseen by the WTO and one of the system’s principles called the Most Favored Nation (MFN) treatment. Subchapter 3.4 “Multilateralism vs. Regionalism” does not cover the argument between the two ways of trade liberalization too deeply, but offers a short introduction to the issue and suggests further reading.

Subchapter 3.5 “Classification of goods” is important in the sense that an exporter cannot use the PTAs without knowing the classification of the goods he exports. The next theory subchapters (3.6 – 3.10) go deeper in the actual contents of the agreements relating to preferential origin of goods and relate more to the practical use of the agreements.

At next, there is a short introduction of the research process itself (chapter 4). Outcomes of the thesis are listed in chapter 5 and presented in the appendices of the work and are partly confidential. The last chapter (6) includes discussion on both making of the thesis and its outcomes.

2 COMPANY PRESENTATION ON METSO PAPER AND ITS PRODUCTS

2.1 Metso Paper – Part of the global Metso Corporation

Metso Paper is part of Metso Corporation, which is a global supplier of sustainable technology and services with operations all around the world in more than 50 countries. Metso’s Corporate Office is located in Helsinki, Finland. (Metso in brief 2012). Below there is a map showing countries with Metso operations in 2011 (figure 1).



FIGURE 1. Countries with Metso operations in 2011. (Metso around the world 2012.)

Metso's customers operate in mining, construction, power generation, oil and gas and pulp and paper industries. In total Metso employs about 30,000 people. Net sales in 2011 were EUR 6.6 billion. (Metso General Presentation 2012, 4.)

Metso is divided into three segments: (1) Mining and Construction, (2) Automation, and (3) Pulp, Paper and Power. Of these segments Metso Paper belongs to Pulp, Paper and Power, which in 2011 covered 40 % of the whole Corporation's net sales, Paper customer industry having the biggest share (59 %). (Metso in brief 2012; Our businesses at a glance 2012; Pulp, Paper and Power 2012.)

Products and Services of the Pulp, Paper and Power segment include:

- Chemical and mechanical pulping lines and equipment
- Paper, board and tissue making lines, machines and rebuilds
- Full-scope power generation solutions
- Black liquor recovery boilers and evaporation plants
- Fabrics and filters for pulp, paper, energy and mining industries

- Expert and maintenance services
- Spare and wear parts. (Metso General Presentation 2012, 24.)

Customers of the segment include chemical and mechanical pulp producers, paper and board producers, tissue producers, industrial power generators, municipalities and utility companies (Metso General Presentation 2012, 25).

The segment is further divided into Business Lines, of which Metso Paper Jyväskylä unit belongs to Paper Business Line (PBL). The PBL serves paper, board and tissue makers. Figure 2 below presents one of Metso Paper's core competencies: board making technology.



FIGURE 2. Board making by a Metso-supplied machine in China. (Changle Numat PM1: a benchmark for producing white top liner in China 2012.)

I have worked at Metso Paper Jyväskylä as an Export Forwarder Trainee for two summers in 2010 and 2011, as an hour worker between the summers and currently as a Forwarder (Import and Export). In the autumn of 2011 I performed a practical training period in Sweden for Metso Paper Karlstad Shipping Department.

2.2 Description of a paper machine

In this chapter we take a closer look to a paper machine. There are some differences in paper, board and tissue machines but the parts used are largely the same.

A paper machine consists of the following sections: headbox, former, press and dryer section, finishing, reel and winder. A paper machine with its sections is visualized in figure 3 below. Sometimes a whole machine line is sold, sometimes only a certain section, part(s) or equipment.

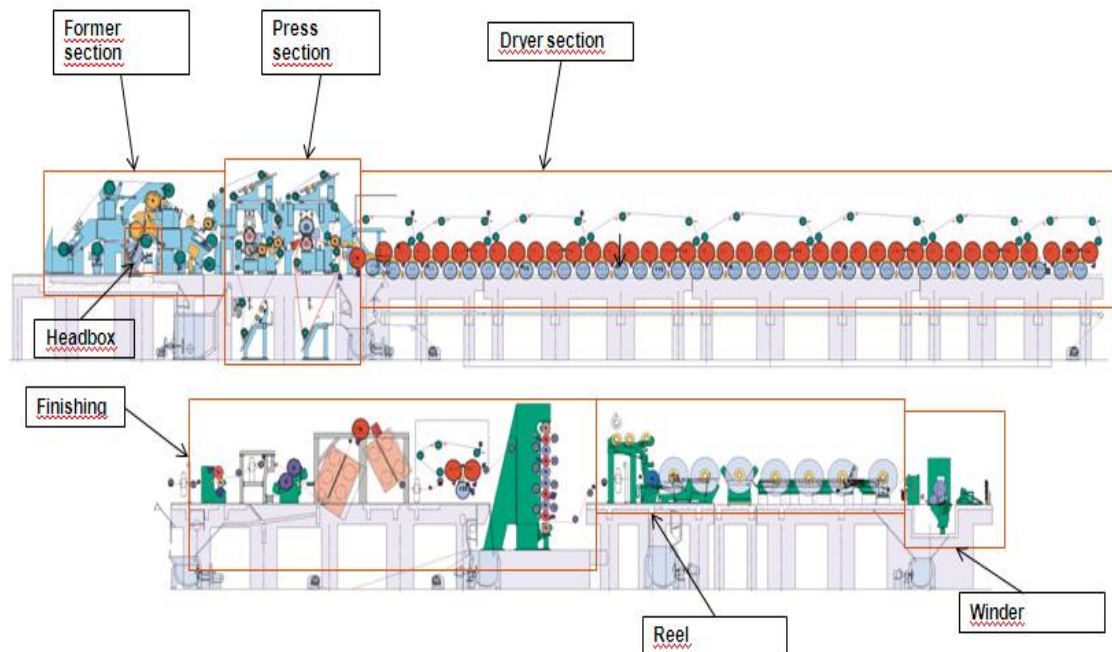


FIGURE 3. A paper machine and its sections. © Metso.

The parts of a paper machine come from several production units situated mainly in Finland and China. The Chinese proportion is increasing and is normally shipped directly from China to the customer.

Not all parts are manufactured by Metso Paper but some are subcontracted. Subcontracting for the European portion is mainly made inside the EU. This, however, does not automatically mean that the parts are of EU origin.

In each project there is always a so-called Main Contractor (MC); a unit that has sold the machine and is in charge of the project as a whole. Each production unit subcontracts and/or manufactures its own portion and sells it as internal trade to the MC unit.

Some of the parts are pre-assembled in the production units, then disassembled and shipped in appropriate units to the customer's mill site. At the mill site the parts are assembled into a whole machine line, sometimes by Metso Paper personnel and sometimes by the customer in Metso Paper personnel's supervision.

3 THEORETICAL BASIS

3.1 International Economic Integration

According to Brown and Hogendorn (2000), economic integration is the process of joining together two or more countries into a closer economic union than each has with the rest of the world. Typically, economic integration begins with preferential arrangements in which tariffs and non-tariff barriers are removed among the nations involved, but not with the rest of the world. Economic integration, however, can also involve freedom of resource movement, common economic policies and even common money. (pp. 391.)

Brown and Hogendorn (2000, 392) write that Economic Integration dates back to the Middle Ages and even before, but the first great move towards econom-

ic integration among a group of independent nations is from year 1834 when the *Zollverein*, or German Customs Union, was established and brought free trade to most of the erstwhile German states.

Motives for international economic integration according to Taloussanakirja (n.d.) include inter alia promotion of economic growth, promotion of the principle of equal opportunities, fulfillment of more even distribution of income, and increase in freedom of choice.

In general, economic integration involves different types of PTAs (Brown & Hogendorn 2000, 393). These are presented in more detail in the next subchapter.

An expansion of the PTA network is one of the two emphases of the EU's trade policy. The other one is development of the multilateral system through the World Trade Organization (WTO). The object of the EU's trade policy is to strengthen corporations' operation and competition conditions by facilitating their market access in third countries. (Vapaakauppasopimukset 2012.)

3.2 Preferential Trade Agreements & Preferential Rules of Origin

The EU has several PTAs in place with third countries allowing import and/or export of goods at a lower or nil rate of duty. The duty payable depends on the type of the product (i.e. its tariff code) and the destination country.

In order to be entitled to preferences, the goods need to meet certain prescribed rules of origin and other criteria. These are usually covered in the annexes of the PTAs. The purpose of the rules is to ensure that only goods originating in participating countries enjoy duty preferences (Brenton 2011, 161).

The PTAs do not necessarily cover all goods but some may be excluded. These goods include goods that a country considers to be sensitive to its industries. (A User's Handbook², 8.)

However, the PTAs also have several other objectives than just removing customs tariffs. Elinkeinoelämän keskusliitto lists the following points as the most essential topics when negotiating PTAs:

- removing tariff and non-tariff barriers
- a comprehensive liberalization of trade in services
- improving the market access and treatment of investments
- removing export restrictions
- development of regulatory cooperation and regulatory environment
- facilitation of trade-hindering customs procedures
- intensification of protection and enforcement of industrial and intellectual property rights
- opening of public procurement markets
- competition-related rules
- simple and transparent rules of origin
- dispute settlement procedures (Vapaakauppasopimukset 2012).

The increasing number and ever-broader scope of PTAs has driven experts to argue about the relationship between the PTAs, or “regionalism”, and “multilateralism” promoted by the World Trade Organization (WTO). Others believe that the PTAs pose a threat to the multilateral system whereas others see potential solutions to reconcile the two. (Horn, Mavroidis & Sapir 2010, 1565-1566.) This issue is further discussed in subchapter 3.4.

² Abbreviation of the whole name “A User's Handbook to the Rules of Preferential Origin used in trade between the European Community, other European Countries and the countries participating to the Euro-Mediterranean Partnership”.

It should be noted that there are differences in the terminology used by institutions and researchers in categorizing the PTAs; e.g. the WTO reserves the term PTA for unilateral (i.e. non-reciprocal) preferential arrangements such as the generalized system of preferences (GSP) and uses the term regional trade agreements (RTAs) for all reciprocal preferential agreements. (Acharya, Crawford, Maliszewska & Renard 2011, 38.) In this study, from now on, PTA refers to all reciprocal preferential trade agreements of the EU.

