Guidelines on the Implementation of the Revised PEM Convention on Rules of Origin:

From the PEM Convention to the Revised PEM Convention

May 2024

The publication *„Guidelines on the Implementation of the Revised PEM Convention: From the PEM Convention to the Revised PEM Convention“* was prepared by Branka Tudjen, Expert on Rules of Origin as part of the USAID's Partnerships for Economic Growth Activity, funded by the American people through the United States Agency for International Development (USAID). The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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GENERAL DISCLAIMER: This guideline document is of an explanatory and illustrative nature and contains information on rules of origin applicable in trade between CEFTA Parties and other PEM Contracting Parties with which CEFTA Parties have Free Trade Agreements (FTAs).
Free Trade Agreements and customs legislation take precedence over the content of this document and should always be consulted together with the provisions of the Protocol on Rules of Origin.

1 Acronyms/Abbreviations:

CEFTA: Central European Free Trade Agreement

CTH: Change of Tariff Heading

DDB: Duty Drawback

EFTA: European Free Trade Association

EU: European Union

EXW: Ex-works price

FTA: Free Trade Agreement

HS: Harmonized Commodity and Coding System of Tariff Nomenclature

IPP: Inward processing procedure

NDDB: No-drawback rule

PEM Convention: Regional Convention on pan-Euro-Mediterranean preferential rules of origin

PSR: Product-Specific Rule of Origin

RPEM: Revised Regional Convention on pan-Euro-Mediterranean preferential rules of origin

SD: Supplier's declaration

TPEM: Transitional rules of origin – Transitional PEM Convention

WCO: World Customs Organization

2 Existing tools - useful links:

- CEFTA Legal Documents
- DG TAXUD website
- General EU guidance on preferential origin - Guidance
- EU Guidance Approved exporters and Supplier's declaration
- DG TRADE – Access-to-markets portal
- TRANSITIONAL RULES OF ORIGIN (and PEM rules) Guidance
- PEM Handbook
- PEM Explanatory Notes
- EU Guidance on a supplier's declarations
- Origin irregularities

3 Definitions/Explanations

Central European Free Trade Agreement (CEFTA)[1]	The Central European Free Trade Agreement (CEFTA) entered into force in 2006. All CEFTA parties implement Regional Convention on pan-Euro-Mediterranean Preferential Rules of Origin (PEM Convention) and apply Transitional rules of origin in parallel with the PEM Convention rules of origin until the revised rules of the PEM Convention begin to apply. Information on CEFTA are available at: https://cefta.int/.
PEM Convention[2]	The Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention) entered into force on 1 January 2012.[3] In order to have a single set of rules of origin that would be easier to apply and revise, the main objective of the PEM Convention was to replace all the protocols on rules of origin in the free trade area between the Contracting Parties with a single protocol (Appendix I of the Convention). The following trading partners are currently included in the PEM zone: EU, EFTA countries, Turkey, SAP participants, Barcelona Declaration signatories, Faroe Islands, Moldova, Georgia and Ukraine. The PEM Convention consists of a main text and two Appendixes: ⇨ **Appendix I -** The definition of the concept of "originating products" and methods of administrative cooperation, which contains the central rules relevant for economic operators. ⇨ **Appendix II -** special provisions derogating from the provisions laid down in Appendix I. The PEM Convention created a diagonal cumulation zone, while regional cumulation is not fully applied within the zone. This is referred to as variable geometry – a condition where the network of trade agreements within PEM is not fully completed. In the EU Official Journal, a Commission notice concerning the application of the Regional Convention on pan-Euro-Mediterranean preferential rules of origin or the protocols on rules of origin providing for diagonal cumulation between the Contracting Parties to this Convention (Matrix of trade agreements within the PEM zone) is regularly published.
Revised PEM Convention (RPEM)	With the aim of creating simpler, more liberal rules that better meet traders' needs, the process of revising the PEM Convention was launched in 2013. In November 2019, the European Commission (acting as the PEM Convention Secretariat) invited all PEM Convention Parties to express

[1] All details about CEFTA Parties can be found on https://cefta.int/

[2] Background information on the PEM Convention, including the text of the PEM Convention/TPEM/RPEM, a description of the main provisions, a Matrix and other information can be found on the official website of the European Union.

