

**Impact assessment on
Rules of origin for
the Generalised System of Preferences
(GSP):
Annexes**

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ANNEX [1]: CONSULTATION OF EUROPEAN FEDERATIONS ON THE TREATMENT OF AGRICULTURAL PRODUCTS



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
Customs Policy
Origin, Customs Valuation and Trade Facilitation

Brussels,
TAXUD/C/5/RL D(2007) D 14099

AVEC
Rue du Luxembourg 47-51
Bte 2
B-1050- Brussels

Subject: Reform of preferential rules of origin

Dear Sir/Madam,

You will be aware that in March 2005 the Commission adopted a communication on future of rules of origin in preferential trade arrangements¹. One of the main elements of it was the introduction of a single method for determining whether non-originating materials have been sufficiently worked or processed, based on the value added in the beneficiary country. However, the communication acknowledged that this method needed further analysis in order to determine its likely impact against the guiding principles of simplification and development-friendliness, in particular for products in certain sensitive sectors such as agriculture. The communication also indicated that the value-added criterion may, where appropriate, "be defined and/or supplemented with additional conditions or criteria, in order to prevent possible misapplication or circumvention of preferences". The first candidate for such a reform should be the Generalised System of Preferences (GSP).

The Commission services are currently finalising an impact assessment as required by the Commission's "Better Regulation" rules. As part of this they now wish to test with various interested organisations in the agricultural sector certain ideas for the treatment of agricultural and processed agricultural products within the framework of a system based on value added. Your organisation is one of those we have identified. I would stress that this is part of the impact assessment and not a formal proposal by the Commission. The Commission will only make a proposal when the impact assessment is complete.

I attach a document containing a list of sensitive agricultural and processed agricultural products for which the Commission services consider supplementary conditions would be necessary, together with what could be the rules for such products. I would highlight the following points:

¹ COM(2005) 100 final, "The future of rules of origin in preferential trade arrangements: Orientations for the future".

- The guiding principles of the reform of preferential rules of origin are simplicity and development-friendliness. Simplicity requires that the number of different thresholds in a system based on value added should be as few as possible. Development-friendliness does not mean simply that the threshold should be as low as possible. An appropriate degree of local sourcing of materials is also vital to the well-being of the economies of beneficiary countries.
- Taking into account the results of studies they commissioned (and which will be made available later, when the impact assessment is completed and a proposal is made), the Commission services consider that a threshold of 60% value added in the beneficiary country should be broadly equivalent in effect to the current rules of origin for most products. For agricultural products which are not specifically mentioned in the table, this is the rule which would apply.
- The threshold of 60% added value is based on the ex-works price of the product, not the net production cost method favoured by the communication. This reflects the criticism from many parties that net production cost would be complex, requiring burdensome bookkeeping and sophisticated accounting systems, and could even discourage operators from using the preference, because it could effectively force suppliers to divulge confidential information.
- The value added method would be supported by an appropriate definition of "manufacture". This would be a positive definition, instead of the negative list of insufficient working or processing operations which exists currently.
- For the products mentioned in the table, two conditions would apply: 60% value added in the beneficiary country (as for other products), plus the specific, additional condition mentioned. These additional conditions are designed as an incentive to ensure that raw materials continue to be sourced locally instead of being imported, and they are intended to maintain the effect of the present rules. In most cases, the additional conditions are based on the tolerance for the use of non-originating materials which already exists. The current tolerance for GSP is 10% but for the Cotonou agreement it is 15% and there appears to be no valid reason for the GSP tolerance to be lower.
- With regard to wholly obtained products, the definition of these goods would remain unchanged.
- The document concerns only the "list rules", i.e. cases where third country materials are used. It does not deal with cumulation or how origin should be allocated within the context of cumulation. Cumulation provisions are intended to support regional integration in some geographical areas, but they will be treated only after the main rules are decided, in order not to distort the meaning of the main rules and to avoid any risk of circumvention of preferences.

In order to support the ongoing impact assessment, I should be grateful to receive the views of your organisation on these ideas: what is your reaction to them, whether the products have been correctly identified, whether the suggested additional conditions would be appropriate, and any other observations you may wish to make. May I ask you to respond by 15 April please in order to allow us to complete the impact assessment and make a proposal as soon as possible. The Commission services remain at your disposal for any clarification you may require.

Yours Faithfully,

Richard van Raan
Head of Unit

nclosure: Document containing list of additional criteria for the determination of preferential origin for certain agricultural products and processed agricultural products

cc: Mr Zielinski, Mr Swiderek, Mr Light
Mr Verlet, Mr Catalan Rodriguez (DG AGRI)
Mrs Bremkamp (DG ENTR)

EU Sector Associations:

COPA-COGECA · Franz Josef FEITER. Rue de Trèves, 61 · 1040 Bruxelles
Tel +32 (0)2/287.27.11 · Fax +32 (0)2/287.27.00

EDA (European Dairy Industry) Rue Montoyer 14 -1000 Bruxelles
Direct line: +32 2 549 50 44 / fax: +32 2 549 50 89
Benedicte.MASURE@euromilk.org

EUCOLAIT Anne Randles -Secretary General Ave Livingstone 26 -Brussels
Tel: 02 230 44 48 ARANDLES@eucolait.be

AVEC - Association of Poultry Processors and Poultry Trade in the EU countries
Rue du Luxembourg 47-51, bte 2 B - 1050 Brussels
Phone: +32 2 238 10 82 Fax: +32 2 238 10 84

UECVB (European livestock and meat trading union) Jean Luc Mériaux
Rue de la Loi 81A, Bte 9 - 1040 Bruxelles - BELGIQUE
Tel: + 32 2 230 46 03 / Fax: + 32 2 230 94 00

FEEDM (Fédération Européenne des Emballeurs et Distributeurs de Miel)
Grosse Bäckerstraße ,4 -D-20095 Hamburg Allemagne
Tel : (+49 40) 37 47 19 16 Fax : (+49 40) 37 47 19 26

EUWEP European Union of Wholesale with Eggs, Egg Products, Poultry and Game
Charterhouse Street, 2nd Floor, 89 - EC1M 6HR London - United Kingdom
Tel: (+44 20) 7608 3760 Fax: (+44 20) 7608 3860
E-Mail: mark.williams@britisheggindustryCouncil.com

CEFS - Comité Européen des Fabricants de Sucre - 182 Av de tervuren 1150BXL
Jean-Louis BARJOLS General Manager 02 762 07 60 cefs@cefs.org

COCERAL - Comité du Commerce des céréales, aliments du bétail, oléagineux, huile
d'olive, huiles et graisses et agrofournitures - Anna Boulova, Policy Advisor
98, rue du Trône, bte 4 B-1050 Bruxelles
tel: 0032/2/502 08 08 fax: 0032/2/502 60 30

CIAA - Confederation des industries agro-alimentaire de l'UE - Nathalie Lecocq
Avenue des Arts 43, 1040 Bruxelles. (tel (02) 514 11 11 - e-mail ciaa@ciaa.be)

CIBE - (Conf. Internationale des betteraviers européens) - Mme Lacoste
29 rue du Général Foy -75 008 Paris -France
00 33 1 44 69 39 00
cibeurop@easynet.fr & cibeurop@wanadoo.fr

CERPSCA - (Centre Européen des Raffineurs) - M. Léonard, Secrétaire Général
23 av. d'Iéna - 75 783 Paris Cedex 16 -France
lleonard@snfs.fr

CIUS - (Utilisateurs industriels de sucre) - M Beaumont, Secrétaire général
Blvd St Michel 79, 1040 Bruxelles

CEFIC - (industrie chimique européenne) - M Vermeulen
Av E Van Nieuwenhuysse 4 - 1160 Bruxelles

FRESHFEL – (Forum European Fresh Fruits and Vegetables Chain)
Philippe Binard
Avenue de Broqueville 272, Bye 4 - B-1200 Bruxelles
Tel: 02 777 15 80 Fax: 02 777 15 81
info@freshfel.org & <http://www.freshfel.org>

FRUCOM – (Representation to the European Institutions of the trade in dried fruit, edible nuts, honey, spices, canned fruits and vegetables and similar foodstuffs)
Giuseppe Calgani, Chairman of the Scientific Committee
32 square Ambiorix - B-1000 Bruxelles
Tel: 02 736 79 97 Fax: 02 732 67 66
info@frucum.org & <http://www.frucum.org>

EUCOFEL – (Association Européenne du Commerce du Fruits et Legumes)
Square Ambiorix 7 - B-1000 Bruxelles
Tel: 0495 19 97 08 Fax: 02 735 61 24
info@eucofel.org & <http://www.eucofel.org>

OEITFL c/o AGEF – (Organisation of European Industries Transforming Fruits and Vegetables) - Ms Susane Meyer
Boulevard Saint-Michel, 77-79 - B-1040 BRUXELLES
Phone ++ 32 (0)2 740.29.68 Fax ++32 (0)2 732.51.02
oeitfl@agep.be

EFJA – (European Fruit Juice Association) - Mr. Jan Hermans
Rue de la Loi 221, box 5 - B- 1040 Brussels
Tel : 0032 (0)2 235.06.20 Fax : 0032 (0)2 282.94.20
aijn@aijn.org

ECBTA – (European Community Banana Trade Assoc) - BINARD Philippe (SECRETARY GENERAL - Avenue de Broqueville, BTE 17 ,272 -B-1200 Bruxelles Belgium
Tel: (+32 2) 777 15 85 Fax: (+32 2) 777 15 86
E-Mail: secretariat@ecbta.com

GEPC – (European Association of Mushroom Growers) - Didier Dupin
44 Rue d'Alésia - 75 014 Paris
Tél. : 00 33 (0)1 53 91 45 23
E-mail: europe@gepchampi.com