Most of the PTAs are **Free Trade Agreements** (FTAs), which refers to an agreement between two or more parties in which tariffs and other trade barriers are eliminated on most or all trade. Each party maintains its own tariff structure relative to third parties. (Acharya et al. 2011, 38.) FTAs exist under different names such as Trade Agreement, Association Agreement, Economic Partnership, Political Coordination and Cooperation Agreement, and Agreement on Trade, Development and Cooperation.

Hörkkö, Koskinen, Laitinen, Mattsson, Ollikainen, Reinikainen and Werdermann (2010) point out that a country or group of countries may be part of several agreements. In this case the most favorable one can be chosen. (pp. 108.)

With some of the countries with which the EU has a PTA covering goods, it also has negotiated an Economic Integration Agreement (EIA) covering trade in services through which the parties offer preferential market access to each other (Acharya et al. 2011, 38). These countries, according to WTO's list of all RTAs (2012), include Albania, CARIFORUM states, Chile, Croatia, Macedonia, Republic of Korea, Mexico and Montenegro.

Customs union (CU) is another type of a PTA. It also refers to an agreement between two or more parties in which tariffs and other trade barriers are eliminated on most or all trade but it also includes adopting a common commercial

policy toward third parties. This requires establishment of a common external tariff meaning that goods entering the customs union from third countries face the same tariff regardless of the country of entry. (Acharya et al. 2011, 38.) The EU has CUs with Andorra, Turkey and San Marino.

Eicher, Mutti and Turnovsky (2009) in their list of alternative forms of PTAs mention **common market** as the next step in regional integration: a customs union that allows the free mobility of capital and labor among the member countries. A final step is **economic union**, a customs union where countries have agreed to common tax and expenditure policies and jointly managed monetary policy. The European Union is an example of an economic union. (pp. 251.)

All in all, the EU at the moment has PTAs in force with the following countries or groups of countries granting preferential treatment (nil or reduced rate of duty) for EU originating goods or for goods in free circulation in the EU (customs unions):

- **Europe:** Faroe Islands, Norway, Iceland, Switzerland, Liechtenstein, Macedonia, Croatia³, Albania, Montenegro, Bosnia and Herzegovina, Serbia, Andorra, Turkey and San Marino.
- **Mediterranean:** Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority (of the West Bank and Gaza Strip) and Tunisia.
- **Other countries:** Chile, Mexico, South Africa, CARIFORUM States (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago), Republic of Korea, Ceuta and Melilla and Eastern and Southern Africa States (Comoros, Madagascar, Mauritius, Seychelles, Zambia, Zimbabwe).

³ Croatia is set to join the EU in July 2013.

In addition, Kosovo, Syria, Moldova, Overseas Countries and Territories (OCT), African, Caribbean and Pacific Group of States (ACP), and GSP (Generalized System of Preferences) countries grant preferential treatment for originating products for which bilateral, and in some cases, full cumulation will be applied. (Etuuskohteluun oikeuttavat alkuperäselvitykset viennissä 2012; Bilateral relations: Agreements 2012).

In applying the preferential rules of origin, the EU is considered as a single territory with a common EU originating status. Based on the CUs the EU has with Andorra and San Marino, most PTAs include provisions stating that products of Chapters 25 to 97 originating in Andorra and all products originating in San Marino are to be considered as originating in the EU by the partner countries. Although the Spanish autonomous cities Ceuta and Melilla are not included in the term “Community” or “EU” in the context of the PTAs, most agreements include provisions granting the same regime to goods originating in Ceuta and Melilla as to those originating in the EU.

A PTA with Andean Countries Peru and Colombia was signed in June 2012 but is not fully implemented yet (Regions: Andean countries 2012). A PTA with Central American countries Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama was also signed in June 2012 but the agreement as a whole has not yet entered into force (EU and Central America sign Association Agreement 2012).

The European Commission maintains an updated overview and state-of-play of on-going negotiations. According to listing updated on October 8, 2012, countries with which the EU is currently negotiating a PTA include inter alia: Canada, India, Singapore, Malaysia, Ukraine, Brazil, Argentina, Uruguay, Paraguay, Saudi Arabia, Kuwait, Qatar, United Arab Emirates, Oman, Bahrain, Libya, Vietnam, Moldova, Armenia and Georgia. And countries with which the EU is considering opening preferential negotiations include: Japan, Azerbaijan, Brunei Darussalam, Indonesia, Philippines, Thailand, Ecuador, Bolivia

and United States of America. (Overview of FTA and other trade negotiations 2012.)

One should not mix up preferential rules of origin with **non-preferential rules of origin**, which are used for other purposes than receiving preferential treatment. Non-preferential origin is used e.g. to determine whether goods are subject to anti-dumping measures or export and import restrictions, and for statistical purposes. According to non-preferential rules of origin, origin is obtained in the country where the goods have been “wholly obtained” or in the country where the last substantial, economically justified working or processing is carried out. (A User's Handbook, 8.)

3.3 The World Trade Organization (WTO)

The World Trade Organization (WTO) established in 1995 is the successor to the General Agreement on Tariffs and Trade (GATT) established almost 50 years earlier. A trading system originally set up by the GATT, and nowadays overseen by the WTO, is called the **multilateral trading system**. The system was developed through a series of trade negotiations, or rounds, held under GATT. The rounds dealt mainly with tariff reductions but also with other areas such as anti-dumping and non-tariff measures. The Uruguay Round held in 1986 - 1994 led to the creation of the WTO. (The WTO in brief: Part 1, The multilateral trading system – past, present and future 2012.) The amount of members has grown from 23 countries to present 157 countries (Understanding the WTO: The organization, Members and Observers 2012).

The main function of the WTO is to ensure that trade flows as smoothly, predictably and freely as possible. As a result, consumers and producers know that they can enjoy secure supplies and greater choice of the finished products, components, raw materials and services that they use, and producers and exporters know that foreign markets will remain open to them. Another

result is a more prosperous, peaceful and accountable economic world. Lowering trade barriers also breaks down other barriers between peoples and nations. The ultimate goal of the system is to improve the welfare of the peoples of the member countries. (The WTO... In brief 2012.)

At the heart of the multilateral system are the WTO's agreements negotiated by the bulk of the world's trading nations. These agreements provide the legal ground rules for international commerce. (The WTO... In brief 2012.)

The latest round of trade negotiations known as the Doha Round was launched in 2001. The aim of the round was to achieve major reform of the international trading system through the introduction of lower trade barriers and revised trade rules. (The Doha Round 2012.) However, the negotiations so far have been unsuccessful (Jääskeläinen 2012, 1).

One of the principles the WTO stands for is **non-discrimination or most favored nation (MFN) treatment**: MFN means that every time a country lowers a tariff, it has to offer the same treatment to all of its trading partners. The purpose of this clause is to prevent trade diversion and the cumbersome tariff structure that would likely prevail in the absence of MFN. (Baldwin & Freund 2011, 122.)

3.4 Regionalism vs. Multilateralism

Whereas the Doha Round stumbles, the PTAs continue to multiply, making regionalism the most active mode of trade liberalization at the moment. This concerns many multilateralists who argue that although regionalism may increase trade, its effects on the welfare and the world trade system are likely to be harmful through trade diversion. (Baldwin & Freund 2011, 121.)

Both the WTO and PTAs allow countries to cooperate and commit to reducing trade barriers, but the most important distinction between the two types of agreements is that the PTAs go against the principle of non-discrimination (op. cit. p. 122).

However, there are different ways of looking at the relationship between multilateralism and regionalism. Baldwin and Freund (2011, 121) summarize the available theoretical and empirical evidence on the relationship, with the aim of discerning whether the spread of regionalism is likely to be a threat to, or an opportunity for broader trade liberalization – in other words, whether regionalism is “a building block” or “a stumbling block”.

Baldwin and Freund (2011, 137) come to the conclusion that, so far, there is little evidence that regionalism is overwhelmingly bad for the multilateral trade system, and that there is some evidence that regionalism is associated with general liberalization. However, the authors remind that empirical evidence is only at an early stage due to the fact that experience with the regionalism-multilateralism interface is still slender (op. cit. p. 123). A closer look at both the stumbling block and building block logic can be found in Baldwin and Freund's study.

3.5 Classification of goods

3.5.1 Commodity codes

Goods can be classified by using commodity codes. When trading internationally, you have to know the correct commodity code of your goods. These codes are used for many purposes and they also have an important role in the PTAs. In order to find the correct commodity code, one can use the Harmonized System, Combined Nomenclature, TARIC Consultation, Working tariff and Binding Tariff Information, which are briefly described below.

3.5.2 Harmonized System (HS)

Harmonized Commodity Description and Coding System generally referred to as "Harmonized System" or simply "HS" is a systematic list of commodities. This international, multipurpose nomenclature was developed by The World Customs Organization (WCO) and its maintenance is still a WCO priority. The system is used by more than 200 countries and economies as a basis for their customs tariffs and for the collection of international trade statistics. In addition, it is extensively used by governments, international organizations and the private sector for many other purposes such as internal taxes, trade policies, monitoring of controlled goods, rules of origin, freight tariffs, transport statistics, price monitoring, quota controls, compilation of national accounts, and economic research and analysis. (Nomenclature - Overview > What is the Harmonized System (HS)? 2012.)

The HS is organized in a logical and legal structure and supported by well-defined rules to achieve uniform classification. The system comprises about 5,000 commodity groups each identified by a six digit code. It gives a classification for over 200,000 commodities traded internationally covering more than 98 % of the merchandise in international trade. (Nomenclature - Overview > What is the Harmonized System (HS)? 2012.)

3.5.3 The Combined Nomenclature

The Combined Nomenclature, or CN, is used for classification of goods for exports from the European Union as well as in intra-Community trade-statistics. It is comprised of the HS nomenclature with further Community subdivisions and hence the CN description of goods is more specific than the HS description. Each CN subdivision has an eight-digit code number, the CN code, followed by a description. The CN code defines which rate of customs duty applies and how the goods are treated for statistical purposes. (The Combined Nomenclature 2012.)

The basic regulation behind the CN is Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff. Updated version of the nomenclature is published every year in the Official Journal of the European Union. There are also Explanatory Notes to the CN which can be used as help for interpreting the scope of the various tariff headings without legally binding force. The Explanatory Notes are also published in the EU Official Journal. (The Combined Nomenclature 2012.)