[3] The European Union Official Journal L 54, 26.2.2013, p. 4.

	their views on formally adopting the revised rules of the PEM Convention but failed to adopt the revised rules due to reservations expressed by some Parties. As a result, many PEM Parties started to apply these revised rules on a bilateral basis, pending the adoption of the RPEM Convention by all PEM Contracting Parties. These so-called Transitional rules of origin (TPEM) are an alternative to the rules of the PEM Convention and remain fully applicable among all applying Parties[6] until the entry into force of the amendments to the PEM Convention (RPEM). In July 2023, the European Commission again invited all PEM Contracting Parties to express their position on the formal adoption of the revised rules of the PEM Convention. This time, all PEM Contracting Parties expressed their willingness to vote in favor of the text of the new RPEM. The formal vote was held at the PEM Joint Committee meeting held on 7 December 2023, and the amendments to the Convention will start to apply on 1 January 2025 among the Contracting Parties that introduce those amendments to the Convention, or references to them, in their protocols on rules of origin before that date.
Transitional rules of origin (TPEM)	Following the suspension of the adoption of the RPEM in November 2019, many PEM Contracting Parties agreed to bilaterally apply the revised rules by applying them through TPEM rules of origin. The TPEM rules of origin are a set of rules based on the RPEM which are applicable on an optional and bilateral basis, running in parallel with the rules of the PEM Convention until the revised PEM Convention enters into force (by 1 January 2025). Application is optional for economic operators, i.e. they decide which of the two sets of rules of origin to use and indicate this in the proofs of origin. The Transitional rules of origin create a new parallel cumulation zone between all parties involved in the production process with FTA with identical rules of origin (TPEM).
PEM JC Decision No 2/2017[4]	Decision No. 2/2017 of the Joint Committee of the Regional Convention on pan-Euro-Mediterranean Preferential Rules of Origin of 16 May 2017, amended the provisions of Appendix II of the Regional Convention on pan-Euro-Mediterranean Preferential Rules of Origin by introducing the possibility of intra-CEFTA duty drawback and full cumulation.
CEFTA JC Decision No 1/2021[5]	Decision No. 1/2021 of the CEFTA Joint Committee of 21 June 2021 established a new Annex 4 Protocol concerning the definition of the concept of "originating products" and methods of administrative

[4] Based on CEFTA Joint Committee Decision 3/2015 of 26 November 2015 introducing a possibility of duty drawback and of full cumulation in the trade between the Republic of Moldova and the participants in the European Union's Stabilisation and Association Process in the framework of CEFTA.

[5] Decision of the Joint Committee of the Central European Free Trade Agreement No. 1/2021 adopted on 21 June 2021 amending Annex 4 of the Central European Free Trade Agreement (CEFTA 2006), setting out

	cooperation and the CEFTA Joint Committee Decision No. 3/2013 and Decision 3/2015 were repealed and replaced. This CEFTA decision ensured, on the one hand, the possibility of applying the PEM Convention rules of origin between CEFTA Parties in parallel with the new Transitional rules of origin. The application of the TPEM rules of origin is optional and the economic operator can issue a proof of origin either based on the PEM Convention or based on TPEM rules, depending on his business needs and preferences. This decision should be applied until 1 January 2025, when the RPEM Convention will enter into force.
PEM JC Decision No 1/2023	Decision No 1/2023 of the Joint Committee of the Regional Convention on pan-Euro-Mediterranean preferential rules of origin on the amendment of the Regional Convention on pan-Euro-Mediterranean preferential rules of origin has established new revised rules of origin (RPEM) and provides that the amendments to the Convention shall enter into force on 1 January 2025. Decision 1/2023 was published in EU OJ L 2024/39.
PEM Convention Matrix	The applicability of diagonal cumulation by the PEM Contracting Parties requires publication in the Official Journal of the European Union (C series) and by the other Contracting Party by its procedure. The Commission notice concerning the application of the Regional Convention on pan-Euro-Mediterranean preferential rules of origin or the protocols on rules of origin providing for diagonal cumulation between the Contracting Parties to this Convention summarized all information and presented it in Tables 1-3. Currently, tables 1 and 2 apply to cumulation under the Regional Convention and Table 3 applies to SAP cumulation. The PEM Convention Matrix is continuously updated to show the current state of diagonal cumulation possibilities (and other specifics) and to be helpful for customs officers and economic operators.
TPEM Matrix	The applicability of diagonal cumulation between Contracting Parties applying Transitional rules of origin also requires publication in the European Union in the Official Journal (C series) and in the other Contracting Party in accordance with its procedures. The Commission notice on the application of the transitional rules of origin providing for diagonal cumulation between the applying Contracting Parties in the Pan-Euro-Mediterranean (PEM) zone is summarized and presented in Tables 1-2. This Matrix also includes a list of the Contracting Parties that have decided to extend the application of Article 7 (3) of Appendix I of the TPEM/RPEM.[6] This matrix only exists while the TPEM rules of origin are applicable.

the Protocol Concerning the Definition of the Concept of "Originating Products" and Methods of Administrative Cooperation referred to in Article 14, paragraph 1 and 3, and repealing and replacing Decision No. 3/2013 and Decision 3/2015 of the Joint Committee of the Central European Free Trade Agreement.

[6] For example, a matrix published in OJ C/2024/1637 of 20 February 2024 reflects the situation on that date.