FEDOLIVE
118 Avenue Achille Perreti
92200 Neuilly-sur-Seine France
Tel: (+33-1) 46 37 22 06 e-mail: huiledolive@fncg.fr

CEEV (Comité Européen des Entreprises Vins) - José Ramón Fernandez, Secretary General
Avenue des Arts 43 - 1040 Bruxelles
Tel +32 2 230 99 70 Fax +32 2 513 02 18

CEPS (European Spirits Organisation)- Jamie Fortescue Director General
Avenue de Tervueren 192, bte 3 - B - 1150 Bruxelles
Tel: 0032 2 7792423 Fax 0032 2 7729820

FIVS (Fédération Internationale des Vins et Spiritueux) and
EFWSID (European Federation of Wine & Spirit Importers and Distributors)
Jean-Jacques Delhay Secrétaire général (for both)
Rue de Livourne 13 - 1060 Bruxelles
Tél : 02/537.00.51 Fax : 02/537.81.56

UEPA (European Union of Ethanol Producers)
Valérie Corre General Director
Avenue des Nerviens 65/25 - 1040 Brussels
Phone 0032 2 772 98 30 Fax 0032 2 772 98 24

CAOBISCO - Association des Industries de la Chocolaterie, Biscuiterie et Confiserie de l'UE
1, rue Defacqz - 1000 - Bruxelles
Tel: 322/539 18 00 Fax: 322/539 15 75
caobisco@caobisco.be

ANNEX [2]: CONSULTATION OF EUROPEAN FEDERATIONS ON THE TREATMENT OF INDUSTRIAL PRODUCTS



EUROPEAN COMMISSION

Directorate-General for Trade

Directorate G - Market access and Industry
Industrial sectors

Directorate-General for Enterprise

Directorate A - International affairs
External aspects of Enterprise Policy

11 JUIN 2007

Brussels,
G/2/FS/bm D(2007) 5551

To the European Industry
Associations

Subject: Reform of preferential rules of origin

Dear Sir/Madam,

You will be aware that in March 2005 the Commission adopted a Communication on future of rules of origin in preferential trade arrangements¹.

Ensuring a better integration of developing countries into the world economy, in particular through improved access to the markets of developed countries remains a priority of Community trade relations and shall inspire the revision of its preferential rules of origin. That implies the necessary changes to the substance of the rules and conditions should be accompanied by an adaptation of the procedures for their management and control, in order to make sure that the preferences actually benefit those who need them.

One of the main elements of the Communication was the introduction of a single method for determining whether non-originating materials have been sufficiently worked or processed, based on the **value added (VA)** in the beneficiary country. However, the Communication acknowledged that this method needed further analysis in order to determine its likely impact against the guiding principles of simplification and development-friendliness. The first candidate for such a reform should be the Generalised System of Preferences (GSP).

The Commission services are currently finalising an impact assessment as required by the Commission's "Better Regulation" rules. As part of this they now wish to test with various interested business associations certain ideas for the treatment of industrial products, i.e. the thresholds to be applied within the framework of a system based on value added. Your organisation is one of those we have identified. We would stress that this is part of the impact assessment and not a formal proposal by the Commission. The Commission will only make a proposal when the impact assessment is complete.

¹ COM(2005) 100 final, "The future of rules of origin in preferential trade arrangements: Orientations for the future".

In parallel to the determination of new rules of origin in the GSP framework, the Commission is bound to conclude the on-going negotiations of the European Partnership Agreements with the ACP countries (EPA) by the end of this year.

In view of the very tight time constraints to conclude the EPA negotiations and in the absence of a new set of preferential rules of origin at this stage, the Commission services have decided to negotiate with the ACPs the current Rules of Origin applied under the Cotonou scheme including some needed adjustments, which could imply a decrease of the local content required. These rules of origin based on the current system of Cotonou would be an interim solution on the way to the eventual introduction of the VA system. To this end, a revision clause will have to be introduced for a shift to the VA approach method after a transition period subject to negotiation with the ACP partners.

With regard to the improvement of the Cotonou rules, it should be underlined that EPAs are above all instruments for development. They will therefore be designed with all the flexibility required to take account of the economic, social and environmental constraints of the ACP countries concerned and of their capacity to adapt to the new trading environment while leaving some room for manoeuvre to attract them to the VA approach later on. Therefore, the Rules of Origin applicable, in a first phase to the new EPA agreements, i.e. "Cotonou+", and the subsequent shift to VA system should clearly reflect the objective set by the Commission for more development friendly rules.

The purpose of this note is hence twofold. The Commission services are seeking your views on the thresholds to be introduced in GSP and on an adaptation of existing rules for ACP countries, i.e. "Cotonou+".

GSP

We would be interested to know which of the following options / thresholds you favour:

- a) a rule of origin based on the added value criterion and requiring 30% of local content;
- b) a rule of origin based on the added value criterion and requiring 45% of local content;
- c) a rule of origin based on the added value criterion and requiring 55-60% of local content.

In order for this consultation to be meaningful, we would appreciate it if you could explain why you accept or reject the proposed options.

The following points should be highlighted:

- The guiding principles of the reform of preferential rules of origin are simplicity and development-friendliness. Simplicity requires that the number of different thresholds in a system based on value added should be as few as possible. Development-friendliness does not mean simply that the threshold should be as low as possible. An appropriate degree of local sourcing of materials is also vital to the well-being of the economies of beneficiary countries.
- Taking into account the results of studies they commissioned (and which will be made available later, when the impact assessment is completed and a proposal is made), the Commission services consider that a threshold of 60% value added in the beneficiary country should be broadly equivalent in effect to the current rules of origin for most industrial products. However, the Commission services

consider that for these products a threshold of 45% for normal GSP and 30% for the Everything but Arms scheme (EBA) more likely to enhance development.

- The threshold added value is based on the ex-works price of the product, not the net production cost method favoured by the Communication. This reflects the criticism from many parties that net production cost would be complex, requiring burdensome bookkeeping and sophisticated accounting systems, and could even discourage operators from using the preference, because it could effectively force suppliers to divulge confidential information.
- As for the current rules, the value added method would be supported by a list of insufficient working or processing operations which can never confer origin.
- With regard to wholly obtained products, the definition of these goods would remain unchanged.
- This consultation does not deal with cumulation or how origin should be allocated within the context of cumulation. Cumulation provisions are intended to support regional integration in some geographical areas, but they will be treated only after the main rules are decided, in order not to distort the meaning of the main rules and to avoid any risk of circumvention of preferences.

EPAs

Attached a document containing a list of industrial products together with what could be the relaxed criteria to confer origin under relaxed rules for such products, account being taken of the objectives set in terms of thresholds for GSP/EBA. For the same purpose, an increase of the tolerance rule to 30% is introduced.

In order to support the ongoing impact assessment, we should be grateful to receive the views of your organisation on these ideas: what is your reaction to them, whether the products have been correctly identified, whether the suggested additional conditions would be appropriate, and any other observations you may wish to make. May we ask you to respond by 20 June please in order to allow us to complete the impact assessment and make a proposal as soon as possible. The Commission services remain at your disposal for any clarification you may require.

Yours sincerely,

Peter Klein
Head of Unit

Philippe Jean
Head of Unit

ANNEX [3]: STATISTICS ON GSP UTILISATION RATES OF BENEFICIARY COUNTRIES

See table in separate document (Annex 3).

ANNEX [4]: SUMMARY OF CURRENT RULES CONCERNING "SUFFICIENT WORKING OR PROCESSING"; CUMULATION; THE RULES FOR WHOLLY OBTAINED FISHERIES PRODUCTS

1. "Sufficient working or processing"

A. The rules

The GSP arrangement has a list of working or processing required to be carried out on non-originating materials in order that the product manufactured can obtain originating status ("The list rules"). It is preceded by an annex containing introductory notes to the list rules².

This list of working or processing is based on the HS and contains for each position the appropriate condition(s). A position can be all products of a chapter, a heading or a group of headings or just a specific selection of these products (so-called "ex" position). In the case of an ex-position the rule applies only to the product as described in column 2.

Therefore, to use the list of working or processing it is necessary to first identify the tariff heading of the finished product. Secondly it must be checked whether the finished product has complied with the qualifying process listed in column 3 or 4 for the finished product of that heading. If this is not the case, a product may still be originating if the value of the non-originating materials does not exceed the general tolerance rule, where applicable.

There are several types of rules but the most common (see table of examples) are:

- that only wholly obtained materials can be used (a);
- that non-originating materials from certain positions can be used in or are excluded from the working or processing (b);
- that a specific working or processing operation must be carried out (c);
- that a certain percentage of value is added or cannot be exceeded in the production process (d);
- a combination of different rules (e)
- that a choice between different rules is given (f)

Where, for the entry in the first two columns, a rule is specified in both columns 3 and 4, the exporter may opt to apply either the rule set out in column 3 or the one set out in column 4 (g). If no rule is given in column 4, the rule set out in column 3 must be applied.

For example:

² For GSP, Annexes 14 and 15 to Regulation (EEC) No. 2454/93.