The Finnish Customs maintains updated listings of the CN codes on their website. The codes are presented as PDF and Excel files arranged by sections from I to XXI which include groups from 1 to 99. (CN-nimikkeistö 2012.)

3.5.4 TARIC

For importing from countries outside of the EU, ten digit-codes are used. These most detailed and itemized commodity codes can be found from an online customs tariff database called TARIC provided by the European Commission. The TARIC includes important information such as duty rates and any import and export restrictions. It works as a common working tariff for the EU. (Introduction to the Tariff: Commodity codes and the TARIC.)

Below is an example of a TARIC code as presented in the online database (figure 4).

▼ 8439	Machinery for making pulp of fibrous cellulosic material or for making or finishing paper or paperboard
8439 10	- Machinery for making pulp of fibrous cellulosic material
8439 20	- Machinery for making paper or paperboard
8439 30	- Machinery for finishing paper or paperboard
	- Parts
8439 91	- - Of machinery for making pulp of fibrous cellulosic material
8439 99	- - Other
8439 99 00 10	- - - Suction-roll shells, produced by centrifugal casting, not drilled, in the form of alloy-steel tubes, of a length of 3000mm or more and an external diameter of 550mm or more

FIGURE 4. An example of a TARIC code: 8439 99 00 10 – Parts of machinery for making or finishing paper or paperboard; suction-roll shells, produced by centrifugal casting, not drilled, in the form of alloy-steel tubes, of a length of 3000mm or more and an external diameter of 550mm or more. (TARIC Consultation, 2012.)

3.5.5 Working Tariff

EU member countries also have their own, national working tariffs which are based on the TARIC. Finnish Customs provides a Handbook called *Tullin käsikirja II* in Finnish and *THB II Brukstarriff* in Swedish (“Customs Handbook II”) covering the Finnish working tariff. The Handbook is available as printed version as well as on the Finnish Customs website.

3.5.6 Binding Tariff Information (BTI)

If an exporter is not sure what the correct code for his goods is, he can apply for a Binding Tariff Information (BTI). It is a written and legally binding decision on a classification code and valid for up to six years throughout the EU. It is important to know the correct code in order to be able to fill out customs documentation correctly and to pay the correct duties and VAT. It can also help you with certain kinds of export and obeying rules of origin. (Introduction to the Tariff: Binding Tariff Information and banned and restricted goods.) BTI in Fin-

land is applied from the Finnish Customs by using an application form which can be found in the Finnish Customs website (Mitä on sitova tariffitieto? 2012).

3.6 Defining the origin of goods

3.6.1 Criteria for defining “originating”

Brenton (2011) states that defining the origin of products has become more difficult during the last decades. This is because technological change, declining transport costs and the process of globalization have led to the splitting up of production chains and the distribution to different locations of the various elements in the production of a good. The issue becomes which of these stages of production defines the origin of a good. (pp. 161.)

Pascal Lamy, the Director-General of the WTO, in his speech at the Humboldt-Viadrina School of Governance in Berlin on 26 June 2012 put the dilemma into words as follows:

Global trade patterns are also changing rapidly and dramatically. Not too long ago, goods were referred to as “made in China” or “made in Germany”. Today, the expansion of global value chains means that most products are assembled with inputs from many countries. In other words, today’s goods are “made in the world”. (WTO News: Speeches – DG Pascal Lamy, Lamy: “Multilateralism is at a crossroads 2012.)

However, exporters need to be able to define the origin of their goods. In the PTAs, there are two main criteria for defining the origin:

- (1) wholly produced or obtained, and
- (2) substantially manufactured.

In the first case there are no imported components but the product is produced in a single stage or is wholly obtained in one country. This usually makes defining the origin easy. However, the criterion mainly applies to “natural products” and to goods entirely made from them. (Brenton 2011, 161.)

Below is a list of products which count as “wholly produced” in a Party:

- (a) mineral products extracted from the soil or sea bed
- (b) vegetable products harvested there
- (c) live animals born and raised there
- (d) products from live animals raised there
- (e) products obtained by hunting or fishing conducted there
- (f) products of sea fishing and other products taken from the sea by its vessels,
- (g) products made aboard its factory ships exclusively from products referred to in (f) above
- (h) used articles collected there and fit only for the recovery of raw materials, including used tyres fit only for retreading or for use as waste
- (i) waste and scrap resulting from manufacturing operations conducted there
- (j) products extracted from marine soil or subsoil outside its territorial waters, provided that they have sole rights to work that soil or subsoil
- (k) goods produced there exclusively from products specified in (a) to (j) above. (Tariff Preferences: Rules of Origin for various countries, 2010.)

The definitions of products counting as “wholly produced” may differ a bit per agreement. They are listed in a separate Article in the agreements.

In cases where two or more countries have taken part in the production of the good, the preferential rules of origin define methods for determining “substantial manufacturing”. Unfortunately, there is not a simple or standard method. (Brenton 2011, 161-162.) The different methods are discussed in the following subchapter.

3.6.2 Methods for determining substantial manufacturing

According to Brenton (2011, 162), there are three main criteria for defining “substantially manufactured”:

- (1) change of tariff classification
- (2) value added
- (3) specific manufacturing process.

Each criterion is discussed below.

Change of tariff classification: If the imported inputs used in the production of a good fall into a different tariff group than that of the final product, origin is granted. Applying this method has become easier as more and more countries have adopted the Harmonized System (HS). Usually, it is specified that the change should take place at the heading level, that is, at the four-digit level. (Op. cit. p. 163.)

Value added: When the value added to a product exceeds a certain percentage, the product is defined as originating (op. cit. p. 163). This method requires a comparison between the value of the non-originating inputs and the value of the final product. The value added criterion in the PTAs sets out the maximum percentage of **non-originating materials** allowed to be used without affecting the origin of the product: “Manufacture in which value of all the

non-originating materials used does not exceed xx % of the ex-works value⁴ of the product.” However, one can look at this method in two ways: as the minimum percentage of originating content required or as the maximum percentage of non-originating content allowed. (Study on Preferential Rules of Origin: Kyoto Convention – The methods to determine “substantial transformation” – The value added method 2010.) This is illustrated in figure 5 below.

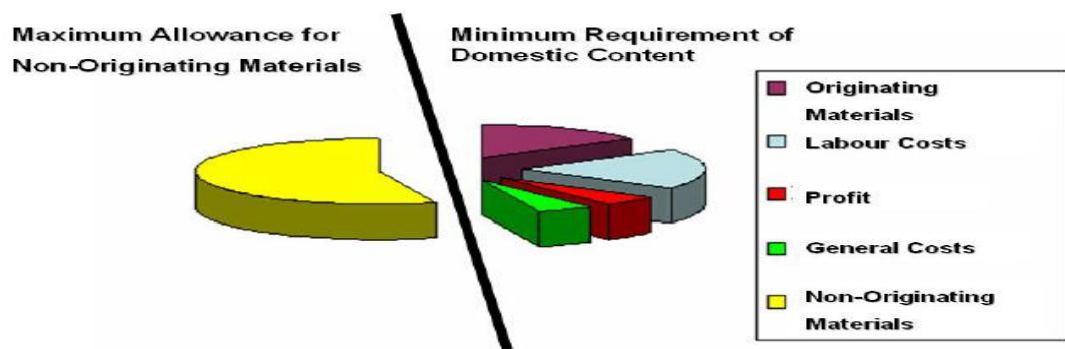


FIGURE 5. The two ways of looking at a value added method. (Study on Preferential Rules of Origin: Kyoto Convention – The methods to determine “substantial transformation” – The Value Added Method 2010.)

Specific manufacturing process: In this criterion it is defined which manufacturing or processing operations grant origin and which manufacturing or processing procedures do not confer origin. Use of certain originating inputs may be required, and certain non-originating inputs may be prohibited. This is a particular feature in textiles and clothing sectors, often combined with the change of tariff classification or value added criterion, or both. (Brenton 2011, 163, 165-166.)

In some agreements for certain products, more than one method to confer origin is stipulated. In some cases it is enough to satisfy any one of the me-

⁴ Ex-works value = the value of all supplied materials used in the manufacturing + profit + all costs effectively incurred by the manufacturer such as labor costs, overheads, research and development etc. (Tariff Preferences: Rules of Origin for various countries 2010).

thods while in others it is required to satisfy all of the methods. (Brenton 2011, 165.)

The method(s) applicable depends of the tariff classification of the product. Product-specific methods of conferring origin are listed by tariff codes in the agreements or in their annexes, i.e. in the list of product-specific rules of origin (also known as the list rules).

In addition to the three above listed criteria, Brenton (2011) mentions the following features used in conferring origin: cumulation, tolerance rules and absorption (p.166). In the European models the tolerance rule and absorption principle are covered in Article called “Sufficiently worked or processed products” whereas for “Cumulation of origin” there is an Article of its own. Other Articles typically covered under the Title “Definition of Originating Products” include “Insufficient working or processing”, “Unit of qualification”, “Accessories, spare parts and tools”, “Sets of goods” and “Neutral elements” .

3.6.3 Tolerance rule & Absorption principle

Tolerance rules can make it easier for products with non-originating material to qualify for preferences under the change of tariff heading rule and specific manufacturing process rule, but does not affect the value added rule (Brenton 2011, 168). Tolerances allow a certain percentage of *prohibited* non-originating inputs/materials to be used in the production of a good without affecting the origin of the final product. Prohibited here refers to e.g. inputs classified under the same heading with the final product (tariff shift). The allowed percentage is maximum 10 % of the ex-works price of the final product. The product categories, to which the tolerance rule applies, may be limited in the origin provisions. (Study on Preferential Origin: De Minimis / Tolerances 2010.)

According to the absorption principle, parts or materials that satisfy the relevant rule of origin and are used in the production of a product, are treated as 100 % originating when incorporated to the final product. In other words, the non-originating import content used in the production of the parts or materials is not taken into account when assessing the import content of the final product. (Brenton 2011, 168.)

3.6.4 Cumulation of origin

Cumulation allows producers to import materials from a specific country or group of countries in a way that the imported materials are treated as being of domestic origin in the country requesting preferential origin. There are three types of cumulation: bilateral, diagonal and full, all discussed below. (Op. cit. p. 166.)