Harmonized System (HS)	The Harmonized Commodity Description and Coding System[7] generally referred to as "Harmonized System" or simply "HS" is a multipurpose international product nomenclature developed by the World Customs Organization (WCO). It comprises more than 5,000 commodity groups each identified by a six-digit code. The HS updates were made in 1988, 1996, 2002, 2007, 2012, 2017 and 2022.[8]

4 Introduction - What are these guidelines about?

Rules of origin are the regulatory framework that defines the 'economic origin' of the goods. They determine where goods originate from (not where they have been delivered from or just produced), that is, where they have been wholly obtained or sufficiently worked or processed to acquire the origin of that party.

For customs purposes, a distinction is made between two types of origin, namely non-preferential origin and preferential origin.

⇒ **Non-preferential rules of origin** is used to determine the origin of goods for the application of the most-favoured-nation treatment (MFN), but also for the implementation of various trade policy measures such as anti-dumping and countervailing duties, trade embargoes, safeguard measures and quantitative restrictions or tariff quotas.
Non-preferential rules are not harmonized, and each importing economy prescribes its own rules for determining the non-preferential origin of goods on import through its customs legislation.

⇒ **Preferential rules of origin** determine whether goods qualify as originating from certain trade partners, for which special arrangements and agreements apply. These rules are used within the context of a preferential trade agreement to ensure that only products meeting certain criteria benefit from the preferential tariff rates agreed upon by the participating parties.

In international trade, all goods imported into the importing economy are subject to import duties when they are released for free circulation. Thanks to Free Trade Agreements (FTAs), goods may qualify for a preferential tariff treatment, (reduced or eliminated tariff duty) if they meet certain criteria and are accompanied by a relevant proof of origin issued in the party of exports.

CEFTA Parties implement PEM Convention on preferential rules of origin, which aims to establish common rules of origin and cumulation among the PEM Contracting Parties to facilitate trade and integrate supply chains within the zone.

We are at a moment when the acquisition of origin in the PEM Contracting Parties is very dynamic due to the parallel application of the provisions of the PEM Convention, the

[7] International Convention on the Harmonized Commodity Description and Coding System (HS Convention)
[8] Please note that changes in the classification of products in the HS do not affect the list rules or the product specific rules (PSR). Accordingly, after the new update, the PSRs need to be reformatted so that in the PSR table, all products under the new HS retain the same PSRs.

Transitional rules on origin and the preparations for the start of the application of the revised rules of the PEM Convention.

It should be noted that the process of proving origin does not end with the issuance of the proof of origin but also provides for administrative cooperation that can take place up to three years after the importation of the product.[9]

With this in mind, even when the RPEM comes into force, customs officials will still need to be aware of the specificities of the previously applied rules of origin to carry out the verification process properly.

Given the above, it is necessary to summarize in one place the differences between the rules of origin applicable in the PEM zone during the transitional period (PEM Convention and TPEM) and the application of the new revised rules of the PEM Convention (RPEM). For this reason, this guide covers the main differences between the PEM Convention/TPEM/RPEM rules of origin and provides answers to the most frequently asked questions, irrespective of the rules to which they refer.[10]

[9] No Contracting Party shall be obliged to answer a request for subsequent verification received more than three years after the date of issue of a movement certificate or the date of making out an invoice declaration - Explanatory Notes concerning the pan-Euro-Mediterranean protocols on rules of origin – SL C 50/2007

[10] These guidelines also cover clarifications referring to questions raised at the Workshop on the Implementation of Rules of Origin in CEFTA organized with the support of the USAID EDGE Project on 25 and 26 September 2023 in Budva, Montenegro.

5 Context

⇒ PEM Convention

The Regional Convention on pan-Euro-Mediterranean Preferential Rules of Origin (PEM Convention) was created with the primary objective of facilitating trade and enhancing the integration of supply chains within the zone. This was achieved by setting common rules of origin and enabling cumulation among the PEM Contracting Parties.[11]

The PEM Convention, among other things, provides for bilateral and diagonal cumulation, while the application of full cumulation is possible between certain parties through derogations from the general cumulation rules.[12]

- ⇨ *CEFTA DEROGATION was agreed between the CEFTA Parties by CEFTA Joint Committee Decision No. 3/2015.*
- ⇨ *The PEM Joint Committee accepted the same by PEM Joint Committee Decision No. 2/2017.*
- ⇨ *With this decision, Appendix II of the PEM Convention was amended by introducing the possibility of duty drawback and full cumulation for all goods in the trade covered by the CEFTA Parties. New RPEM also integrated this possibility by Annex X, G, and H.*

⇒ Revision process

The need to amend the PEM Convention's rules of origin led to the launch of a revision process in 2013. For more than seven years, efforts have been made to amend the text of the PEM Convention with the primary objective of improving the flexibility, timeliness and business-oriented focus of the rules of origin. However, during the PEM Joint Committee meeting in November 2019, the revised rules of the PEM Convention could not be adopted due to reservations expressed by some Contracting Parties.