	HS- heading	Description of product	Working or processing, carried out on non-originating materials, which confers originating status	
	(1)	(2)	(3)	(4)
A	Chapter 2	Meat and edible meat offal	Manufacture in which all the materials of Chapters 1 and 2 used are wholly obtained	
B	ex 2104	Soups and broths and preparations thereof	Manufacture from materials of any heading, except prepared or preserved vegetables of headings 2002 to 2005	
C	ex 4407	Wood sawn or chipped lengthwise, sliced or peeled, of a thickness exceeding 6 mm, planed, sanded or end-jointed	Planing, sanding or end-jointing	
D	Chapter 92	Musical instruments; parts and accessories of such articles	Manufacture in which the value of all the materials used does not exceed 40 % of the ex-works price of the product	
e	2202	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of	Manufacture: - from materials of any heading, except that of the product, - in which the value of all the materials of Chapter 17 used does not exceed 30 % of the ex-works price of the	

		heading 2009	product, and - in which all the fruit juice used (except that of pineapple, lime or grapefruit) is originating	
F	7013	Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes (other than that of heading 7010 or 7018)	Manufacture from materials of any heading, except that of the product or Cutting of glassware, provided that the total value of the uncut glassware used does not exceed 50 % of the ex-works price of the product or Hand decoration (except silk-screen printing) of hand-blown glassware, provided that the total value of the hand-blown glassware used does not exceed 50 % of the ex-works price of the product	
g	8411	Turbo-jets, turbo-propellers and other gas turbines	Manufacture: - from materials of any heading, except that of the product, and - in which the value of all the materials used does not exceed 40% of	Manufacture in which the value of all the materials used does not exceed 25 % of the ex-works price of the product

			the ex-works price of the product	
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However, other rules or combinations of conditions are also possible. In addition, whether or not the list rule is respected, the operation must always be more than a minimal operation as defined in Article 70 of the Regulation. Moreover, there is also a tolerance rule allowing the use of a limited amount of non-originating materials. However, this does not apply to value-based rules, while different tolerances apply to textiles.

B. Examples of problems

(i) The "printing rule" for textiles

The "printing rule" for textiles is in effect a derogation from the "two stages of processing" rule. It concerns textiles products of chapters 50 to 55, 58 and 59 and it lays down the origin conferring operation:

"Printing accompanied by at least two preparatory or finishing operations (such as scouring, bleaching, mercerising, heat setting, raising, calendering, shrink resistance processing, permanent finishing, decatizing, impregnating, mending and burling), provided that the value of the unprinted fabric used does not exceed 47.5% of the ex-works price of the product"

The Member States have divergent interpretations of it. The Commission has previously noted that:

"A point of departure for establishing whether or not printing in every case respects the origin rule is the tariff classification of the product by which the origin has to be determined. Furthermore, every operation which allows a product to be considered as "printed" in the context of the CN (taking account of the classification regulations relating to this type of product) should enable it to be considered as "printing" in the context of preferential origin rules.

However, there exists a margin of interpretation for cases where a product is not "printed" in the meaning of the tariff while in the context of preferential origin rules it could be regarded as having undergone "printing". To better define such cases the Commission considers that the two following elements must be taken into account:

- The rules state that printing must be "accompanied" by at least two preparatory or finishing operations. The term "accompanied", in relation to printing, underlines the auxiliary character of the other operations undergone by the fabric and the expression "preparatory or finishing operations" reinforces the complementary or accessory character of the other working or processing operations. In that vein, the Commission considers that printing must be the principal operation undergone by the fabric in order to confer origin on it and that other operations carried out should have lesser importance in comparison to the printing.

- On the contrary, if printing has a minor character or an accessory function in relation to the other operations carried out on the product, the printing rule will not be respected. This is notably the case of printing of negligible importance, done along the selvedge or on the reverse side of fabric."

However, despite repeated attempts, it has so far proved and impossible to agree a uniform interpretation with the Member States.

(ii) List of insufficient working or processing operations

The list of insufficient (or "minimal") working or processing operations is a list of operations which can never confer origin. It serves two separate purposes. On the one hand, it ensures that the working or processing which takes place is economically justified – it is possible for a product to comply with the rule laid down in the list of sufficient working or processing operations, but still not be able to acquire origin, because what actually takes place in that particular case is regarded as minimal. On the other hand, it is used to allocate origin in cumulation.

The list has had to be updated to make it more specific or to take account of particular needs (for example, the addition of the colouring of sugar lumps) and might need to be updated again if new technologies emerged. Moreover, some of the wording is open to divergent interpretations to which it is difficult to find an answer – when is mixing or assembly "simple"? Does "simple" mean "mere" or "only", or does it mean simple as opposed to complicated? In that case, when is an operation more than simple?

2. *GSP regional cumulation*

This operates between the countries of one of the regional groups recognised by the EC GSP³. Materials originating in one country of the group which are further worked or processed in another beneficiary country of the same group are considered to originate in the latter country, provided that:

- the value added there is greater than the highest customs value of the materials used originating in any one of the other countries of the regional group; and
- the working or processing carried out there is more than "insufficient working or processing" (see paragraph 2.6 above, but note that in the case of textiles, account must also be taken of the list operations which are also excluded from regional cumulation which is laid down in Annex 16.

³ Group I: Brunei-Darussalam, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam;

Group II: Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru, Venezuela;

Group III: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka.

Where these two conditions are not both fulfilled, the goods are considered to originate in the country of the regional group which accounts for the highest customs value of the originating products coming from other countries of the regional group.

Thus goods will not necessarily have the origin of the country in the group which exports them to the EC. Where this is so, care should be taken to find out if that other member country of the regional group is subject to restrictions for these goods under the EC GSP, since preferences may be removed for countries - which is referred to as "exclusion" - or for specific sectors - which is called "graduation" - when they reach a certain state of development.

However, even where exclusion or graduation occurs for one country of the group, Article 5(3) of EC GSP provides that regional cumulation continues to apply for the benefit of other countries of the group, even though the products incorporate goods originating in the country concerned. **Example:** Singapore for Group I - Singapore-originating products do not enjoy preference, but products of Indonesian origin incorporating Singapore-originating goods would get preference, even if exported from Singapore.

The situation of Myanmar (formerly Burma) is quite different. Benefit of EC GSP was temporarily withdrawn by Council Regulation (EC) No 552/97, and it is not allowed to participate in Group I regional cumulation at all.

Example : a shirt (classified HS 6205) made in country B from fabric originating in country A (which is a member of the same regional group) will originate in country B, if the value of the fabric amounts to less than 50 % of the shirt's value, otherwise it will originate in A. It should be noted that, in the second case, the issuing authority of country B will have to issue a Form A certificate of origin, stating that the shirt originates in country A.

Example: products originating in country A are exported to country B (value: €900), where they are used to manufacture a product with country B origin (value: €2,000) which is exported to country C. In country C these are incorporated with components of country D (value: €3,000). The value added in country C is €5,000. The final product is exported from there to the Community with the origin of country C.

3. The rules for wholly obtained fisheries products

Fisheries products are considered as wholly obtained in a beneficiary country if they are caught within its territorial waters. However, they are also considered as wholly obtained if caught outside its territorial waters by one of its vessels, provided the vessel fulfils a number of cumulative conditions. In effect, there is a legal fiction that the vessel is part of the territory of the country. These conditions vary in detail between arrangements.

For GSP, it must concern vessels:

- which are registered or recorded in the beneficiary country or in a Member State,
- which sail under the flag of a beneficiary country or of a Member State,

- which are at least 50 % owned by nationals of the beneficiary country or of Member States or by a company having its head office in that country or in one of those Member States, of which the manager or managers, Chairman of the Board of Directors or of the Supervisory Board, and the majority of the members of such boards are nationals of that beneficiary country or of the Member States and of which, in addition, in the case of companies, at least half the capital belongs to that beneficiary country or to the Member States or to public bodies or nationals of that beneficiary country or of the Member States,

- of which the master and officers are nationals of the beneficiary country or of the Member States, and

- of which at least 75 % of the crew are nationals of the beneficiary country or of the Member States.

ANNEX [5]: SUMMARY OF CURRENT RULES CONCERNING PROOF OF ORIGIN AND ADMINISTRATIVE COOPERATION

1. Proof of origin

In order to benefit from preferential tariff treatment, proof of compliance with the rules of origin must be given at import. For GSP there are two possibilities: certificate of origin Form A or, in certain limited cases, an invoice declaration. In GSP, an invoice declaration may be used by any exporter for consignments whose total value does not exceed €6,000. In this case the exporter must make the declaration using a specified format on the invoice or other commercial document.

Certificate of origin Form A is issued by the competent governmental authorities in the beneficiary country at the time of export.

Certificate of origin Form A must normally be provided for each consignment. There are only two exceptions to this: certain dismantled or non-assembled products imported by instalments or where goods are imported within the framework of frequent and continuous trade flows of a significant commercial value, when a single proof of origin may be presented at the time of the first importation.

Certificate of origin Form A should be issued at the time of export, but it may be exceptionally be issued after export in certain limited circumstances: if it was not issued at the time of export because of errors or involuntary emissions or special circumstances, or one was issued but was not accepted for technical reasons.

2. Administrative cooperation

Countries listed as beneficiary countries cannot actually benefit from preference until a system of administrative cooperation is established. This means a system for the management and control of origin.

Countries are obliged to inform the Commission of the names and addresses of the governmental authorities responsible on the one hand for issuing certificate of origin Form A and on the other hand for the control of certificate of origin Form A and invoice declarations. They must also provide legible, original impressions of the stamps used to certify the forms. The Commission makes all this information available to the Member States through the SMS data-base. Beneficiary countries must then ensure that Form A is correctly issued and carry out post-clearance verifications when the authorities of the Member States so request.

In practice, there are regular problems with goods blocked at Community ports as well as delays in the handling of verification requests, because beneficiary countries fail to inform the Commission of changes to the stamps they use or of the addresses of the competent authorities.

Article 17 of the GSP regulation provides for the temporary withdrawal or suspension of preferences "in respect of all or of certain products, originating in a beneficiary country, in cases of fraud, irregularities or systematic failure to comply or to ensure compliance with the rules of origin of products and the procedures related thereto, and to provide the administrative cooperation as required for the implementation and the control of the respect of the arrangements referred to ...". However this is difficult to apply in practice, notably because the Commission does not have adequate information on the actual operation of administrative cooperation in beneficiary countries.

3. *What happens if something goes wrong: post-clearance recovery and "good faith"*

Where it transpires that a certificate was wrongly issued and that the goods do not, in fact, qualify for preference, then a customs debt is incurred and the duty due must be recovered (post-clearance recovery).