In order to apply cumulation, it has to be provided for in the origin protocols of the PTA and the origin rules need to be identical. In general, the origin of the final product will be determined through the country of final manufacturing provided that the operations carried out go beyond minimal operations (explained in the next subchapter). If the “last working or processing” does not satisfy this rule, the origin of the final product shall be allocated to the country contributing the highest value. (A User's Handbook, 13 & 28).

In cases where originating materials are not only being processed more than minimally but substantial manufacturing takes place at the same time, it is important to evaluate whether cumulation has been applied or not. This is because it influences the way in which origin is to be proved (origin declaration) and it also has an impact on application of the no-drawback rule explained in chapter 3.8. (Op. cit. p. 31.)

Bilateral cumulation applies to materials provided by either of *two* partners of a PTA. In this case, all *originating* material imported from partner A to partner B for production, qualifies as originating when exporting the final product to partner A. (Op. cit. p. 166.) Bilateral cumulation is applied in almost all PTAs (Study on Preferential Rules of Origin: Bilateral accumulation / cumulation 2010).

An example of bilateral cumulation: The EU has a PTA with South Korea providing for bilateral cumulation. Sugar of chapter 1702, for which the preferential rule of origin is “manufacture in which all the materials used are originating” is produced in the EU and then exported to South Korea. South Korean originating material is used in the manufacturing of the sugar but is treated as originating in the EU as per bilateral cumulation and the sugar hence has EU preferential origin when exported to South Korea.

Diagonal cumulation allows the use of *originating* materials from anywhere in a specified *region*. Diagonal cumulation is among others applied in the system of Pan-Euro-Med cumulation. (Op. cit. p. 166.) This system is presented in more detail in subchapter 3.10. The form of diagonal cumulation existing under the GSP scheme may also be called *regional cumulation* (Common provisions 2012).

A number of countries have been formed into groups for diagonal cumulation purposes. They are:

- The Contracting parties to the “Pan Euro-Mediterranean Agreements”
- The ACP countries
- The Overseas Countries and Territories (OCT)
- Brunei-Darussalam, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam

- Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru and Venezuela
- Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka
- Montenegro, Croatia, Bosnia-Herzegovina, Albania, Macedonia, Serbia, Kosovo and Turkey. (Tariff Preferences: Rules of Origin for various countries 2010.)

In addition to the above:

- South African manufacturers and producers can use products originating in an ACP State, and
- ACP States can use certain products originating in South Africa (Tariff Preferences: Rules of Origin for various countries 2010).

An example of diagonal cumulation: The EU has PTAs with Egypt and Morocco providing for diagonal cumulation and identical origin rules. Sugar of chapter 1702, for which the preferential rule of origin is “manufacture in which all the materials used must already be originating” is produced in the EU and then exported to Egypt. Moroccan originating material is used in the manufacturing of the sugar but is treated as originating in the EU as per diagonal cumulation and the sugar hence has EU preferential origin when exported to Egypt.

Full cumulation is rarely applied in the PTAs. According to the rules of full cumulation, all the processing carried out in participating countries is assessed in deciding whether there has been substantial transformation. (Brenton 2011, 167.) The difference with the other forms of cumulation is that while the other forms require that the goods are *originating* before being exported from one party to another for further working or processing, this is not required with full cumulation (Common provisions 2012).

The EU applies full cumulation in its agreements with the countries of the European Economic Area (EEA), the Maghreb countries of Algeria, Morocco and Tunisia, The Overseas Countries and Territories (OCT), and the ACP states (Tariff Preferences: Rules of Origin for various countries 2010).

An example of full cumulation: The EU has PTAs with Tunisia and Morocco providing for full cumulation and identical origin rules. Indian yarn is exported to Tunisia where fabric is made from the yarn. The fabric does not obtain Tunisian origin as the origin rule for fabric demands manufacture from fiber. The non-originating fabric is exported to the EU where garments are manufactured from the fabric. The finished garments obtain preferential origin status in the EU because the processing carried out in Tunisia is added to the processing carried out in the EU to produce originating garments. The double transformation requirement – from yarn to fabric to garment – has been fulfilled. The garment can hence be exported to Morocco under preferential treatment.

3.6.5 Insufficient working or processing and Neutral elements

In all PTAs, types of operations insufficient to confer origin, also known as “minimal operations”, are specified. These operations vary slightly per agreement. Typically, the operations include:

- (a) preserving operations to ensure that the products remain in good condition during transport and storage
- (b) breaking-up and assembly of packages
- (c) washing, cleaning; removal of dust, oxide, oil, paint or other coverings;
- (d) ironing or pressing of textiles
- (e) simple painting and polishing operations
- (f) husking, partial or total bleaching, polishing, and glazing of cereals and rice
- (g) operations to colour sugar or form sugar lumps
- (h) peeling, stoning and shelling, of fruits, nuts and vegetables
- (i) sharpening, simple grinding or simple cutting

- (j) sifting, screening, sorting, classifying, grading, matching (including the making-up of sets of articles)
- (k) simple placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations
- (l) affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging
- (m) simple mixing of products, whether or not of different kinds
- (n) simple assembly of parts of articles to constitute a complete article or dis-assembly of products into parts
- (o) operations whose sole purpose is to ease loading
- (p) a combination of two or more operations specified in subparagraphs (a) to (o)
- (q) slaughter of animals.

It is important to note that these basic operations do not confer origin even if the basic preferential rule of origin is met (Brenton 2011, 166). All operations carried out in a Party on a given product shall be considered together when determining whether the working or processing undergone by that product is to be regarded as insufficient.

“Neutral element” refers to factors or means of production that are used in the process of manufacturing of a product, but are not incorporated/ included into the final product. These factors or means include (1) energy and fuel, (2) plant and equipment, (3) machines and tools, and (4) goods which do not enter and which are not intended to enter into the final composition of the product. The origin of these elements does not affect the origin of the final product. However, costs incurred from the use of the elements are taken into account in the calculation of the final value of the good (such as overhead costs) and hence have an indirect influence in the value-added method of defining origin. (Study on Preferential Rules of Origin: Indirect materials / Neutral elements 2010.)

3.6.6 Unit of Qualification, Accessories, Spare Parts and Tools & Sets

According to the Article Unit of Qualification, if an item is composed of a number of components that are classified as a unit in the HS, then that is the unit to be used in determining and claiming preference (A User's Handbook, 45). The way how to handle with packing / packaging materials and containers for origin determination purposes, is covered in the same Article. The Article states that when according to the General Interpretative Rule 5 of the HS packaging is included in the product for classification purposes, it shall also be included for the purposes of determining origin. (Study on Preferential Rules of Origin: Packaging materials and containers 2010.)

Rule 5 of the Harmonized System states that:

- (a) *Camera cases, musical instrument cases, gun cases, drawing instrument cases, necklace cases and similar containers, specially shaped or fitted to contain a specific article or set of articles, suitable for long-term use and presented with the article for which they are intended, shall be classified with such articles when of a kind normally sold therewith. This Rule does not, however, apply to containers which give the whole its essential character.*
- (b) *Subject to the provisions of Rule 5 (a) above, packing materials and packing containers presented with the goods therein shall be classified with the goods if they are of a kind normally used for packing such goods. However, this provision is not binding when such packing materials or packing containers are clearly suitable for repetitive use. (Study on Preferential Rules of Origin: General rules for the interpretation of the Harmonized System (GIR) Rule 5 2010.)*

For accessories, spare parts and tools there is an Article of their own. The value of these items or illustration materials often sold with machinery, equipment, vehicles or other products shall be considered as part of the consignment providing that they:

- are parts of the normal equipment of a good

- are included in the price of the good, and
- are not separately invoiced.

Consequently, they are treated in origin status assessment in the same way as input material used in the manufacturing of a good. (Study on Preferential Rules of Origin: Accessories, Spare Parts and Tools 2010.)

What comes to goods put in sets, it is stated that if value of the non-originating components of the set does not exceed 15 % of the ex-works value of the whole set, the set can be defined as originating. For determining the origin of the components, each component needs to be studied individually looking at the product-specific rule of origin of the heading under which the component would be classified with individual classification. (Study on Preferential Rules of Origin: Sets 2010.)

3.6.7 Accounting segregation of materials & Exhibitions

The accounting segregation Article is only provided for in some of the PTAs. The Article states that, in cases where identical and interchangeable originating and non-originating materials are used in the manufacturing of a product, these materials shall be physically segregated according to their origin during storage. However, where considerable costs or material difficulties would arise, so-called accounting segregation method can be applied. The method follows the generally accepted accounting principles of the Party of manufacturing and the method must be able to ensure that, for a specific reference period, no more products receive originating status than would be the case if the materials were physically segregated.

Some PTAs also include an Article called Exhibitions. This Article covers originating goods which are purchased at or after a public exhibition held in a third country (i.e. a country outside of a free trade zone). These products may

benefit from preferential origin provided that the requirements set out in the Article of the applicable PTA are met. (A User's Handbook, 56.) This Article can be seen in connection with the Principle of Territoriality presented in the next chapter and is, in some PTAs, covered under the Title "Territorial requirements".

3.7 Principle of Territoriality & Direct Transport rule

Articles typically covered under Title "Territorial requirements" include Principle of Territoriality and Direct transport. The Principle of territoriality rule requires that the conditions for acquiring originating status must be fulfilled without interruption in the territory of the free trade zone. If originating products are transported outside of the preferential zone and back, they are considered entirely non-originating when returned *unless* it can be demonstrated to the satisfaction of the customs authorities that:

- the returning goods are the same as those exported, and
- they have not undergone any operation beyond that necessary to preserve them in good condition while in that non-party or while being exported. (Study on Preferential Rules of Origin: Principle of Territoriality 2010.)

The agreements may also include other exceptions to the rule. These need to be checked per agreement.

The PTAs also contain rules about transportation. The direct transport rule requires direct transportation of originating goods between the Contracting Parties of the agreement thus reducing the chance of manipulating or mixing originating goods with non-originating ones during transportation. However,

transportation through and temporary warehousing in non-contracting parties is allowed under certain conditions. If trans-shipment or temporary warehousing in such territories is required, e.g. for geographical reasons, the goods must stay under the surveillance of customs authorities. Operations allowed during trans-shipment or warehousing include unloading, reloading and operations designed to preserve the consignment in good condition. In cumulation systems, transportation through countries or territories with which cumulation is applicable is allowed. Transport by pipeline across territories other than Parties of the agreement is also allowed. (Study on Preferential Rules of Origin: Direct transport / transshipment 2010.)