In response to the interest expressed by many PEM Contracting Parties, including CEFTA Parties, to implement the new revised rules, a procedure was initiated to include these revised rules as alternative (transitional) rules of origin in the origin protocols of interested Contracting Parties.

Based on this initiative, the CEFTA Joint Committee adopted the CEFTA Decision No. 1/2021. This decision enabled the use of the currently applied PEM Convention rules of origin in the CEFTA Parties in parallel with new alternative Transitional rules of origin (TPEM).

[11] See PEM Convention Matrix

[12] Article 1 of Appendix II of the PEM Convention gives possibilities that Contracting Parties may apply in their bilateral trade special provisions derogating from the provisions laid down in Appendix I.

⇒ TRANSITIONAL PEM RULES OF ORIGIN[13]

CEFTA Joint Committee Decision No. 1/2021 set a new Annex 4 to the CEFTA 2006 Agreement while CEFTA Joint Committee Decisions No. 3/2013 and No. 3/2015 were repealed and replaced. New Annex 4 also included a dynamic reference (link) to the PEM Convention to always refer to the latest version of the Convention in force.[14]

CEFTA Decision No. 1/2021 was adopted by the CEFTA Parties on 21 June 2021, and the rules came into force on 1 February 2023, after the internal procedures had been finalized by all CEFTA Parties.

This decision provides for the following possibilities for economic operators in CEFTA:

- ⇒ The rules of the existing PEM Convention remain in force and are used in trade between all Contracting Parties. The rules on cumulation within the PEM Convention remain intact. In trade with PEM Contracting Parties not applying the Transitional rules, only the rules of the PEM Convention are used.
- ⇒ In trade between Contracting Parties whose agreements provide for the application of the Transitional rules (TPEM), economic operators have the choice between using the rules of the PEM Convention and using the new TPEM rules of origin. In case they choose to apply the TPEM rules of origin to benefit from tariff preferences, cumulation is possible only among those Contracting Parties that also apply the TPEM rules.

In parallel, the CEFTA Parties started to apply Transitional rules of origin also with other PEM Contracting Parties.[15]

⇒ REVISED PEM CONVENTION RULES OF ORIGIN

At the PEM Joint Committee on 7 December 2023, new revised rules of the PEM Convention were adopted. PEM Joint Committee Decision No. 1/2023 defined that the revised rules of origin (RPEM) will enter into force as of 1 January 2025. The longstanding revision process resulted in more flexible and liberal rules of origin.

At the same PEM Joint Committee, PEM Contracting Parties also agreed to develop electronic certification of origin to further simplify customs formalities in the PEM Convention framework.[16]

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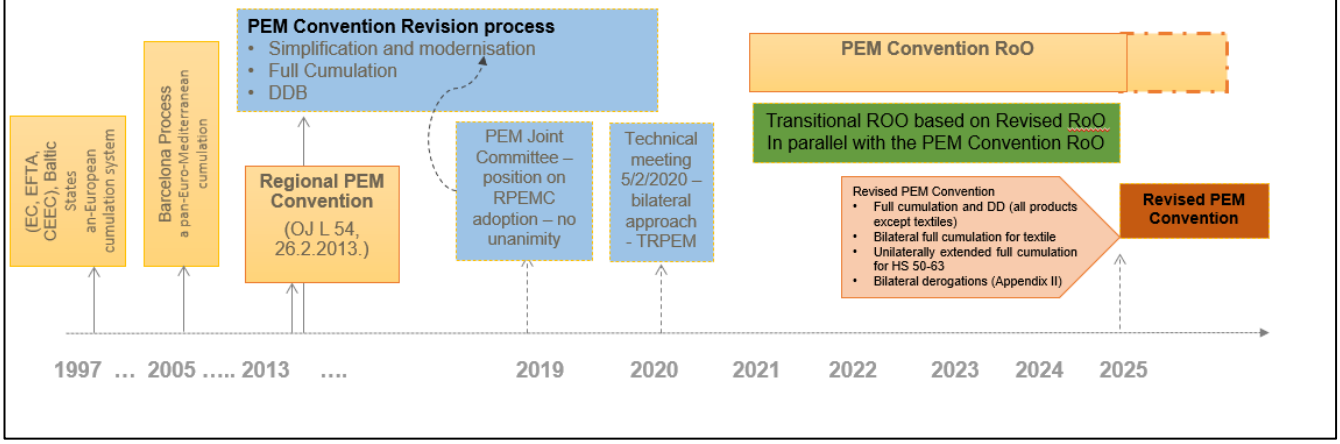
[13] See definition – Transitional PEM Convention (TPEM)

[14] See Article 1(1) of the Decision 1/2021

[15] See the latest TPEM matrix

[16] Recommendation no 1/2023 of the Joint Committee of the Regional Convention on pan-Euro-Mediterranean Preferential Rules of Origin of 7 December 2023 on the use of movement certificates issued electronically was published in the OJ L 2024/243.