However, under certain conditions it is foreseen that the customs debt need not be entered in the accounts and therefore does not need to be recovered.

Under Article 220 (2) (b) of the Community Customs Code⁴, the post-clearance entry of the import or export duties in the accounts is waived (non recovery) when four cumulative conditions are met:

- the amount of duty was not entered in the accounts as a result of an error on the part of the customs authorities themselves;
- this error could not reasonably have been detected by the person liable for payment;
- the person liable for payment must have complied with all the provisions laid down by the legislation in force as regards the customs declaration;
- the person liable for payment acted in good faith.

Article 220 (2) (b) also indicates what is an error, exceptions to this principle, and when "good faith" may or may not be claimed:

- Where the preferential status of the goods is established on the basis of a system of administrative cooperation involving the authorities of a third country, the issue of a certificate by those authorities, should it prove to be incorrect, shall constitute an error which could not reasonably have been detected";
- The issue of an incorrect certificate shall not, however, constitute a error where the certificate is based on an incorrect account of the facts provided by the exporter, except where, in particular, it is evident that the issuing authorities were aware or should have been aware that the goods did not satisfy the conditions laid down for entitlement to the preferential treatment;
- The person liable may plead good faith when he can demonstrate that, during the period of the trading operations concerned, he has taken due care to ensure that all the conditions for the preferential treatment have been fulfilled;
- The person liable may not, however, plead good faith if the European Commission has published a notice in the *Official Journal of the European Communities*, stating that there are grounds for doubt concerning the proper application of the preferential arrangements by the beneficiary country.

⁴ Council Regulation (EC) No. 2913/92, as last amended by Regulation (EC) No 648/2005 of the European Parliament and of the Council.

ANNEX [6]: EXAMPLES OF PROBLEMS OF INTERPRETATION ENCOUNTERED

1. The "printing rule"

The so-called "printing rule" found in several rules of origin for textile products reads:

"Printing accompanied by at least two preparatory or finishing operations (such as scouring, bleaching, mercerising, heat setting, raising, calendering, shrink resistance processing, permanent finishing, decatizing, impregnating, mending and burling), provided that the value of the unprinted fabric used does not exceed 47.5% of the ex-works price of the product"

There were divergent interpretations between Member States about what degree of printing was actually required, with the following results:

1. Neither Community importers nor producers are treated equally as according to whether Member States apply a more restrictive rule, they reduce possibilities for preferential importations but equally generate costs involved in carrying out the necessary working or processing to confer Community origin on non-originating fabric or by applying a more flexible interpretation of the rule are likely to cause damage to the whole Community sector concerned with producing raw fabrics.
2. The divergence of interpretation of the rules in the Member States creates legal uncertainty for importers of fabrics, the Community finishing industry and exporters amongst others.
3. Incorrect application of the rule is prejudicial to the own resources of the Community.
4. It creates a lack of coherence, insofar as the interpretation of the notion of "printing" is concerned between the tariff classification of the unit of qualification for determination of origin and that determination itself.

The Commission services finally took the following view:

A point of departure for establishing whether or not printing in every case respects the origin rule is the tariff classification of the product by which the origin has to be determined. Furthermore, every operation which allows a product to be considered as "printed" in the context of the CN (taking account of the classification regulations relating to this type of product) should enable it to be considered as "printing" in the context of preferential origin rules.

However, there exists a margin of interpretation for cases where a product is not "printed" in the meaning of the tariff while in the context of preferential origin rules could be regarded as having undergone "printing". To better define such cases the Commission considers that the two following elements must be taken into account:

- The rules state that printing must be "accompanied" by at least two preparatory or finishing operations. The term "accompanied", in relation to printing, underlines the auxiliary character of the other operations undergone by the fabric and the expression "preparatory or finishing operations" reinforces the complementary or accessory character of the other working or processing operations. In that vein, the Commission considers that printing must be the principal operation undergone

by the fabric in order to confer origin on it and that other operations carried out should have lesser importance in comparison to the printing.

- On the contrary, if printing has a minor character or an accessory function in relation to the other operations carried out on the product, the printing rule will not be respected. This is notably the case of printing of negligible importance, done along the selvedge or on the reverse side of fabric.

2. Application of the tolerance rule (1)

The tolerance rule (Article 71 of Regulation No. 2454/93) provides that "non-originating materials may be used in the manufacture of a given product, provided that their total value does not exceed 10 % of the ex-works price of the product.", but that where the rule provides a maximum value of non-originating materials, such percentage cannot be exceeded. Moreover, Article 71 does not apply to products of chapters 50 to 63, where specific tolerances apply instead.

There are some rules where it is hard to understand how to apply the tolerance. For example, the rule "0403" reads:

" Manufacture in which:

- all the materials of Chapter 4 used are wholly obtained,
- all the fruit juice (except that of pineapple, lime or grapefruit) of heading 2009 used is originating, and
- the value of all the materials of Chapter 17 used does not exceed 30 % of the ex-works price of the product".

Does the tolerance apply to the rule as a whole, or to each of the first two parts separately?

There are also anomalies in some cases where alternative rules exist, one including a value criterion and the other not, such as the rules "ex 3921" or "8403 and ex 8404". Alternative rules should be equivalent in effect, yet the tolerance could be applied in one case but not the other.

ANNEX [7]: SUFFICIENT WORKING OR PROCESSING OF GOODS WHICH ARE NOT WHOLLY OBTAINED – POSSIBLE VALUE THRESHOLDS

OPTION A

- The value added thresholds given in column (3) are based on the following formula:

$$\text{Value added} = \frac{(\text{Ex-works price} - \text{Value of Non-Originating Materials})}{\text{Ex-works price}} \times 100$$

- For the products contained in the list below, the threshold shown in column 3 shall apply and, where so indicated, the additional condition specified in column 4.
- The first two columns describe the product obtained. Column 1 gives the heading number or chapter number used in the Harmonised System and column 2 gives the description of goods used in that system for that heading or chapter. Where, in some cases, the entry in the first column is preceded by an "ex", this signifies that the thresholds and additional conditions in column 3 and 4 apply only to the part of that chapter or heading as described in column 2.

HS heading	Description of product	Threshold	Additional conditions
(1)	(2)	(3)	(4)
Chapter 1	Live animals		All the animals of Chapter 1 shall be wholly obtained
Chapter 2	Meat and edible meat offal	60%	Manufacture in which: <ul style="list-style-type: none"> - the number of non-originating animals of Chapter 1 used does not exceed 15% of the total number of animals of Chapter 1 used; - the weight of non-originating materials of Chapter 2 used does not exceed 15% of the total weight of materials of Chapter 2 used
Chapter 3	Fish and crustaceans, molluscs and other aquatic invertebrates		Manufacture in which the value of non-originating materials of Chapter 3 used does not exceed 10% of the ex-works price of the product
Chapter 4	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included		

	- containing 20 % or less by weight of materials of Chapter 17	60%	Manufacture in which the weight of non-originating materials of Chapter 4 used does not exceed 15% of the total weight of materials of Chapter 4 used
	- containing more than 20 % by weight of materials of Chapter 17	60%	Manufacture in which: - the weight of non-originating materials of Chapter 4 used does not exceed 15% of the total weight of materials of Chapter 4 used; - the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
Chapter 5	Products of animal origin, not elsewhere specified or included	60%	
Chapter 6	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	60%	
Chapter 7	Edible vegetables and certain roots and tubers		
	- containing 20 % or less by weight of materials of Chapter 17	60%	Manufacture in which the weight of non-originating materials of Chapter 7 used does not exceed 15% of the total weight of materials of Chapter 7 used
	- containing more than 20 % by weight of materials of Chapter 17	60%	Manufacture in which: - the weight of non-originating materials of Chapter 7 used does not exceed 15% of the total weight of materials of Chapter 7 used; - the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
Chapter 8	Edible fruit and nuts; peel of citrus fruits or melons		
	- containing 20 % or less by weight of materials of Chapter 17	60%	Manufacture in which the weight of non-originating materials of Chapter 8 used does not exceed 15% of the total weight of materials of Chapter 8 used
	- containing more than 20 % by weight of materials of Chapter 17	60%	Manufacture in which: - the weight of non-originating materials of Chapter 8 used does not exceed 15% of the total weight of materials of Chapter 8 used; - the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
Chapter 9	Coffee, tea, maté and spices	60%	
ex Chapter 10	Cereals; except for:	60%	
1006	Rice	60%	Manufacture in which the weight of non-originating materials of heading 1006 used does not exceed 15% of the total weight of materials of heading 1006 used

ex Chapter 11	Products of the milling industry; malt; starches; inulin; wheat gluten; except for:	60%	
	- produced from materials of heading 1006 or its derivatives	60%	<p>Manufacture in which:</p> <ul style="list-style-type: none"> - the weight of non-originating materials of heading 1006 or its derivatives used does not exceed 15% of the total weight of materials of heading 1006 or its derivatives used - the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
	- produced from materials of headings 1001 to 1005 or their derivatives	60%	<p>Manufacture in which:</p> <ul style="list-style-type: none"> - the weight of non-originating materials of headings 1001 to 1005 or their derivatives used does not exceed 15% of the total weight of materials of headings 1001 to 1005 or their derivatives used; - the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
	- containing more than 20 % by weight of materials of Chapter 17	60%	Manufacture in which the weight of non-originating materials of Chapter 7 used does not exceed 15% of the total weight of materials of Chapter 7 used
Chapter 12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	60%	
Chapter 13	Lac; gums, resins and other vegetable saps and extracts	60%	
Chapter 14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	60%	
ex Chapter 15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes; except for:	60%	
1509 and 1510	<p>Olive oil and its fractions, whether or not refined, but not chemically modified;</p> <p>Other oils and their fractions, obtained solely from olives, whether or not refined, but not chemically modified, including blends of these oils or fractions with oils or fractions of heading 1509</p>	60%	Manufacture in which the weight of non-originating materials of headings 1509 and 1510 used does not exceed 15% of the total weight of materials of headings 1509 and 1510 used
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading 1516	60%	<p>Manufacture in which:</p> <ul style="list-style-type: none"> - the weight of non-originating materials of headings 1509 and 1510 used does not exceed 15% of the total weight of materials of headings 1509 and 1510 used; - the weight of non-originating materials of Chapter 4 used does not exceed 15% of the total weight of materials of Chapter 4 used