Proof of compliance with the direct transport rule may be given e.g. by a single transport document covering the passage of the goods from the exporting country through the country of transit or by a certificate issued by the customs authorities of the country of transit (Study on Preferential Rules of Origin: Direct transport / transshipment 2010).

3.8 No-drawback rule

The no-drawback rule refers to the prohibition of drawback of or exemption from customs duties on goods that have been or will be re-exported (unprocessed, processed or incorporated in other products). The rule is provided for in many PTAs. If preferential treatment is exploited in export, all relevant import duties on non-originating material used in the manufacturing of the product must be paid. (Study on Preferential Rules of Origin: Drawback 2010.)

The objective of the rule is to prevent distortions in trade and unfair competition within the free trade zone. With the possibilities of drawback, the exported goods would be cheaper than the same goods put for sale on the domestic

market. The no-drawback rule guarantees equal treatment between commodities manufactured and traded in the domestic market and commodities manufactured and exported to PTA partner countries. (Study on Preferential Rules of Origin: Drawback 2010.)

However, some of the PTAs allow for **partial drawback** for a limited period. This is because the customs duties applicable to non-originating materials in some countries are considerably higher than those applicable in the EU and by allowing a refund to a certain level the imbalance, which could be seen as favoring EU producers, is reduced. (Common provisions 2012.)

It can be seen from appendix 1 which of the EU's PTAs include no-drawback provisions.

3.9 Proving the originating status

3.9.1 Origin declarations

A proof of the EU origin needs to be provided at the time of importation in order to receive preference. The proof can be an invoice declaration, a EUR.1 movement certificate, a EUR-MED movement certificate or a EUR-MED invoice declaration.

If the value of the goods is under 6.000 EUR, the origin declaration can be made out by the exporter on an invoice, delivery note or any other commercial document which describes the products concerned in sufficient detail enabling identification of the products. This is called an invoice declaration. Approved Exporters (explained in the next chapter) can use invoice declaration for shipments of any value. (Miten alkuperä osoitetaan? 2012.) The text models of the invoice declaration and EUR-MED invoice declaration are presented in appendix 2.

The EUR.1 movement certificate, or shortly EUR.1, is applied from the Customs authorities. The exporter fills out the form and delivers it to the nearest Customs office, where the application is confirmed and then returned to the exporter. (Miten alkuperä osoitetaan? 2012.) The exporter has the responsibility to provide the correct information to the Customs in the application for the certificate (A User's Handbook, 70). The EUR.1 form is presented in appendix 3.

The EUR-MED movement certificate or EUR-MED invoice declaration is used when:

- 1) cumulation has been applied when manufacturing the product
- 2) when cumulation will or may be applied in the destination country with another country belonging to the pan-Euro-Mediterranean system, in other words the product will be reprocessed or re-exported in the raw from the destination country to another country belonging to the system. In this case the buyer usually informs the supplier that he needs a EUR-MED certificate instead of EUR.1. (Miten alkuperä osoitetaan? 2012.)

EUR.1 and the conventional invoice declaration can still be used in trade between the parties of the Pan-European cumulation system. Similarly, EUR.1 and the conventional invoice declaration can still be used in trade between the EU and a single Euro – Mediterranean country if no cumulation wider than bilateral cumulation between the contracting parties is applied or if cumulation is not applied at all. If necessary, a EUR-MED certificate can afterwards be given to such product even if EUR.1 had been used in export from the EU. (Euro - Välimeri-kumppanuus ja laajentuva alkuperäkumulaatioalue 2009.)

When using EUR-MED, it always has to be mentioned whether cumulation has been applied or not. If applied, also the countries which cumulation has

been applied with need to be mentioned. (Miten alkuperä osoitetaan? 2012.) The EUR-MED movement certificate form is presented in appendix 4.

In some cases products may be shipped in several installments. In these cases, a single proof of origin shall be submitted to the customs authorities upon importation of the first installment. **Importation by installments** is covered in a separate Article, which usually applies to products which by their very nature would be difficult to ship in a single installment. If each installment is made up only of originating products, separate proofs of origin shall be accepted. (A User's Handbook, 95.)

An A.TR. movement certificate is used in trade with Turkey. A.TR. differs from the other origin declarations in a way that it does not actually prove the origin of the goods but that the goods have been in **free circulation** inside of the EU. The A.TR. form is filled out by the exporter and then confirmed by the Customs authorities just like EUR.1 and EUR-MED. Approved exporters may confirm A.TR. forms by themselves. (Miten alkuperä osoitetaan? 2012.) The A.TR. form is presented in appendix 5.

In 2011, the EU made a PTA with the Republic of Korea (South Korea). Different in the agreement is that EUR.1 is not approved but the export company has to use invoice declaration. This forces some Finnish companies to apply for the approved exporter authorization. According to specialist *Saila Saastamoinen* from Elinkeinoelämän keskusliitto, this procedure will apply to all EU's prospective PTAs. Saastamoinen continues that in the future the companies exploiting PTAs have to familiarize themselves with the preferential rules of origin in more detail as in the new procedure the liability for verifying truthful origin has moved from the authorities to companies. (Vientirytykset jatkossa laatimaan vapaakauppasopimusten alkuperätodistuksia – Korea suunnäyttjä 2011.)

3.9.2 Supplier's Declaration

If the exporter has not manufactured EU originating goods himself but purchased them from another company inside the EU, and plans to compose a certificate of preferential origin when re-exporting, he must ask for a Supplier's Declaration from the seller. With the Supplier's Declaration the seller insures that the product sold is of EU origin. The destination country of the final export is mentioned on the Supplier's Declaration so that the supplier can check the product-specific preferential rule of origin. (Hankkijanilmoitus 2011.)

There are both long-term declarations and shipment-specific declarations. The long-term declaration is valid for maximum one year. (Hankkijanilmoitus 2011.) Supplier's Declaration forms are presented in appendices 6 and 7.

The Customs and the buyer have the right to check the validity of a Supplier's Declaration given. In this case the seller has to fill out an **INF Information Certificate**, which is delivered to the local Customs authorities. The Customs performs necessary inspection procedures and confirms the certificate either correct or non-correct. (Hankkijanilmoitus 2011.)

3.9.3 Approved Exporter

An approved exporter is an exporter who has met certain conditions imposed by the customs authorities and who is allowed to make out invoice declarations. The procedures attached to granting "approved exporter" status depend on national provisions. The customs authorities have the right to withdraw the status if the exporter misuses or abuses the authorization. (Common provisions 2012.) Finnish companies may apply for the status from Finnish Customs. Each approved exporter receives a customs authorization number which shall appear on the origin declarations given. Invoice declarations cannot be given for shipments dispatched from another EU country.

Cross border use of the authorization is only possible if a community-level status of approved exporter is granted by the Customs. With the community-level authorization, an authorized exporter may apply to use his authorization for exports from other Member State(s).

3.9.4 Supporting documents

An origin declaration must not be issued without evidence that the exported goods meet the relevant preferential rule of origin. Without evidence, all materials are considered to be non-originating. The evidence may be:

- Supplier's Declaration
- costings that show the percentage of originating/non-originating materials in a product as required by the appropriate origin rule
- direct evidence of the processes carried out by the exporter or supplier to obtain the goods concerned such as accounts/internal bookkeeping. (Tariff Preferences: Rules of Origin for various countries 2010.)

An exporter issuing a preference document must be prepared to submit all appropriate supporting documents at any time, at the request of the customs authorities. Not meeting the requirements may lead to penalties. (Tariff Preferences: Rules of Origin for various countries 2010.) It is stated on the Finnish Customs website that all supporting documents shall be maintained for at least *three years* (Miten alkuperäselvitysten oikeellisuutta valvotaan vientimaassa? 2008).

3.10 Euro-Mediterranean Partnership and Pan-Euro-Mediterranean cumulation

The Pan-Euro-Mediterranean cumulation system is an extension of the former Pan-European cumulation system. The Pan-European cumulation system was created in 1997 on the basis of the EEA (European Economic Area) agreement between the then EC, the EFTA countries (Iceland, Norway and Switzerland and Liechtenstein), the CEEC countries (The Central and Eastern European countries) and was then widened to Slovenia and certain products originating in Turkey. Hence, the Pan-European cumulation system nowadays consists of the EU member countries, the EFTA countries and Turkey. (System of Pan-Euro-Mediterranean cumulation 2012.)

The system has since been extended to include the Mediterranean countries Algeria, Egypt, Israel, Jordan, Lebanon, Palestinian Authority, Morocco, Syria and Tunisia, and the Faroe Islands, creating a new, extended cumulation system called the system of Pan-Euro-Mediterranean cumulation. The system has resulted in a number of groups of countries within which the extended cumulation can be applied. (System of Pan-Euro-Mediterranean cumulation 2012.)

The system is a result of the Euro-Mediterranean Partnership, which was launched in Barcelona in 1995 – hence also known as the “Barcelona Process”. Its overall objective was to provide a framework for strengthened dialogue and comprehensive co-operation in the Mediterranean. The Partners agreed upon a strategy aiming at creating an area of peace, stability and shared prosperity through the progressive establishment of free trade between the EU and its Mediterranean partners and amongst the partners themselves. (System of Pan-Euro-Mediterranean cumulation 2012.)

The first step towards the creation of this free trade area was the conclusion of Euro-Mediterranean association agreements granting reciprocal trade preferences between the EU and its Mediterranean partners. These agreements replaced the co-operation agreements concluded in the 1970s, which implied unilateral trade preferences. The only co-operation agreement still in force is with Syria. (System of Pan-Euro-Mediterranean cumulation 2012.)

To create the system of Pan-Euro-Mediterranean cumulation of origin, the origin protocols on rules of origin annexed to the various preferential agreements had to be standardized. In 2005, the Council of the EU approved a Commission proposal to amend these protocols. (System of Pan-Euro-Mediterranean cumulation 2012.)