GENERAL OVERVIEW OF THE DYNAMIC OF ROO DEVELOPMENT IN THE PEM AREA



Note:
By the end of 2024, in preparation for the implementation of the RPEM, it is necessary to establish transitory measures for originating products in transit or storage before January 1, 2025. Same to facilitate the smooth use of PEM cumulation.
In addition, transitory measures should be introduced for trading partners that require longer periods to update existing bilateral agreements which includes the potential permeability possibility between the PEM Convention and the RPEM rules of origin.
All this will be further discussed at the PEM Joint Committee and is therefore not included in these guidelines.

6 RULES OF ORIGIN CONCEPT

As an integral part of all FTAs, preferential rules of origin determine the criteria for acquiring preferential origin status. To determine the origin of a product, rules of origin distinguish between goods that are wholly obtained and goods sufficiently transformed in the exporting party.

⇒ **Wholly obtained products** generally refer to products that have been wholly produced (both materials and products) or extracted in only one single party, without incorporating any foreign materials.

⇒ **Sufficiently working or processing rules** apply to products containing non-originating materials. Rules of origin included in preferential trade arrangements contain Product Specific Rules of Origin (PSR) so-called List rules which establish, for each product, the required processing operations to be carried out on non-originating materials in the contracting party in order for the final product to obtain preferential origin status.

⇒ **Cumulation** is an important facility of modern FTAs that enables materials originating or processed in one FTA contracting party to be used more favorably in subsequent production in another FTA contracting party. In this context, it allows the use of materials from suppliers located in the FTA contracting party and treats them as originating materials for determining the origin of the final product or counting a production process carried out in the FTA area.
Cumulation is one of the ways to give manufacturers more flexibility in sourcing materials. It also strengthens economic integration and industrial cooperation between contracting parties.

REMEMBER:

- *In the case of cumulation, the working or processing carried out by each contracting party on originating materials does not need to fulfil the list rule, it is enough that these operations go beyond insufficient working or processing.*
- *Where non-originating and originating materials are used in the production of the final product, the non-originating materials have to be sufficiently worked or processed according to the list rules regardless of the application of cumulation.*

6.1 Wholly obtained products

The rules of origin of each FTA include an exhaustive list of products that are considered wholly obtained.

It is important to note that the list of wholly obtained products outlined in the PEM Convention differs from that in the TPEM/RPEM rules of origin. Consequently, a comprehensive inventory of wholly obtained products in both the PEM Convention and the TPEM/RPEM is presented below.

PEM Convention (Article 4[17]) defines the following products as wholly obtained products when exported to another Contracting Party:	***TPEM/RPEM (Article 3) defined the following products as wholly obtained products in a Party when exported to the other Party:***
(a) mineral products extracted from its soil or from its seabed; (b) vegetable products harvested there; (c) live animals born and raised there;[19] (d) products from live animals raised there;[20] (e) products obtained by hunting or fishing conducted there; (f) products of sea fishing and other products taken from the sea outside the territorial waters of the exporting Contracting Party by its vessels; (g) products made aboard its factory ships exclusively from products referred to in (f); (h) used articles collected there fit only for the recovery of raw materials, including used tires fit only for retreading or for use as waste; (i) waste and scrap resulting from manufacturing operations conducted there;[24] (j) products extracted from marine soil or subsoil outside its territorial waters provided that it has sole rights to work that soil or subsoil; (k) goods produced there exclusively from the products specified in (a) to (j).	(a) mineral products and natural water extracted from its soil or from its seabed; (b) plants, including aquatic plants, and vegetable products grown or harvested there; (c) live animals born and raised there;[18] (d) products from live animals raised there;[19] (e) products from slaughtered animals born and raised there;[20] (f) products obtained by hunting or fishing conducted there; (g) products of aquaculture[21] where the fish, crustaceans, mollusks and other aquatic invertebrates are born or raised there from eggs, larvae, fry or fingerlings; (h) products of sea fishing and other products taken from the sea outside any territorial sea by its vessels; (i) products made on board its factory ships exclusively from products referred to in point (h);[22]

[17] When we refer to a specific article of the PEM Convention or TPEM/RPEM rules of origin, we refer to a concrete article of Appendix I of the PEM Convention, TPEM or RPEM.

[18] A live animal must be born and raised continuously in the Contracting Party to be considered wholly obtained. There is no defined period of raising to consider. Already when the animal is born, it is considered to have been raised.