ex Chapter 16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates, except for:	60%	Manufacture in which the weight of non-originating materials of Chapter 2 used does not exceed 15% of the total weight of materials of Chapter 2 used
1604 and 1605	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved		Manufacture in which the value of non-originating materials of Chapter 3 used does not exceed 10% of the ex-works price of the product
ex Chapter 17	Sugars and sugar confectionery; except for:	60%	Manufacture in which the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
	- products of Heading 1704 containing less than 20 % by weight of materials of Chapter 17	60%	
ex Chapter 18	Cocoa and cocoa preparations; except for:	60%	
	- containing more than 20 % by weight of materials of Chapter 17	60%	Manufacture in which the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
	- containing more than 20 % by weight of materials of Chapter 4	60%	Manufacture in which the weight of non-originating materials of Chapter 4 used does not exceed 15% of the total weight of materials of Chapter 4 used
ex Chapter 19	Preparations of cereals, flour, starch or milk; pastrycooks' products; except for:	60%	
	- containing more than 20 % by weight of materials of Chapters 2 and 4	60%	Manufacture in which the weight of non-originating materials of Chapters 2 and 4 used does not exceed 15% of the total weight of materials of Chapters 2 and 4 used
	- containing more than 20 % by weight of materials of Chapter 17	60%	Manufacture in which the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
ex Chapter 20	Preparations of vegetables, fruit, nuts or other parts of plants; except for:	60%	Manufacture in which the weight of non-originating materials of sub-heading 0711 51 and of headings 2002, 2003, 2008 and 2009 used does not exceed 15% of the total weight of materials of sub-heading 0711 51 and of headings 2002, 2003, 2008 and 2009 used
	- products containing more than 20 % by weight of materials of Chapter 17	60%	Manufacture in which: - the weight of non-originating materials of sub-heading 0711 51 and of headings 2002, 2003, 2008 and 2009 used does not exceed 15% of the total weight of materials of sub-heading 0711 51 and of headings 2002, 2003, 2008 and 2009 used; - the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used

	- products containing more than 20 % by weight of materials of heading 0409	60%	<p>Manufacture in which:</p> <ul style="list-style-type: none"> - the weight of non-originating materials of sub-heading 0711 51 and of headings 2002, 2003, 2008 and 2009 used does not exceed 15% of the total weight of materials of sub-heading 0711 51 and of headings 2002, 2003, 2008 and 2009 used; - the weight of non-originating materials of heading 0409 used does not exceed 15% of the total weight of materials of heading 0409 used
ex Chapter 21	Miscellaneous edible preparations; except for:	60%	
	- products containing more than 20 % by weight of materials of headings 0401 to 0409	60%	Manufacture in which the weight of non-originating materials of headings 0401 to 0409 used does not exceed 15% of the total weight of materials of headings 0401 to 0409 used
	- products containing more than 20 % by weight of materials of Chapter 17	60%	Manufacture in which the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
ex Chapter 22	Beverages, spirits and vinegar; except for:	60%	
ex 2202	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 2009; containing more than 20 % by weight of materials of Chapter 17	60%	Manufacture in which the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
ex 2204 to ex 2209	<p>Wine of fresh grapes, including fortified wines; grape must other than that of heading 2009;</p> <p>Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances;</p> <p>Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included;</p> <p>Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher; ethyl alcohol and other spirits, denatured, of any strength;</p> <p>Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages;</p> <p>Vinegar and substitutes for vinegar obtained from acetic acid;</p> <p>Except for</p>	60%	Manufacture in which the volume of non-originating ethyl alcohol of headings 2207 and 2208 used does not exceed 15% of the total volume of ethyl alcohol of headings 2207 and 2208 used

	- products made from grapes or products derived from grapes	60%	<p>Manufacture in which:</p> <ul style="list-style-type: none"> - the weight of non-originating materials of heading 0806 used does not exceed 15% of the total weight of materials of heading 0806 used; - the weight of non-originating materials of headings 2204 to 2209 used does not exceed 15% of the total weight of materials of headings 2204 to 2209 used; - the weight of non-originating materials of heading 2307 used does not exceed 15% of the total weight of materials of heading 2307 used;
ex Chapter 23	Residues and waste from the food industries; prepared animal fodder; except for:	60%	
ex 2309	Preparations of a kind used in animal feeding; except for:	60%	
	- containing more than 20 % by weight of materials of Chapter 2	60%	Manufacture in which the weight of non-originating materials of Chapter 2 used does not exceed 15% of the total weight of materials of Chapter 2 used
	- containing more than 20 % by weight of materials of Chapter 4	60%	Manufacture in which the weight of non-originating materials of Chapter 4 used does not exceed 15% of the total weight of materials of Chapter 4 used
	- containing more than 20 % by weight of materials of heading 1006	60%	Manufacture in which the weight of non-originating materials of heading 1006 used does not exceed 15% of the total weight of materials of heading 1006 used
	- containing more than 20 % by weight of materials of Chapter 17	60%	Manufacture in which the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
Chapter 24	Tobacco and manufactured tobacco substitutes	60%	Manufacture in which the weight of non-originating materials of heading 2401 used does not exceed 30% of the total weight of materials of heading 2401 used
Chapter 25	Salt; sulphur; earths and stone; plastering materials, lime and cement	50% for LDCs 60% for non-LDCs	
Chapter 26	Ores, slag and ash	50% for LDCs 60% for non-LDCs	
Chapter 27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	50% for LDCs 60% for non-LDCs	
Chapter 28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	50% for LDCs 60% for non-LDCs	
ex Chapter 29	Organic chemicals; except for	50% for LDCs 60% for non-LDCs	

29054300	Mannitol	50% for LDCs 60% for non-LDCs	
29054411	D-glucitol (sorbitol) in aqueous solution containing 2 % or less by weight of D-mannitol, calculated on the D-glucitol content	50% for LDCs 60% for non-LDCs	
29054419	D-glucitol (sorbitol) in aqueous solution: other	50% for LDCs 60% for non-LDCs	
29054491	D-glucitol (sorbitol) in aqueous solution, other: containing 2 % or less by weight of D-mannitol, calculated on the D-glucitol content	50% for LDCs 60% for non-LDCs	
29054499	D-glucitol (sorbitol) in aqueous solution, other: other	50% for LDCs 60% for non-LDCs	
29054500	Glycerol	50% for LDCs 60% for non-LDCs	
Chapter 30	Pharmaceutical Products	50% for LDCs 60% for non-LDCs	
Chapter 31	Fertilisers	50% for LDCs 60% for non-LDCs	
Chapter 32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	50% for LDCs 60% for non-LDCs	
ex Chapter 33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations; except for:	50% for LDCs 60% for non-LDCs	
33019010	Resinoids, other: terpenic by-products of the deterpenation of essential oils	50% for LDCs 60% for non-LDCs	
33019021	Extracted oleoresins: of liquorice and hops	50% for LDCs 60% for non-LDCs	
33019030	Extracted oleoresins: other	50% for LDCs 60% for non-LDCs	
33019090	Extracted oleoresins, other: other	50% for LDCs 60% for non-LDCs	

33021010	Mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in industry; other preparations based on odoriferous substances, of a kind used for the manufacture of beverages: of a kind used in the food or drink industries	50% for LDCs 60% for non-LDCs	
Chapter 34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, 'dental waxes' and dental preparations with a basis of plaster	50% for LDCs 60% for non-LDCs	
ex Chapter 35	Albuminoidal substances; modified starches; glues; enzymes; except for:	50% for LDCs 60% for non-LDCs	
35011010	Casein: for the manufacture of regenerated textile fibres	50% for LDCs 60% for non-LDCs	
35011050	Casein: for industrial uses other than the manufacture of foodstuffs or fodder	50% for LDCs 60% for non-LDCs	
35011090	Casein: other	50% for LDCs 60% for non-LDCs	
35019090	Casein, other: other	50% for LDCs 60% for non-LDCs	
35051010	Dextrins	50% for LDCs 60% for non-LDCs	
35051090	Dextrins: others	50% for LDCs 60% for non-LDCs	
35052010	Glues: containing, by weight, less than 25 % of starches or dextrins or other modified starches	50% for LDCs 60% for non-LDCs	
35052030	Glues: containing, by weight, 25 % or more but less than 55 % of starches or dextrins or other modified starches	50% for LDCs 60% for non-LDCs	
35052050	Glues: containing, by weight, 55 % or more but less than 80 % of starches or dextrins or other modified starches	50% for LDCs 60% for non-LDCs	
35052090	Glues: containing, by weight, 80 % or more of starches or dextrins or other modified starches	50% for LDCs 60% for non-LDCs	

Chapter 36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	50% for LDCs 60% for non-LDCs	
Chapter 37	Photographic or cinematographic goods	50% for LDCs 60% for non-LDCs	
Chapter 38	Miscellaneous chemical products; except for:	50% for LDCs 60% for non-LDCs	
38091010	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included, with a basis of amylaceous substances: containing by weight of such substances less than 55 %	50% for LDCs 60% for non-LDCs	
38091030	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included, with a basis of amylaceous substances: containing by weight of such substances 55 % or more but less than 70 %	50% for LDCs 60% for non-LDCs	
38091050	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included, with a basis of amylaceous substances: containing by weight of such substances 70 % or more but less than 83 %	50% for LDCs 60% for non-LDCs	
38091090	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included, with a basis of amylaceous substances: containing by weight of such substances 83 % or more	50% for LDCs 60% for non-LDCs	
3823	Industrial monocarboxylic fatty acids; acid oils from refining; industrial fatty alcohols	50% for LDCs 60% for non-LDCs	