A Commission notice published in the EU Official Journal on May 26, 2011, (Commission notice concerning the date of application of the protocols on rules of origin providing for diagonal cumulation between the European Union, Algeria, Egypt, Faeroe Islands, Iceland, Israel, Jordan, Lebanon, Morocco, Norway, Switzerland (including Liechtenstein), Syria, Tunisia, Turkey and West Bank and Gaza Strip) states that:

It is recalled that cumulation can only be applied if the countries of final manufacture and of final destination have concluded free trade agreements, containing identical rules of origin, with all the countries participating in the acquisition of originating status, i.e. with all the countries from which all the materials used originate. Materials originating in the country which has not concluded an agreement with the countries of final manufacture and of final destination shall be treated as non-originating.

This is called the “variable geometry” rule (System of Pan-Euro-Mediterranean cumulation 2012). A ‘matrix’ on the agreements providing for diagonal cumulation in the Pan-Euro-Med zone is presented in appendix 8.

The PTAs of the countries belonging to the Euro-Mediterranean zone include no-drawback provisions in cases where diagonal cumulation has been applied. The rule is *not* applied in bilateral trade relations if the final product is considered as originating without applying cumulation with another country of the Pan-Euro-Mediterranean cumulation zone. In this case EUR.1 or the conventional invoice declaration may be given but not EUR-MED certificate. (Euro – Välimeri- kumppanus ja laajentuva kumulaatioalue 2009.)

An exception is trade with Israel, the Faroe Islands, and Lebanon, in which the rule shall be applied even if only bilateral cumulation or no cumulation at all is applied. Also in the PTAs of the countries belonging to the Pan-European cumulation system, the no-drawback rule is *always* applied on non-originating materials if a proof of preferential origin is given in export. (Euro – Välimeri- kumppanus ja laajentuva kumulaatioalue 2009.)

4 RESEARCH PROCESS

4.1 Research questions

In this thesis, the main research problem was: How to perform an origin status assessment in Metso Paper's projects destined to countries which the EU has a preferential trade agreement in place with? In order to find a solution to this problem, answers to the following questions were looked for:

- 1) What are the preferential rules of origin like and especially, what are they like for Metso Paper's products?
- 2) How to divide the tasks and responsibilities of Procurement and Export Forwarding in making the origin status assessment?
- 3) What kinds of tools to use in the origin status assessment?

The answers to point 1 were looked for by using information available in books and in the Internet. Especially several PTAs available in the Internet were gone through. Answers to point 2 were looked for in cooperation with the Procurement Department by getting together and using the practical experience of project handling both parties had. Also the knowledge gained in looking for answers to question 1 was needed. In finding answers to point 3, a tool used for the same purpose in Metso Paper Karlstad AB, Sweden, worked as a good model.

The instructions were first made from the perspective of big projects. After that it had to be figured out whether they could also be applied in smaller projects (machine rebuilds, mill improvements, separate sales etc.). For this purpose, a deeper understanding of these products and different functions was also needed in formulating the instructions: How much Metso Paper's own production is there, how much is purchased and from where, how much business to the preference-giving countries is there etc. Hence, several employees from different functions were consulted. The answers differed from each other based on what product was in question. Also an external consultation was needed as Metso Paper quite recently outsourced one of its production units.

In addition, in finding the answers, advice and comments on practical experiences were asked from Karlstad unit based on the fact that they have had more projects to preference-giving countries. It was also asked from other Metso Paper's Finnish units whether they had some systematic approach or tools in use for origin status assessment that could work as a good model but they did not.

The origin status assessment was seen as a task between the Procurement and Forwarding but it became evident that also the Sales Department needs to be involved. Sometimes the information about a project sold to a preference-giving country comes to the Forwarding in such a late stage that the

impulse for the need of an origin status assessment primarily needs to come from Sales.

4.2 Research strategies

According to Hirsjärvi, Remes and Sajavaara (2007), Robson (1995) lists three traditional research strategies: Experimental, Survey and Case Study. All are discussed shortly below as explained by Hirsjärvi, Remes and Sajavaara. (pp. 130 - 131).

Experimental Research usually includes testing of hypotheses. The hypotheses are tested by selecting samples from known populations, deliberately and systematically allocating these samples to different experiment conditions, introducing a planned change of one or several variables, and measuring these variables numerically and controlling other variables.

In Survey Research a sample of a specific population is chosen and data is then collected from each individual in a structured fashion, usually using questionnaires or structured interviews. The aim is to describe, compare and explain events and phenomena.

Case study involves an in-depth examination of a single event or instance, i.e. a case. The case is examined from the focus point of an individual, group or community in its natural environment. Data is collected using several methods, among others observations, interviews and documentary analysis. The aim is typically to describe phenomena.

In this thesis a Case Study was applied – a piece of work made for Metso Paper and hardly applicable anywhere else.

4.3 Qualitative and quantitative research

There are two main approaches to a research problem: Qualitative and Quantitative Research. According to Hirsjärvi et. al. (2007, 132- 133), these approaches complement each other and are hard to precisely separate from each other. Below is a table (table 1) presenting the central characteristics of both types of research from eight different points of view.

TABLE 1. A point-by-point comparison of quantitative and qualitative research. (Comparing quantitative and qualitative research 2009.)

	Qualitative	Quantitative
Data being gathered	Mainly verbal data.	Measurable data.
How is the data being analyzed	In an interpretative manner, subjective, impressionistic or even diagnostic.	Counting and classifying features and constructing statistical models and figures.
Data being generated	Non-numerical data.	Numerical data or information that can be converted into numbers.
Goal or Aim of the Research	To provide a complete, detailed description of the research topic.	To explain what is observed.
Usage	Ideal for earlier phases of research projects.	Recommended for the latter part of the research project. Provides the researcher a clearer picture of what to expect in his research.

Data Gathering Instrument	The researcher serves as the primary data gathering instrument employing various data-gathering strategies, e.g. individual in-depth interviews, structured and non-structured interviews, focus groups, narratives, content or documentary analysis, participant observation and archival research.	Makes use of tools such as questionnaires, surveys and other equipment collecting measurable data.
Type of Data	In the form of words (from interviews) and images (videos) or objects (such as artifacts) and figures in the form of graphs.	Tables containing data in the form of numbers and statistics.
Approach	Subjective.	Objective.

In this research the primary approach was qualitative: information was gathered through internal interviews/discussions and written data, and the results were presented mostly in the form of words. However, also quantitative research was used in the Case Study (explained in the next chapter). In the Case Study numerical data had to be gathered when defining the origin status and the data was also presented in a table containing data in the form of numbers.

5 USING TRADE PREFERENCES IN METSO PAPER – OUTCOMES OF THE THESIS

The answers and solutions found and created as outcomes of the thesis are discussed below.

Research question 1:

- The research made revealed that for Metso Paper's products there are usually two alternative methods for conferring the origin, which provides more flexibility. The most common preferential rule of origin for Metso's products is the value added rule, often also partly combined with the tariff shift. Sometimes the change of tariff classification rule occurs as it is. The tools developed for origin status assessment (research question 3) are suitable for studying of both rules and their combination.

Research question 2:

- A process description and a process chart defining the tasks and responsibilities of different functions (Procurement, Export Forwarding and Sales) in a project that has been sold to a country which the EU has a PTA with. The document also includes general information about the PTAs. These were made in Finnish language to a Metso Paper database. An English translation is presented in appendix 9 and is confidential.

Research question 3:

- A table called "Origin status of the product". With the help of the table Procurement and Forwarding can define whether the product to be exported meets the applicable preferential rule of origin. Also shortened instructions for filling in the table were written. The base of the table is presented in appendix 10.
- A table created to a Metso Paper database from which the applicable preferential rule of origin to be used in an origin status assessment can easily be checked. The table covers the preference-giving countries which Metso Paper has most business with and preferential rules of origin for Metso Paper's products. In connection with the table there is also a list of all the countries which the EU has a PTA with. From the list it can easily and quickly be checked whether a PTA is in place and,

hence, if an origin status assessment needs to be made. The list and the table will then be completed later on when needed. This outcome also works as an instrument in the origin status assessment and is presented in appendix 11.

In the origin status assessment, the MC unit summarizes the purchases of each production unit and based on this, evaluates whether the origin status is achieved.

In addition to the above mentioned outcomes, a Case Study on a project called “ANAHUAC1” destined to Mexico to test the instructions and tools in practice was made. The Case Study is perpetually confidential and hence not included in the work.

6 COMMENTS & CONCLUSION

In chapter 2.2 there was a short introduction to Metso Paper’s products and one could read that the machines consist of several sections from several productions units including both Metso Paper’s own production and subcontracting. Hence, applying the preferential rules of origin to these products is not that simple. It was already mentioned in the introduction part that Capital Business is a lot different from e.g. Service Business, where we talk about individual spare parts whereas in projects it is a question of big complexes.

What made the work a bit harder is that I do not have that much experience of dealing with big project deliveries. Hence, help and advice from my foreman, an experienced Forwarding Manager, was needed.

In addition, the topic of the thesis is close to Business on which I personally have not sat any studies. This, on one hand, made making of the thesis more challenging but on the other, also more interesting. Lots of business-related literature was read.

During the work, in some instances, slight resistance from certain quarters was observable. This is only understandable as the issue is something new and can at first seem somewhat of a burden to some people. In addition, more advice and comments would have been hoped for from Metso Paper Karlstad unit as they have more practical experience of the origin issues.

What comes to practical use of the preferences, in the instructions it was stated that warranty and short deliveries are to be studied individually. In these deliveries the terms of delivery is usually DDP, which means that Metso is accountable for the customs duties in the destination country. In shipments of subcontracted products with low value it is sometimes more reasonable to omit the invoice declaration because the profit gained does not cover the costs resulted from the work time used for the origin status assessment and possible acquirement of Supplier's Declaration(s).

It should also be noted that Metso Paper may be entitled to a nil rate of duty under the MFN treatment when exporting to certain countries. These countries also include countries with which the EU has a PTA. Thus, in these cases, no extra benefit would be received by proving the preferential origin.

Let's take Norway as an example. The amount of customs duty per country and per tariff code can be checked from Market Access Database.

