

A globe is centered in the background, reflecting a cityscape with tall buildings and a bridge. The globe is set against a blurred background of a city street with blue and green tones.

WCO Global Origin Conference

Impact of non-preferential rules of origin

The situation seen from a private sector perspective

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Topics for discussion

1 Uses of non-preferential origin

2 Perspective from business

3 Business challenges

4 Suggestions for consideration



1 Uses of non-preferential origin

- ▶ Origin is a required data element to be declared to Customs Authorities when goods are crossing borders. This origin declaration can have both non-financial and direct financial implications to a business.
- ▶ **Non-financial impact**
 - ▶ Statistical reporting purposes
 - ▶ Compliance requirement
 - ▶ Marking / labeling
 - ▶ Government procurement programs
 - ▶ OGAs
- ▶ **Direct financial impact**
 - ▶ ADD / CVD
 - ▶ Punitive tariffs – 301, 232, Airbus, Digital Services Tax, etc.
 - ▶ Special programs (9802 US goods returned, etc.)
 - ▶ Fines and penalties

2 Perspectives from business

In recent discussions and interviews with numerous companies from various industries with global supply chain footprints, the following comments were observed:



*“One of the top three things in my trade compliance sphere that **“keeps me up at night”**”*



*“One of the **biggest issues** our trade compliance organization is charged with managing and fixing”*



*“We have difficulty assigning the necessary resources to this important area due to **perception of lower risk”**”*



*“Customs appears to **be less focused on auditing or enforcing** this complex area so we have not focused enough on it either”*



*“With the introduction of **punitive tariffs and financial impact** we have had to reprioritize nonpreferential origin as a key part of our trade compliance efforts”*



*“We **expect increased enforcement** from Customs in this area and are preparing more than ever before”*

3 The challenges of non-preferential origin

Business challenges

Massive number of products crossing borders from various sources:

- Purchase from 3rd parties
- Self-made parts

Who within the organization makes the origin determination with the appropriate product and trade technical knowledge?

Rapidly changing sourcing and supply chain decisions. New countries, new vendors, new locations but system origin field is not updated

No uniformity of regulations or centralized repository to understand each country main origin rule(s)

Where is the origin information captured in the system that is used for declaration purposes? How often is the information updated?

Country of origin could differ based on destination country but how to capture and report multiple origins for the same product?

Impact to on-time delivery when goods are held up for inconsistencies in origin adversely impacting supply chain

Non-preferential origin determination and reporting has always been a significant challenge for businesses to manage. In the past it has received less attention than other areas of trade compliance due to limited financial impact and perception of lower risk treatment from Customs Authorities. However, the recent use of origin in the assignment of punitive tariffs have elevated non-preferential origin to new heights. Businesses, in many cases, are uncertain of the local country rules and position a local Customs Authority will take so consequently are submitting ruling requests and having discussions to gain greater certainty.

4 Suggestions for consideration

- ▶ **Businesses welcome greater uniformity in the regulatory environment with improved certainty on how to address the area of non-preferential origin. The following suggestions were raised in discussions:**
 - ▶ Continue to encourage countries not to use origin as a mechanism for imposing punitive tariffs.
 - ▶ Provide basic outline of the major categories of non-preferential origin (e.g., tariff shift, RVC, substantial transformation, etc.) with guiding principles and interpretations common to WCO members.
 - ▶ Uniform treatment on certain major influencing areas – tariff shift occurring at which digit level?
 - ▶ Develop explanatory notes for non-preferential origin
 - ▶ Generate a list of all members by country outlining their major non-preferential origin categories and criteria. Global companies struggle to comply when the rules for each country are not known.
 - ▶ Immediately process clearance of shipments even when origin inconsistency has been identified but can be rectified in later discussions. Especially when there is no revenue impact or country risk by clearing the shipment to help businesses meet on time shipment and supply chain timelines promised to customers.
 - ▶ Enhanced training and industry engagement on the rules through dialogue, continuing education, (e.g., WCO Academy and other forums), as well as hosting training sessions such as today's origin conference.

Wrap-up

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