38246011	Sorbitol other than that of subheading 2905 44, in aqueous solution: containing 2 % or less by weight of D-mannitol, calculated on the D-glucitol content	50% for LDCs 60% for non-LDCs	
38246019	Sorbitol other than that of subheading 2905 44, in aqueous solution: other	50% for LDCs 60% for non-LDCs	
38246091	Sorbitol other than that of subheading 2905 44, other: containing 2 % or less by weight of D-mannitol, calculated on the D-glucitol content	50% for LDCs 60% for non-LDCs	
38246099	Sorbitol other than that of subheading 2905 44, other: other	50% for LDCs 60% for non-LDCs	
Chapter 39	Plastics and articles thereof	50% for LDCs 60% for non-LDCs	
Chapter 40	Rubber and articles thereof	50% for LDCs 60% for non-LDCs	
Chapter 41	Raw hides and skins (other than furskins) and leather	50% for LDCs 60% for non-LDCs	
Chapter 42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)	50% for LDCs 60% for non-LDCs	
Chapter 43	Furskins and artificial fur; manufactures thereof	50% for LDCs 60% for non-LDCs	
Chapter 44	Wood and articles of wood; wood charcoal	50% for LDCs 60% for non-LDCs	
Chapter 45	Cork and articles of cork	50% for LDCs 60% for non-LDCs	
Chapter 46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	50% for LDCs 60% for non-LDCs	
Chapter 47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard	50% for LDCs 60% for non-LDCs	
Chapter 48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	50% for LDCs 60% for non-LDCs	
Chapter 49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans	50% for LDCs 60% for non-LDCs	
Chapter 50	Silk	50% for LDCs 60% for non-LDCs	

Chapter 51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	50% for LDCs 60% for non-LDCs	
Chapter 52	Cotton	50% for LDCs 60% for non-LDCs	
Chapter 53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	50% for LDCs 60% for non-LDCs	
Chapter 54	Man-made filaments	50% for LDCs 60% for non-LDCs	
Chapter 55	Man-made staple fibres	50% for LDCs 60% for non-LDCs	
Chapter 56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	50% for LDCs 60% for non-LDCs	
Chapter 57	Carpets and other textile floor coverings	50% for LDCs 60% for non-LDCs	
Chapter 58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	50% for LDCs 60% for non-LDCs	
Chapter 59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	50% for LDCs 60% for non-LDCs	
Chapter 60	Knitted or crocheted fabrics	50% for LDCs 60% for non-LDCs	
Chapter 61	Articles of apparel and clothing accessories, knitted or crocheted	50% for LDCs 60% for non-LDCs	
Chapter 62	Articles of apparel and clothing accessories, not knitted or crocheted	50% for LDCs 60% for non-LDCs	
Chapter 63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	50% for LDCs 60% for non-LDCs	
Chapter 64	Footwear, gaiters and the like; parts of such articles	50% for LDCs 60% for non-LDCs	
Chapter 65	Headgear and parts thereof	50% for LDCs 60% for non-LDCs	
Chapter 66	Umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding crops and parts thereof	50% for LDCs 60% for non-LDCs	
Chapter 67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	50% for LDCs 60% for non-LDCs	

Chapter 68	Articles of stone, plaster, cement, asbestos, mica or similar materials	50% for LDCs 60% for non-LDCs	
Chapter 69	Ceramic products	50% for LDCs 60% for non-LDCs	
Chapter 70	Glass and glassware	50% for LDCs 60% for non-LDCs	
Chapter 71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coins	50% for LDCs 60% for non-LDCs	
Chapter 72	Iron and steel	50% for LDCs 60% for non-LDCs	
Chapter 73	Articles of iron and steel	50% for LDCs 60% for non-LDCs	
Chapter 74	Copper and articles thereof	50% for LDCs 60% for non-LDCs	
Chapter 75	Nickel and articles thereof	50% for LDCs 60% for non-LDCs	
Chapter 76	Aluminium and articles thereof	50% for LDCs 60% for non-LDCs	
Chapter 77	<i>(Reserved for possible future use in the harmonised system)</i>		
Chapter 78	Lead and articles thereof	50% for LDCs 60% for non-LDCs	
Chapter 79	Zinc and articles thereof	50% for LDCs 60% for non-LDCs	
Chapter 80	Tin and articles thereof	50% for LDCs 60% for non-LDCs	
Chapter 81	Other base metals; cermets; articles thereof	50% for LDCs 60% for non-LDCs	
Chapter 82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	50% for LDCs 60% for non-LDCs	
Chapter 83	Miscellaneous articles of base metal	50% for LDCs 60% for non-LDCs	
Chapter 84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	50% for LDCs 60% for non-LDCs	

Chapter 85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	50% for LDCs 60% for non-LDCs	
Chapter 86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electromechanical) traffic signalling equipment of all kinds	50% for LDCs 60% for non-LDCs	
Chapter 87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	50% for LDCs 60% for non-LDCs	
Chapter 88	Aircraft, spacecraft, and parts thereof	50% for LDCs 60% for non-LDCs	
Chapter 89	Ships, boats and floating structures	50% for LDCs 60% for non-LDCs	
Chapter 90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	50% for LDCs 60% for non-LDCs	
Chapter 91	Clocks and watches and parts thereof	50% for LDCs 60% for non-LDCs	
Chapter 92	Musical instruments; parts and accessories of such articles	50% for LDCs 60% for non-LDCs	
Chapter 93	Arms and ammunition; parts and accessories thereof	50% for LDCs 60% for non-LDCs	
Chapter 94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings	50% for LDCs 60% for non-LDCs	
Chapter 95	Toys, games and sports requisites; parts and accessories thereof	50% for LDCs 60% for non-LDCs	
Chapter 96	Miscellaneous manufactured articles	50% for LDCs 60% for non-LDCs	
Chapter 97	Works of art, collectors' pieces and antiques	50% for LDCs 60% for non-LDCs	

OPTION B

		DG AGRI – DG FISH – DG ENTR	
HS heading	Description of product	Threshold	Additional conditions
(1)	(2)	(3)	(4)
Chapter 1	Live animals		All the animals of Chapter 1 shall be wholly obtained
Chapter 2	Meat and edible meat offal	30%	Manufacture in which: - the number of non-originating animals of Chapter 1 used does not exceed 15% of the total number of animals of Chapter 1 used; - the weight of non-originating materials of Chapter 2 used does not exceed 15% of the total weight of materials of Chapter 2 used
Chapter 3	Fish and crustaceans, molluscs and other aquatic invertebrates		Manufacture in which the value of non-originating materials of Chapter 3 used does not exceed 10% of the ex-works price of the product
Chapter 4	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included		
	- containing 20 % or less by weight of materials of Chapter 17	30%	Manufacture in which the weight of non-originating materials of Chapter 4 used does not exceed 15% of the total weight of materials of Chapter 4 used
	- containing more than 20 % by weight of materials of Chapter 17	30%	Manufacture in which: - the weight of non-originating materials of Chapter 4 used does not exceed 15% of the total weight of materials of Chapter 4 used; - the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
Chapter 5	Products of animal origin, not elsewhere specified or included	60%	
Chapter 6	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	60%	
Chapter 7	Edible vegetables and certain roots and tubers		
	- containing 20 % or less by weight of materials of Chapter 17	30%	Manufacture in which the weight of non-originating materials of Chapter 7 used does not exceed 15% of the total weight of materials of Chapter 7 used

	- containing more than 20 % by weight of materials of Chapter 17	30%	<p>Manufacture in which:</p> <ul style="list-style-type: none"> - the weight of non-originating materials of Chapter 7 used does not exceed 15% of the total weight of materials of Chapter 7 used; - the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
Chapter 8	Edible fruit and nuts; peel of citrus fruits or melons		
	- containing 20 % or less by weight of materials of Chapter 17	30%	Manufacture in which the weight of non-originating materials of Chapter 8 used does not exceed 15% of the total weight of materials of Chapter 8 used
	- containing more than 20 % by weight of materials of Chapter 17	30%	<p>Manufacture in which:</p> <ul style="list-style-type: none"> - the weight of non-originating materials of Chapter 8 used does not exceed 15% of the total weight of materials of Chapter 8 used; - the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
Chapter 9	Coffee, tea, maté and spices	60%	
ex Chapter 10	Cereals; except for:	60%	
1006	Rice	30%	Manufacture in which the weight of non-originating materials of heading 1006 used does not exceed 15% of the total weight of materials of heading 1006 used
ex Chapter 11	Products of the milling industry; malt; starches; inulin; wheat gluten; except for:	60%	
	- produced from materials of heading 1006 or its derivatives	30%	<p>Manufacture in which:</p> <ul style="list-style-type: none"> - the weight of non-originating materials of heading 1006 or its derivatives used does not exceed 15% of the total weight of materials of heading 1006 or its derivatives used - the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
	- produced from materials of headings 1001 to 1005 or their derivatives	30%	<p>Manufacture in which:</p> <ul style="list-style-type: none"> - the weight of non-originating materials of headings 1001 to 1005 or their derivatives used does not exceed 15% of the total weight of materials of headings 1001 to 1005 or their derivatives used; - the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used