Code	Product description	MFN	EU
84	CHAPTER 84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF		
8439	Machinery for making pulp of fibrous cellulosic material or for making or finishing paper or paperboard:		
<u>8439.10</u> ..	- Machinery for making pulp of fibrous cellulosic material	0%	0%
<u>8439.20</u> ..	- Machinery for making paper or paperboard	0%	0%
<u>8439.30</u> ..	- Machinery for finishing paper or paperboard	0%	0%
	- Parts:		
<u>8439.91</u> ..	- - Of machinery for making pulp of fibrous cellulosic material	0%	0%
<u>8439.99</u> ..	- - Other	0%	0%

FIGURE 6. The amount of customs duty for goods with tariff code 8439 when destined to Norway (Applied Tariffs 2012).

As can be seen from figure 6 above, the amount of customs duty is 0 % for both EU originating goods and for Most Favored Nations. However, one should not blindly believe in the Database because it has been noticed that the information is not always correct. Hence, if not sure, the duty rate applicable should be checked from e.g. the forwarding company.

In Import Forwarding it is important to take the no-drawback rule into account because Metso Paper exploits the suspension system a lot by taking e.g. roll shells to inward processing. In the suspension system no customs duties are paid.

What is not closely covered in the work but should also be acknowledged, are the PTAs between third countries, e.g. the North American Free Trade Agreement (NAFTA) between the US, Canada and Mexico. If goods are shipped directly from a supplier outside the EU to a third country and these

two countries have a PTA in place with, this agreement can possibly be exploited.

What makes getting the community-level authorization of approved exporter so important to Metso Paper, is that in their projects goods are often shipped also directly from other EU countries. Normally a EUR.1 would be applied for as the invoice declaration cannot be used but, as written in the thesis, the new trend will probably be that EUR.1 movement certificates are no longer allowed.

It is important to include the Sales to the work among the origin issues, not only from the point of view that an impulse for the need of an origin status assessment needs to come from the Sales Department, but also because a preferential treatment should not be promised to the customer if there is no certainty that the originating status can be achieved. Then again, if a promise has been made to the customer, this has to be taken into account when planning and making the project purchases. Dialogue between different functions is needed and it needs to work properly.

Especially the Forwarding function needs to remain updated about the issue, inter alia about new PTAs made because it is defined as Forwarding's responsibility to maintain the list of the EU's PTAs. Related trainings arranged e.g. by Customs or Chamber of Commerce would also definitely be worthwhile.

The work to share the guidelines to other Finnish Metso Paper units has already been started. It would be good if all the units used the same approach.

The work required going through several PTAs and looking for information from them, which was a bit hard because not all of them are in the same form. The more they were studied, the better the ability to read them became.

The most complicated issue was the application of cumulation. However, in Metso Paper's case, cumulation is hardly ever applied.

It was noted that the preferential rules of origin leave scope for interpretation. The outcomes of the thesis reflect Metso Paper's current point of view and form a good base for the work among the origin issues. The instructions will be developed as they are used more in practice. The Case Study already revealed some deficiencies, based on which the instructions were modified. On the other hand, the instructions only provide guidelines for the assessment and cannot be made all-inclusive because of the different characters of each project.

The Case Study made was based on a project already delivered. When the instructions are applied on a beginning project, more deficiencies possibly arise and the instructions need to be further developed.

On demand, the customs authorities shall be consulted even though, from my personal point of view, it seems that even they do not always have a clear picture about the rules. No generic approval for the instructions and their validity can be got from the Customs because basically all shipments should be studied case-by-case.

As a conclusion, I have gained lots of valuable information as a result of the thesis and believe that the work is also of big value to Metso Paper.

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APPENDICES

Appendix 1: The European Union's Preferential Trade Agreements in force

Country	Type of PTA	Origin declaration	Notes
Albania	Free Trade Agreement	EUR.1 or invoice declaration	Includes no-drawback provisions
Algeria	Free Trade Agreement (pan-Euro-Mediterranean)	EUR-MED, EUR.1 or invoice declaration	Includes no-drawback provisions if other than bilateral cumulation is applied
Andorra	Customs Union	T2	For goods in free circulation; chapters 25 - 97 of the HS
Bosnia and Herzegovina	Free Trade Agreement	EUR.1 or invoice declaration	Includes no-drawback provisions
CARIFORUM States	Free Trade Agreement	EUR.1 or invoice declaration	
Ceuta and Melilla	Free Trade Agreement	EUR.1 or invoice declaration	Includes no-drawback provisions
Chile	Free Trade Agreement	EUR.1 or invoice declaration	Includes no-drawback provisions
Croatia	Free Trade Agreement	EUR.1 or invoice declaration	Includes no-drawback provisions
Eastern and Southern Africa States	Free Trade Agreement	EUR.1 or invoice declaration	
EFTA: Iceland, Liechtenstein, Norway, Switzerland	Free Trade Agreement (pan-Euro-Mediterranean)	EUR-MED, EUR.1 or invoice declaration	Includes no-drawback provisions
Egypt	Free Trade Agreement (pan-Euro-Mediterranean)	EUR-MED, EUR.1 or invoice declaration	Includes no-drawback provisions if other than bilateral cumulation is applied
Faroe Islands	Free Trade Agreement (pan-Euro-Mediterranean)	EUR-MED, EUR.1 or invoice declaration	Includes no-drawback provisions
Israel	Free Trade Agreement (pan-Euro-Mediterranean)	EUR-MED, EUR.1 or invoice declaration	Includes no-drawback provisions
Jordan	Free Trade Agree-	EUR-MED, EUR.1	Includes no-

	ment (pan-Euro-Mediterranean)	or invoice declaration	drawback provisions if other than bilateral cumulation is applied
Lebanon	Free Trade Agreement (pan-Euro-Mediterranean)	EUR-MED, EUR.1 or invoice declaration	Includes no-drawback provisions
Macedonia	Free Trade Agreement	EUR.1 or invoice declaration	Includes no-drawback provisions
Mexico	Free Trade Agreement	EUR.1 or invoice declaration	Includes no-drawback provisions
Montenegro	Free Trade Agreement	EUR.1 or invoice declaration	Includes no-drawback provisions
Morocco	Free Trade Agreement (pan-Euro-Mediterranean)	EUR-MED, EUR.1 or invoice declaration	Includes no-drawback provisions if other than bilateral cumulation is applied
Palestinian Authority	Free Trade Agreement (pan-Euro-Mediterranean)	EUR-MED, EUR.1 or invoice declaration	Includes no-drawback provisions if other than bilateral cumulation is applied
San Marino	Customs Union	T2	For goods in free circulation
Serbia	Free Trade Agreement	EUR.1 or invoice declaration	Includes no-drawback provisions
South Africa	Free Trade Agreement	EUR.1 or invoice declaration	
South Korea	Free Trade Agreement	Invoice declaration	
Tunisia	Free Trade Agreement (pan-Euro-Mediterranean)	EUR-MED, EUR.1 or invoice declaration	Includes no-drawback provisions if other than bilateral cumulation is applied
Turkey	Customs Union	A.TR.	For goods in free circulation; other than coal, steel and agricultural products

Turkey	Free Trade Agreement (pan-Euro-Mediterranean)	EUR-MED, EUR.1 or invoice declaration	Coal, steel and agricultural products; includes no-drawback provisions
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Appendix 2: Text models of an invoice declaration and a EUR-MED invoice declaration (English versions)

Invoice declaration:

The exporter of the products covered by this document (customs authorization No...¹) declares that, except where otherwise clearly indicated, these products are of...² preferential origin.

.....

(Place and date)

.....

(Signature of the exporter and the name of the person signing the declaration in clear script³)

¹) When the invoice declaration is made out by an approved exporter, the authorization number of the approved exporter shall be entered in this space. When the invoice declaration is not made out by an approved exporter, the words in brackets shall be omitted or the space left blank.

²) Origin of products to be indicated, "EC" or "EU".

³) Needed if other than approved exporter.

EUR-MED invoice declaration:

The exporter of the products covered by this document (customs authorisation No ...) declares that, except where otherwise clearly indicated, these products are of ... preferential origin.

— cumulation applied with ... (name of the country/countries)

— no cumulation applied¹

.....

(Place and date)

.....

(Signature of the exporter and the name of the person signing the declaration in clear script)

¹) Complete and delete where necessary.

Appendix 3: EUR.1 movement certificate

MOVEMENT CERTIFICATE				
1. Exporter (Name, full address, country)		EUR.1 FI No A 5704273		
		See notes overleaf before completing this form.		
3. Consignee (Name, full address, country) (Optional)		2. Certificate used in preferential trade between European Community and (Insert appropriate countries, groups of countries or territories)		
		4. Country, group of countries or territory in which the products are considered as originating	5. Country, group of countries or territory of destination	
6. Transport details (Optional)		7. Remarks		
(1) If goods are not packed, indicate number of articles or state "in bulk" as appropriate.	8. Item number; Marks and numbers; Number and kind of packages (1); Description of goods		9. Gross mass (kg) or other measure (litres, m ³ , etc.)	10. Invoices (Optional)
(2) Complete only where the regulations of the exporting country or territory require.	11. CUSTOMS ENDORSEMENT Declaration certified Export document (2): Form _____ No. _____ Stamp _____ Of _____ Customs office _____ Issuing country or territory FINLAND _____ _____ (Place and date) _____ (Signature)		12. DECLARATION BY THE EXPORTER I, the undersigned, declare that the goods described above meet the conditions required for the issue of this certificate. Place and date _____ Signature _____	

Appendix 4: EUR-MED movement certificate

MOVEMENT CERTIFICATE		
1. Exporter (Name, full address, country)	EUR-MED No A 000.000	
	See notes overleaf before completing this form.	
3. Consignee (Name, full address, country) (Optional)	2. Certificate used in preferential trade between and (Insert appropriate countries, groups of countries or territories)	
	4. Country, group of countries or territory in which the products are considered as originating	5. Country, group of countries or territory of destination
6. Transport details (Optional)	7. Remarks <input type="checkbox"/> Cumulation applied with (name of the country/countries) <input type="checkbox"/> No cumulation applied. (Insert X in the appropriate box)	
8. Item number; Marks and numbers; Number and kind of packages ⁽¹⁾ ; Description of goods	9. Gross mass (kg) or other measure (litres, m ³ , etc.)	10. Invoices (Optional)

11. CUSTOMS ENDORSEMENT <i>Declaration certified</i> Export document ⁽²⁾ Form No Of Customs office Issuing country or territory Place and date (Signature)	Stamp	12. DECLARATION BY THE EXPORTER I, the undersigned, declare that the goods described above meet the conditions required for the issue of this certificate. Place and date (Signature)
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Appendix 5: A.TR. movement certificate

MOVEMENT CERTIFICATE		
1. Exporter (Name, full address, country)	A.TR. No FI	
3. Consignee (Name, full address, country) (Optional)	2. Transport document (Optional) No _____ Date _____	
	4. ASSOCIATION between the EUROPEAN COMMUNITY and TURKEY	
7. Transport details (Optional)	5. Country of exportation	6. Country of destination⁽¹⁾
	8. Remarks	
9. Item number	10. Marks and numbers; Number and kind of packages (for goods in bulk, indicate the name of the ship or the number of the railway wagon or road vehicle); Description of goods	11. Gross weight (kg) or other measure (hl, m³, etc.)
12. CUSTOMS ENDORSEMENT Declaration certified _____ Stamp _____ Export document ⁽²⁾ Form _____ No _____ Customs office _____ Issuing country FINLAND Place and date _____ _____ (Signature)		13. DECLARATION BY THE EXPORTER I, the undersigned, declare that the goods described above meet the conditions required for the issue of this certificate. Place and date _____ _____ (Signature)

(1) Insert the Member State or Turkey
 (2) Complete only where the exporting country requires.