[19] Primarily refers to products such as milk, eggs, wool and other items derived from living animals. For example, to be considered a wholly obtained product, milk must come from a cow raised in the contracting party. Milk from imported dairy cows can be considered wholly obtained as if it had been "raised" in the contracting party.

[20] For example, to be considered a wholly obtained product, meat must come from a live animal that was born, raised, and slaughtered continuously in the Contracting Party

[21] The Transitional rules of origin explicitly refer to and define aquaculture.

[22] The so-called vessel conditions outlined in the TPEM/RPEM rules of origin are simpler and offer greater flexibility. *The terms 'its vessels' and 'its factory ships' in points (h) and (i) respectively shall apply only to vessels and factory ships which meet each of the following requirements:*

(a) they are registered in the exporting or the importing Party;
(b) they sail under the flag of the exporting or the importing Party;
(c) they meet one of the following conditions:
(i) They are at least 50 % owned by locals of the exporting or the importing Party; or
(ii) they are owned by companies which:

	(j) used articles collected there fit only for the recovery of raw materials; (k) waste and scrap resulting from manufacturing operations conducted there;[23] (l) products extracted from the seabed or below the seabed which is situated outside its territorial sea but where it has exclusive exploitation rights; (m) goods produced there exclusively from the products specified in points (a) to (l).

In the context of determining whether a product is considered "wholly obtained," the focus is typically on the core materials and production processes used to manufacture the product itself, rather than on packaging materials,[24] shipping containers used during transport, or neutral elements.[25]

– have their head office and their main place of business in the exporting or the importing Party; and
– are at least 50 % owned by the exporting or the importing Party or public entities or locals of these Parties.

[23] The origin of waste from production operations is determined based on the economy in which the waste was generated during production. Waste and scrap shall be considered as wholly obtained if they result from operations carried out in the exporting Party and the origin of the products from which the waste was generated is irrelevant.
When we are talking about "used articles collected there fit only for the recovery of raw materials" it could come from originally foreign products but used goods must have reached a stage where they are no longer usable for primary purposes, and they are usable only for recovery of raw material. Only that it could be treated as wholly obtained products.

[24] When we talk about packaging, it is important to consider whether we are talking about packaging for shipping goods or packaging for retail sale.
Transport packaging is used to protect a product during transport and is not considered part of the product. Therefore, it is not taken into account when determining the origin of the transported product.
When it comes to packaging materials for the retail sale of products, they may be considered as part of the product or as a separate product in their own right.

- ⇨ Where the packaging for the retail sale of a product is considered as separate product (for ex. material suitable for repetitive use), no account needs to be taken of the originating status of the packaging material in determining the origin of the product.
- ⇨ Furthermore, Article 7(2) of the PEM Convention and Article 9(2) of the TPEM/RPEM provide that, in accordance with HS General Rule 5, if the packaging is deemed an integral part of the product for tariff classification (for ex. non-reusable boxes, plastic wrappings or packaging materials shaped to fit the product suitable for long-term use but sold together with the product for ex. musical instrument cases), it should also be taken into account when determining its origin.
  This means that in situations where we determine the origin of the product using a percentage of non-originating material, the value of the non-originating retail packaging should also be taken into account. For other rules, such as wholly obtained products, CTH, or the process rule, we should in practice disregard the origin of the packaging material and shipping container.

[25] See Article 10 of the PEM Convention and 11 TPEM/RPEM - Neutral Elements. In order to determine whether a product is an originating product, no account shall be taken of the origin of the following which might be used in its manufacture: (a) energy and fuel; (b) plant and equipment; (c) machines and tools; (d) any other goods which do not enter, and which are not intended to enter, into the final composition of the product.

6.2 Sufficiently worked or processed products

Sufficiently worked or processed products are products obtained in the contracting party, provided that the non-originating materials used in the production of these products have undergone sufficient working or processing.

They are prescribed by Article 5 of Appendix I of the PEM Convention and Article 4 of Appendix I of the TPEM and RPEM.[26]

If the goods have been processed in several parties within the PEM zone, they will acquire the originating status of the PEM Contracting Party where the last substantial working or processing took place.

Remember:

To determine whether the final product has been sufficiently worked or processed, it is firstly necessary to determine a product unit of qualification as outlined in Article 7 of the PEM Convention and Article 9 of the TPME/RPEM.

The unit of qualification for the purposes of determining origin is the same basic unit used for determining the HS classification.

It shall be the particular product which is considered the basic unit for classification when using the Harmonized System (HS) nomenclature.

Each originating product, classified in the Harmonized System (HS) as the basic unit, needs to fulfil the rules of origin.