	- containing more than 20 % by weight of materials of Chapter 17	30%	Manufacture in which the weight of non-originating materials of Chapter 7 used does not exceed 15% of the total weight of materials of Chapter 7 used
Chapter 12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	60%	
Chapter 13	Lac; gums, resins and other vegetable saps and extracts	60%	
Chapter 14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	60%	
ex Chapter 15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes; except for:	60%	
1509 and 1510	Olive oil and its fractions, whether or not refined, but not chemically modified; Other oils and their fractions, obtained solely from olives, whether or not refined, but not chemically modified, including blends of these oils or fractions with oils or fractions of heading 1509	30%	Manufacture in which the weight of non-originating materials of headings 1509 and 1510 used does not exceed 15% of the total weight of materials of headings 1509 and 1510 used
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading 1516	30%	Manufacture in which: - the weight of non-originating materials of headings 1509 and 1510 used does not exceed 15% of the total weight of materials of headings 1509 and 1510 used; - the weight of non-originating materials of Chapter 4 used does not exceed 15% of the total weight of materials of Chapter 4 used
Chapter 16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates; except for:		Manufacture in which the value of non-originating materials of Chapter 3 used does not exceed 10% of the ex-works price of the product
1604 and 1605	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved		Manufacture in which the value of non-originating materials of Chapter 3 used does not exceed 10% of the ex-works price of the product
ex Chapter 17	Sugars and sugar confectionery; except for:	30%	Manufacture in which the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
	- products of Heading 1704 containing less than 20 % by weight of materials of Chapter 17	60%	
ex Chapter 18	Cocoa and cocoa preparations; except for:	60%	
	- containing more than 20 % by weight of materials of Chapter 17	30%	Manufacture in which the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used

	- containing more than 20 % by weight of materials of Chapter 4	30%	Manufacture in which the weight of non-originating materials of Chapter 4 used does not exceed 15% of the total weight of materials of Chapter 4 used
ex Chapter 19	Preparations of cereals, flour, starch or milk; pastrycooks' products; except for:	60%	
	- containing more than 20 % by weight of materials of Chapters 2 and 4	30%	Manufacture in which the weight of non-originating materials of Chapters 2 and 4 used does not exceed 15% of the total weight of materials of Chapters 2 and 4 used
	- containing more than 20 % by weight of materials of Chapter 17	30%	Manufacture in which the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
ex Chapter 20	Preparations of vegetables, fruit, nuts or other parts of plants; except for:	30%	Manufacture in which the weight of non-originating materials of sub-heading 0711 51 and of headings 2002, 2003, 2008 and 2009 used does not exceed 15% of the total weight of materials of sub-heading 0711 51 and of headings 2002, 2003, 2008 and 2009 used
	- products containing more than 20 % by weight of materials of Chapter 17	30%	Manufacture in which: - the weight of non-originating materials of sub-heading 0711 51 and of headings 2002, 2003, 2008 and 2009 used does not exceed 15% of the total weight of materials of sub-heading 0711 51 and of headings 2002, 2003, 2008 and 2009 used; - the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
	- products containing more than 20 % by weight of materials of heading 0409	30%	Manufacture in which: - the weight of non-originating materials of sub-heading 0711 51 and of headings 2002, 2003, 2008 and 2009 used does not exceed 15% of the total weight of materials of sub-heading 0711 51 and of headings 2002, 2003, 2008 and 2009 used; - the weight of non-originating materials of heading 0409 used does not exceed 15% of the total weight of materials of heading 0409 used
ex Chapter 21	Miscellaneous edible preparations; except for:	60%	
	- products containing more than 20 % by weight of materials of headings 0401 to 0409	30%	Manufacture in which the weight of non-originating materials of headings 0401 to 0409 used does not exceed 15% of the total weight of materials of headings 0401 to 0409 used
	- products containing more than 20 % by weight of materials of Chapter 17	30%	Manufacture in which the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used

ex Chapter 22	Beverages, spirits and vinegar; except for:	60%	
ex 2202	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 2009; containing more than 20 % by weight of materials of Chapter 17	30%	Manufacture in which the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
ex 2204 to ex 2209	<p>Wine of fresh grapes, including fortified wines; grape must other than that of heading 2009;</p> <p>Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances;</p> <p>Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included;</p> <p>Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher; ethyl alcohol and other spirits, denatured, of any strength;</p> <p>Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages;</p> <p>Vinegar and substitutes for vinegar obtained from acetic acid;</p> <p>Except for</p>	30%	Manufacture in which the volume of non-originating ethyl alcohol of headings 2207 and 2208 used does not exceed 15% of the total volume of ethyl alcohol of headings 2207 and 2208 used
	- products made from grapes or products derived from grapes	30%	<p>Manufacture in which:</p> <ul style="list-style-type: none"> - the weight of non-originating materials of heading 0806 used does not exceed 15% of the total weight of materials of heading 0806 used; - the weight of non-originating materials of headings 2204 to 2209 used does not exceed 15% of the total weight of materials of headings 2204 to 2209 used; - the weight of non-originating materials of heading 2307 used does not exceed 15% of the total weight of materials of heading 2307 used;
ex Chapter 23	Residues and waste from the food industries; prepared animal fodder; except for:	60%	
ex 2309	Preparations of a kind used in animal feeding; except for:	60%	
	- containing more than 20 % by weight of materials of Chapter 2	30%	Manufacture in which the weight of non-originating materials of Chapter 2 used does not exceed 15% of the total weight of materials of Chapter 2 used
	- containing more than 20 % by weight of materials of Chapter 4	30%	Manufacture in which the weight of non-originating materials of Chapter 4 used does not exceed 15% of the total weight of materials of Chapter 4 used

	- containing more than 20 % by weight of materials of heading 1006	30%	Manufacture in which the weight of non-originating materials of heading 1006 used does not exceed 15% of the total weight of materials of heading 1006 used
	- containing more than 20 % by weight of materials of Chapter 17	30%	Manufacture in which the weight of non-originating materials of Chapter 17 used does not exceed 15% of the total weight of materials of Chapter 17 used
Chapter 24	Tobacco and manufactured tobacco substitutes	30%	Manufacture in which the weight of non-originating materials of heading 2401 used does not exceed 30% of the total weight of materials of heading 2401 used
Chapter 25	Salt; sulphur; earths and stone; plastering materials, lime and cement	30% for LDCs 45% for non-LDCs	
Chapter 26	Ores, slag and ash	30% for LDCs 45% for non-LDCs	
Chapter 27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	30% for LDCs 45% for non-LDCs	
Chapter 28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	30% for LDCs 45% for non-LDCs	
ex Chapter 29	Organic chemicals; except for	30% for LDCs 45% for non-LDCs	
29054300	Mannitol	30% for LDCs 45% for non-LDCs	
29054411	D-glucitol (sorbitol) in aqueous solution containing 2 % or less by weight of D-mannitol, calculated on the D-glucitol content	30% for LDCs 45% for non-LDCs	
29054419	D-glucitol (sorbitol) in aqueous solution: other	30% for LDCs 45% for non-LDCs	
29054491	D-glucitol (sorbitol) in aqueous solution, other: containing 2 % or less by weight of D-mannitol, calculated on the D-glucitol content	30% for LDCs 45% for non-LDCs	
29054499	D-glucitol (sorbitol) in aqueous solution, other: other	30% for LDCs 45% for non-LDCs	
29054500	Glycerol	30% for LDCs 45% for non-LDCs	
Chapter 30	Pharmaceutical Products	30% for LDCs 45% for non-LDCs	

Chapter 31	Fertilisers	30% for LDCs 45% for non-LDCs	
Chapter 32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	30% for LDCs 45% for non-LDCs	
ex Chapter 33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations; except for:	30% for LDCs 45% for non-LDCs	
33019010	Resinoids, other: terpenic by-products of the deterpenation of essential oils	30% for LDCs 45% for non-LDCs	
33019021	Extracted oleoresins: of liquorice and hops	30% for LDCs 45% for non-LDCs	
33019030	Extracted oleoresins: other	30% for LDCs 45% for non-LDCs	
33019090	Extracted oleoresins, other: other	30% for LDCs 45% for non-LDCs	
33021010	Mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in industry; other preparations based on odoriferous substances, of a kind used for the manufacture of beverages: of a kind used in the food or drink industries	30% for LDCs 45% for non-LDCs	
Chapter 34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, 'dental waxes' and dental preparations with a basis of plaster	30% for LDCs 45% for non-LDCs	
ex Chapter 35	Albuminoidal substances; modified starches; glues; enzymes; except for:	30% for LDCs 45% for non-LDCs	
35011010	Casein: for the manufacture of regenerated textile fibres	30% for LDCs 45% for non-LDCs	
35011050	Casein: for industrial uses other than the manufacture of foodstuffs or fodder	30% for LDCs 45% for non-LDCs	
35011090	Casein: other	30% for LDCs 45% for non-LDCs	

35019090	Casein, other: other	30% for LDCs 45% for non-LDCs	
35051010	Dextrins	30% for LDCs 45% for non-LDCs	
35051090	Dextrins: others	30% for LDCs 45% for non-LDCs	
35052010	Glues: containing, by weight, less than 25 % of starches or dextrins or other modified starches	30% for LDCs 45% for non-LDCs	
35052030	Glues: containing, by weight, 25 % or more but less than 55 % of starches or dextrins or other modified starches	30% for LDCs 45% for non-LDCs	
35052050	Glues: containing, by weight, 55 % or more but less than 80 % of starches or dextrins or other modified starches	30% for LDCs 45% for non-LDCs	
35052090	Glues: containing, by weight, 80 % or more of starches or dextrins or other modified starches	30% for LDCs 45% for non-LDCs	
Chapter 36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	30% for LDCs 45% for non-LDCs	
Chapter 37	Photographic or cinematographic goods	30% for LDCs 45% for non-LDCs	
Chapter 38	Miscellaneous chemical products; except for:	30% for LDCs 45% for non-LDCs	
38091010	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included, with a basis of amylaceous substances: containing by weight of such substances less than 55 %	30% for LDCs 45% for non-LDCs	
38091030	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included, with a basis of amylaceous substances: containing by weight of such substances 55 % or more but less than 70 %	30% for LDCs 45% for non-LDCs	