Appendix 6: Supplier’s Declaration for products having preferential origin status

DECLARATION

I, the undersigned, declare that the goods listed on this document(1) originate in(2) and satisfy the rules of origin governing preferential trade with..... (3).

I declare that (4):

- Cumulation applied with.....(name of country/countries)
- No cumulation applied.

I undertake to make available to the customs authorities any further supporting documents they require.

-(5)
-(6)
-(7)

(1) If only some of the goods listed on the document are concerned, they should be clearly indicated or marked and this marking entered in the declaration as follows: ‘...listed on this invoice and marked...were originating in...’
 (2) The Community, country, group of countries or territory, from which the goods originate.
 (3) Country, group of countries or territory concerned..
 (4) To be completed, where necessary
 (5) Place and date.
 (6) Name and position in the company
 (7) Signature

Appendix 7: Long-term Supplier’s Declaration for products having preferential origin status

DECLARATION

I, the undersigned declare that the goods described below:

..... (1)

..... (2)

which are regularly supplied to(3), originate in(4) and satisfy the rules of origin governing preferential trade with(5).

I declare that (6):

Cumulation applied with.....(name of country/countries)

No cumulation applied.

This declaration is valid for all further shipments of these products dispatched from.....to.....(7)

I undertake to inform.....immediately if this declaration is no longer valid.

I undertake to make available to the customs authorities any further supporting documents they require.

.....(8)

.....(9)

.....(10)

- (1) Description
- (2) Commercial designation as used on the invoices, e.g. model No.
- (3) Name of company to which goods are supplied.
- (4) The Community, country, group of countries or territory, from which the goods originate.
- (5) Country, group of countries or territories concerned.
- (6) To be completed, where necessary
- (7) Give the dates. The period shall not exceed 12 months.
- (8) Place and date
- (9) Name and position, name and address of company.
- (10) Signature

Appendix 8: 'Matrix' on the agreements providing for diagonal cumulation in the Pan-Euro-Med zone

	EU	DZ	CH	EG	FO	IL	IS	JO	LB	LI	MA	NO	PS	SY	TN	TR
EU		X	X	X	X	X	X	X		X	X	X	X		X	X
DZ	X															
CH	X			X	X	X	X	X	X	X	X	X			X	X
EG	X		X				X	X		X	X	X			X	X
FO	X		X				X			X		X				
IL	X		X				X	X		X		X				X
IS	X		X	X	X	X		X	X	X	X	X			X	X
JO	X		X	X		X	X			X	X	X			X	X
LB			X				X			X		X				
LI	X		X	X	X	X	X	X	X		X	X			X	X
MA	X		X	X			X	X		X		X			X	X
NO	X		X	X	X	X	X	X	X	X	X				X	X
PS	X															
SY																X
TN	X		X	X			X	X		X	X	X				X
TR	X		X	X		X	X	X		X	X	X		X	X	

- DZ = Algeria
- EG = Egypt
- FO = Faeroe Islands
- IS = Iceland
- IL = Israel
- JO = Jordan
- LB = Lebanon
- LI = Liechtenstein
- MA = Morocco
- NO = Norway
- CH = Switzerland
- SY = Syria
- TN = Tunisia
- TR = Turkey
- PS = Palestinian Authority (of West Bank and Gaza Strip)

Source: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:156:0003:0005:EN:PDF>

Appendix 9: Performing an origin status assessment – a process description and process chart (page 1/5)

Appendix 9: Performing an origin status assessment – a process description and process chart (page 2/5)

Appendix 9: Performing an origin status assessment – a process description and process chart (page 3/5)

Appendix 9: Performing an origin status assessment – a process description and process chart (page 4/5)

Appendix 9: Performing an origin status assessment – a process description and process chart (page 5/5)

Appendix 10: Table “Origin status of the product”

	A	B	C	D	E	F
	Baan cmp	Purchased items	Tariff code	Country of Origin	Purchase Value (EUR)	Supplier's Declaration got from the supplier
1						
2						No
3						No
4						No
5						No
6						No
7						No
8						No
9						No
10						No
11		Finished product			(ex-works)	

Appendix 11: List of the PTA partner countries (EU)

COUNTRIES WITH WHICH EU HAS RECIPROCAL PREFERENTIAL TRADE AGREEMENTS IN PLACE WITH: Albania, Algeria, Andorra (Customs Union), Bosnia and Herzegovina, CARIFORUM States, Chile, Croatia, Eastern and Southern Africa States, Egypt, Faroe Islands, Iceland, Israel, Jordan, Lebanon, Macedonia, Mexico, Montenegro, Morocco, Norway, Palestinian Authority, Republic of Korea, Serbia, South Africa, Switzerland, Liechtenstein, Tunisia, Turkey (Customs union), San Marino (Customs union).

WTO MAINTAINS A LIST OF ALL PTAS: <http://rtais.wto.org/UI/PublicAIRTAList.aspx>, WHERE LINKS TO THE AGREEMENTS AND THEIR ANNEXES CAN BE FOUND.

***LIST OF WORKING OR PROCESSING REQUIRED TO BE CARRIED OUT ON NON-ORIGINATING MATERIALS IN ORDER THAT THE PRODUCT MANUFACTURED CAN OBTAIN ORIGINATING STATUS.**

Country	Type of the Agreement	Effective Date	CN Code	Preferential rule of origin applicable
Chile	Free Trade Agreement Published in the Official Journal of the European Communities in December 2002, L352, http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2002:352:SOM:EN:HTML	1.2.2003	8439 - -	*Manufacture in which: - the value of all the materials used does not exceed 40 % of the ex-works price of the product, and - within the above limit, the value of all the materials of the same heading as the product used does not exceed 25 % of the ex-works price of the product or Manufacture in which the value of all the materials used does not exceed 30 % of the ex-works price of the product
Israel	Free Trade Agreement Published in the Official Journal of the European Communities in June 2000, L147, http://eur-lex.europa.eu/JOIndex.do?year=2000&serie=L&textfield2=147&Submit=Search&_submit=Search&ihmlang=en	1.6.2000	8439 - -	*Manufacture: - in which the value of all the materials used does not exceed 40% of the ex-works price of the product, and - where, within the above limit, the materials classified within the same heading as the product are only used up to a value of 25% of the ex-works price of the product or Manufacture in which the value of all the materials used does not exceed 30% of the ex-works price of the product

Mexico	<p>Free Trade Agreement</p> <p>Published in the Official Journal of the European Communities in October 2000, L276 (2000/658/EC), http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2000:276:SOM:EN:HTML</p> <p>or see:</p> <p>http://www.sice.oas.org/Trade/MEX_EU/English/index_e.asp</p> <p>or</p> <p>http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:044:0001:0096:FI:PDF</p>	1.7.2000	8439 - -	<p>*Manufacture:</p> <ul style="list-style-type: none"> - in which the value of all the materials used does not exceed 40 % of the ex-works price of the product, - where, within the above limit, the materials classified within the same heading as the product are only used up to a value of 25 % of the ex-works price of the product or <p>Manufacture in which the value of all the materials used does not exceed 30 % of the ex-works price of the product</p>
Morocco	<p>Free Trade Agreement</p> <p>http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2000:070:0002:0190:EN:PDF</p>	1.3.2009	8439 - -	<p>*Manufacture:</p> <ul style="list-style-type: none"> - in which the value of all the materials used does not exceed 40% of the ex-works price of the product, and - where, within the above limit, the materials classified within the same heading as the product are only used up to a value of 25% of the ex-works price of the product or <p>Manufacture in which the value of all the materials used does not exceed 30% of the ex-works price of the product</p>

South Africa	Free Trade Agreement Published in the Official Journal of the European Communities in December 1999, L311, http://eur-lex.europa.eu/JOHtml.do?year=1999&serie=L&textfield2=311&Submit=Rechercher&_submit=Rechercher&ihmlang=en	1.1.2000	8439 - -	*Manufacture: - in which the value of all the materials used does not exceed 40% of the ex-works price of the product, - where, within the above limit, the materials classified within the same heading as the product are only used up to a value of 25% of the ex-works price of the product or Manufacture in which the value of all the materials used does not exceed 30% of the ex-works price of the product
South Korea (Republic of Korea)	Free Trade Agreement Published in the Official Journal of the European Union in May 2011, L127, http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2011:127:SOM:EN:HTML	1.7.2011	84 - -	*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 50 % of the ex-works price of the product
Turkey	Customs Union http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:21996D0213(01):EN:HTML	1.1.1996	Products other than agricultural products	Applicable to goods: - produced in the Community, including those wholly or partially obtained or produced from products coming from third countries which are in free circulation in the Community, or - coming from third countries and in free circulation in the Community, or - obtained or produced in the Community or in Turkey, in the manufacture of which products coming from third countries and not in free circulation in the Community were used -- if the import formalities have been complied with and any customs duties or charges having equivalent effect payable on third-country products used in their manufacture have been levied in the exporting State