Each Free Trade Agreement rules of origin, among others, contains:

- ⇒ Introductory notes to the List Rules - explaining how to read List Rules; and
- ⇒ The List Rules also known as "product specific rules" (PSR) - List of working or processing required to be carried out on non-originating materials in order for the product manufactured to obtain originating status - a table covering the requirements to be fulfilled to grant preferential origin to the final product.

Sufficient "working or processing" required to obtain the preferential origin of the final product is determined by the list rules. They indicate which kind of transformation is required to be carried out on non-originating materials used in production to acquire manufactured product originating status. Annex II to Appendix I of the PEM Convention/TPEM/RPEM contains the list of working or processing required to be carried out on non-originating materials in order for the product manufactured to obtain originating status.

Products mentioned in columns 1 (HS Classification) and 2 (description of the products) of the PSR shall be deemed to have been sufficiently worked or processed in an exporting party, provided that the conditions in column 3 are fulfilled.

[26] It should be emphasized that the TPEM/RPEM list rules are generally more simplified than in the PEM Convention list rules and the requirements are easier to meet.

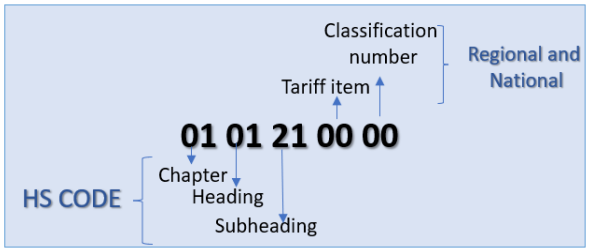
PEM Convention rules of origin *for goods classified in HS Chapter 6*

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
(1)	*(2)*	*(3)*
Chapter 6	*Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage*	*Manufacture in which:* • *all the materials of Chapter 6 used are wholly obtained, and* • *the value of all the materials used does not exceed 50 % of the ex-works price of the product*

TPEM/RPEM rules of origin *of origin for goods classified in HS Chapter 6*

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
(1)	*(2)*	*(3)*
Chapter 6	*Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage*	*Manufacture in which all the materials of Chapter 6 used are wholly obtained*

A sufficient working or processing is typically defined by one, or a combination of the following rules:



⇒ **Change in Tariff Classification (CTH)** - a required change in tariff classification of non-originating material used in production and the final product.
A product is considered to be sufficiently worked or processed when it is classified in HS Classification (Chapter, Heading, Sub-Heading - as defined in concrete PSR) different from those in which all the non-originating materials used in its manufacture are classified.

⇒ **Value Added** – determines the required degree of value that must be added to the non-originating material in the FTA territory in relation to the finished product, or a specific maximum percentage of non-originating material allowed in relation to the ex-works price of the product;

⇒ **Specific Working or Processing** - defines that the non-originating material must undergo a specific listed operation or a particular form of manufacturing to confer preferential origin to the final product. This means that the production process in the exporting party can include more elements (earlier stage of production) than the process described in the list rule, but not less; or

⇒ **Combination** of several rules.

Example 1:

For white chocolate classified in HS 1704, the TPEM and RPEM PSR define that they would acquire the exporting party origin if non-originating materials classified in any heading except HS 1704 are used in the manufacturing process. Also, the weight of the (non-originating) sugar used must not exceed 40% of the weight of the final product, or the value of the (non-originating) sugar must not exceed 30% of the EXW price of the product.

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
1704	*Sugar confectionery (including white chocolate), not containing cocoa*	*Manufacture from materials of any heading, except that of the product, in which:* *– the weight of sugar used does not exceed 40 % of the weight of the final product* *or* *– the value of sugar used does not exceed 30 % of the ex-works price of the product*

Sometimes, a chapter, heading, or sub-heading level may have "ex" before it. This indicates that the stated origin rule is relevant only to the specific part of the chapter, heading, or sub-heading for which the description of the product is provided in column 2.

Example 2:

Tarif heading HS 1516 covers "Animal, vegetable or microbial fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared".

In the TPEM and RPEM rules of origin, a special rule is provided for fish oils and their fractions, which represent only part of the goods classified in the tariff heading HS 1516, and this is indicated by the prefix "ex". For fish fats and oils and their fractions, a PSR defines that manufacture should be from materials of any tariff heading.

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
ex 1516	*Fats and oils and their fractions, of fish*	*Manufacture from materials of any heading*

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
ex-Chapter 15	*Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes; except for:*	*Manufacture from materials of any heading, <u>except that of the product</u>*

For all other goods classified in heading HS 1516, the ex-chapter 15 rule (manufacture from materials of any heading except that of the products) applies.