38091050	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included, with a basis of amylaceous substances: containing by weight of such substances 70 % or more but less than 83 %	30% for LDCs 45% for non-LDCs	
38091090	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included, with a basis of amylaceous substances: containing by weight of such substances 83 % or more	30% for LDCs 45% for non-LDCs	
3823	Industrial monocarboxylic fatty acids; acid oils from refining; industrial fatty alcohols	30% for LDCs 45% for non-LDCs	
38246011	Sorbitol other than that of subheading 2905 44, in aqueous solution: containing 2 % or less by weight of D-mannitol, calculated on the D-glucitol content	30% for LDCs 45% for non-LDCs	
38246019	Sorbitol other than that of subheading 2905 44, in aqueous solution: other	30% for LDCs 45% for non-LDCs	
38246091	Sorbitol other than that of subheading 2905 44, other: containing 2 % or less by weight of D-mannitol, calculated on the D-glucitol content	30% for LDCs 45% for non-LDCs	
38246099	Sorbitol other than that of subheading 2905 44, other: other	30% for LDCs 45% for non-LDCs	
Chapter 39	Plastics and articles thereof	30% for LDCs 45% for non-LDCs	
Chapter 40	Rubber and articles thereof	30% for LDCs 45% for non-LDCs	
Chapter 41	Raw hides and skins (other than furskins) and leather	30% for LDCs 45% for non-LDCs	
Chapter 42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)	30% for LDCs 45% for non-LDCs	
Chapter 43	Furskins and artificial fur; manufactures thereof	30% for LDCs 45% for non-LDCs	

Chapter 44	Wood and articles of wood; wood charcoal	30% for LDCs 45% for non-LDCs	
Chapter 45	Cork and articles of cork	30% for LDCs 45% for non-LDCs	
Chapter 46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	30% for LDCs 45% for non-LDCs	
Chapter 47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard	30% for LDCs 45% for non-LDCs	
Chapter 48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	30% for LDCs 45% for non-LDCs	
Chapter 49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans	30% for LDCs 45% for non-LDCs	
Chapter 50	Silk	30% for LDCs 45% for non-LDCs	
Chapter 51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	30% for LDCs 45% for non-LDCs	
Chapter 52	Cotton	30% for LDCs 45% for non-LDCs	
Chapter 53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	30% for LDCs 45% for non-LDCs	
Chapter 54	Man-made filaments	30% for LDCs 45% for non-LDCs	
Chapter 55	Man-made staple fibres	30% for LDCs 45% for non-LDCs	
Chapter 56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	30% for LDCs 45% for non-LDCs	
Chapter 57	Carpets and other textile floor coverings	30% for LDCs 45% for non-LDCs	
Chapter 58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	30% for LDCs 45% for non-LDCs	
Chapter 59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	30% for LDCs 45% for non-LDCs	
Chapter 60	Knitted or crocheted fabrics	30% for LDCs 45% for non-LDCs	

Chapter 61	Articles of apparel and clothing accessories, knitted or crocheted	30% for LDCs 45% for non-LDCs	
Chapter 62	Articles of apparel and clothing accessories, not knitted or crocheted	30% for LDCs 45% for non-LDCs	
Chapter 63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	30% for LDCs 45% for non-LDCs	
Chapter 64	Footwear, gaiters and the like; parts of such articles	30% for LDCs 45% for non-LDCs	
Chapter 65	Headgear and parts thereof	30% for LDCs 45% for non-LDCs	
Chapter 66	Umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding crops and parts thereof	30% for LDCs 45% for non-LDCs	
Chapter 67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	30% for LDCs 45% for non-LDCs	
Chapter 68	Articles of stone, plaster, cement, asbestos, mica or similar materials	30% for LDCs 45% for non-LDCs	
Chapter 69	Ceramic products	30% for LDCs 45% for non-LDCs	
Chapter 70	Glass and glassware	30% for LDCs 45% for non-LDCs	
Chapter 71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coins	30% for LDCs 45% for non-LDCs	
Chapter 72	Iron and steel	30% for LDCs 45% for non-LDCs	
Chapter 73	Articles of iron and steel	30% for LDCs 45% for non-LDCs	
Chapter 74	Copper and articles thereof	30% for LDCs 45% for non-LDCs	
Chapter 75	Nickel and articles thereof	30% for LDCs 45% for non-LDCs	
Chapter 76	Aluminium and articles thereof	30% for LDCs 45% for non-LDCs	
Chapter 77	<i>(Reserved for possible future use in the harmonised system)</i>		

Chapter 78	Lead and articles thereof	30% for LDCs 45% for non-LDCs	
Chapter 79	Zinc and articles thereof	30% for LDCs 45% for non-LDCs	
Chapter 80	Tin and articles thereof	30% for LDCs 45% for non-LDCs	
Chapter 81	Other base metals; cermets; articles thereof	30% for LDCs 45% for non-LDCs	
Chapter 82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	30% for LDCs 45% for non-LDCs	
Chapter 83	Miscellaneous articles of base metal	30% for LDCs 45% for non-LDCs	
Chapter 84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	30% for LDCs 45% for non-LDCs	
Chapter 85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	30% for LDCs 45% for non-LDCs	
Chapter 86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electromechanical) traffic signalling equipment of all kinds	30% for LDCs 45% for non-LDCs	
Chapter 87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	30% for LDCs 45% for non-LDCs	
Chapter 88	Aircraft, spacecraft, and parts thereof	30% for LDCs 45% for non-LDCs	
Chapter 89	Ships, boats and floating structures	30% for LDCs 45% for non-LDCs	
Chapter 90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	30% for LDCs 45% for non-LDCs	
Chapter 91	Clocks and watches and parts thereof	30% for LDCs 45% for non-LDCs	
Chapter 92	Musical instruments; parts and accessories of such articles	30% for LDCs 45% for non-LDCs	
Chapter 93	Arms and ammunition; parts and accessories thereof	30% for LDCs 45% for non-LDCs	

Chapter 94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings	30% for LDCs 45% for non-LDCs	
Chapter 95	Toys, games and sports requisites; parts and accessories thereof	30% for LDCs 45% for non-LDCs	
Chapter 96	Miscellaneous manufactured articles	30% for LDCs 45% for non-LDCs	
Chapter 97	Works of art, collectors' pieces and antiques	30% for LDCs 45% for non-LDCs	

ANNEX [8]: EU – SIMULATION OF BUDGET EFFECT BY EADING AND BY CHAPTER

See tables in separate document (Annex 8).

ANNEX [9]: TRADE CREATION EFFECTS OF VALUE ADDED THRESHOLDS: LDCs

See table in separate document (Annex 9).

ANNEX [10]: TRADE CREATION EFFECT OF VALUE ADDED THRESHOLDS: GSP

See table in separate document (Annex 10).

ANNEX [11]: THE REX (REGISTERED EXPORTER) DATA-BASE

The purposes of REX system are: improving the monitoring of the preference system, helping developing countries, avoiding discrimination, securing REX operations, aligning GSP operations with the eCustoms initiative.

Protection of business data is another essential issue of the new system. REX related data will be a mix of confidential and non-confidential information. Economic information that can be deduced from REX system activity should therefore be considered as confidential information, as it can be used to perform useful business intelligence about who does what, when and where. Thus, it will be of utmost importance to give the right access to the right person/entity.

At this stage the cost of such a system can be just evaluated taking into account the estimated costs of REX set up and maintenance in man-days. To estimate the number of man-days necessary to develop REX it is better here to use project management ratios. The following elements have also been taken into account for the calculation: the investments already made (REX - user requirements analysis, REX – business process) and the feasibility study. It is also assumed that REX hardware is not located at another place than in the Commission (in other words it is not physically replicated in another place than there). If it was the case, hardware and software costs would be multiplied. The potential cost of inviting REX representatives or users from third countries or Member States to kick off or training sessions have not been taken into account. It has been assumed that a system administrator or a database administrator is able to manage 5 systems of an average complexity at the same time. The same has been assumed for 24/7 helpdesk, working in 3 shifts of 8 hours. The table below proposes a first estimated investment for REX set up.

	Sword-Technologies (man-days)	DG TAXUD (man-days)
Select an alternative		10
Functional specifications		
Production of Functional Specs	60	
Review DG TAXUD (SfR)		15
Review Sword	10	
Review DG TAXUD (SfA)		15
Design specifications		
Production of Design Specifications	90	
Review DG TAXUD (SfR)		15
Review Sword	10	
Review DG TAXUD (SfA)		15
Build & Unit testing	100	
Integration & System testing + FAT	80	
Manuals & On-line help	70	
Application Delivery		
Acceptance testing + review manuals	40	80
Deployment		
Technical Deployment		33
Take arrangements with Certification Authority		2
Identify and Mandate National REX Contacts		20
Identify and Mandate MS Authorities Contacts		3
Create Users Accounts (178 third countries + 25 MS)		23
REX kickoff meetings with third countries		9
REX kickoff meetings with MS		2
Third countries users training sessions		9
Maintain 24/7 hot-line during deployment		20
Survey of system use		20
TOTALS (set up [REX])	460	291
Maintenance (man-days / year)		
Maintain 24/7 hot-line		219
Sysadmin + DBA		146

Table xxx - REX set up and maintenance cost in man-days

The main technical recommendations of the future REX scheme are:

- for a number of reasons of manageability, efficiency and cost effectiveness, it appears that REX should be centralized at the Commission. A number of possibly “light” duplicates could be set up in the Member States if it turns out that this can be beneficial to the overall system performance. However, this should happen in a second phase, once the system has become fully operational and is used systematically in parallel with or through the movement systems;
- In order to cater for potentially slow networks at the beneficiary countries' side, user interface pages should be made as light as possible. The use of a technology like Ajax should be considered.