⇒ *That means that the ex-Chapter 15 rule prescribes that for all animal or vegetable fats and oil and their product (except fish fats and oil and their fractions) the product is considered to be sufficiently worked or processed where the working or processing carried out is more than insufficient and in production (non-originating) materials from any other tariff heading except the tariff heading of the final product is used. So, if in production in Albania, non-originating linseed (HS 1204) is used, the linseed oil (HS 1516) acquires Albanian origin for export to North Macedonia because the CTH rule is fulfilled.*

⇒ *While we a talking about products classified in the ex 1516 tariff heading (fish fats and oil and their fractions) the product is considered to be sufficiently worked or processed where the working or processing carried out is more than insufficient even if the non-originating materials used in the production are classified under the same heading as the final product.*

It should be emphasized that even when the working or processing carried out on non-originating materials fulfilled the list rule, the final product cannot obtain originating status if that working or processing is listed as an insufficient operation.[27]

Example 3:

The leather belts (HS 4203) manufacturer in North Macedonia sourced Chinese leather (HS 4114) and simply cut it lengthwise to create leather belts. After that, without any further processing, he sells it to Albania as a leather belt. Such an operation is considered as "simple cutting" as it does not involve the use of specialized tools, skills, or machinery in production.

TPEM/RPEM rules for the HS Chapter 42 provided that leather belt would acquire preferential origin if it were manufactured from materials of any heading, except that of the product or if in the manufacture of the belt, the value of all (non-originating) materials used does not exceed 50 % of the ex-works price of the product (leather belt).

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
Chapter 42	*Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk worm gut)*	*Manufacture in which the value of all the materials used does not exceed 50 % of the ex-works price of the product*

Although cutting leather (HS 4114) into belts (HS 4203) would comply with the change of heading rule, the belt would not acquire Macedonian origin when exported to Albania due to insufficient production. The same would happen if the manufacturer used Albanian leather. Since the production was insufficient, the belt could not acquire Macedonian origin even through cumulation.

[27] See 3.4 Insufficiently worked or processed products.

Some differences in PSR in PEM Convention vs. TPEM/RPEM rules of origin

For agricultural products:

- ⇨ In the PEM Convention, the PSR define the limitation of used non-originating material only in values.
- ⇨ The new thresholds in TPEM/RPEM are expressed in weight. The same is to avoid price and currency fluctuations (e.g. ex Chapters 19, 20, 2105, 2106), and at the same time, certain sugar restrictions have been deleted (e.g. Chapter 8 or HS 2202). The weight threshold of the TPEM/RPEM rules has also been increased (from 20% to 40%).
- ⇨ Also, the possibility of using an alternative based on a value or weight rule has been introduced for some tariff headings.

Example of HS 2007 marmalade PSR:

⇒ *PEM Convention:*

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
2007	*Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter)*	*Manufacture:* *— from materials of any heading, except that of the product, and* *— in which the value of all the materials of Chapter 17 used does not exceed 30 % of the ex-works price of the product*

⇒ *TPEM/RPEM:*

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
2007	*Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter)*	*Manufacture from materials of any heading, except that of the product, in which the weight of sugar used does not exceed 40 % of the weight of the final product*

⇒ *TPEM/RPEM - possibility of using an alternative based on a value or weight rule.*

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
1704	*Sugar confectionery (including white chocolate), not containing cocoa*	*Manufacture from materials of any heading, except that of the product, in which:* *— the weight of sugar used does not exceed 40 % of the weight of the final product* ***or*** *— the value of sugar used does not exceed 30 % of the ex-works price of the product*

For industrial products:

There have also been many changes leading to updated and modernized PSRs that generally make it easier to meet the criteria for acquiring originating status.

For example, for industrial products when the value criterion is used, the permissible percentage of non-originating materials is increased from 40% to 50 % of the ex-works price of the product.

For textiles, the originating status can now be obtained using a larger range of processing steps.

6.2.1 Sufficient working or processing – Average basis[28]

For some products, the list rules assign originating status to products based on a value limit for non-originating materials (value rule). In that case, the value of all or specific non-originating materials may not exceed a certain percentage of the ex-works price of the final product.

Example 4:

Watch classified in HS chapter 91 will acquire the origin of the exporting party if the value of all (non-originating) materials used in production does not exceed 40% of the ex-works price of the product.

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
Chapter 91	*Clocks and watches and parts thereof*	*Manufacture in which the value of all the materials used does not exceed 40 % of the ex-works price of the product*

Article 4 of the TPEM and RPEM rules of origin introduced the possibility for the exporter (or supplier for supplier's declaration issuance) to request authorization from the customs authorities to calculate the ex-works price and the value of non-originating materials used in production on an average basis in order to take account of fluctuations in costs and currency rates. Have in mind that it is not allowed to determine only the average ex-works price or only the average value of the non-originating materials used.

This new possibility was not previously available in the PEM Convention, and it is expected to make things easier for exporters and to increase predictability.

⇒ *The ex-works price (EXW)[29] means the price paid for the product ex-works to the manufacturer in the party where the last working or processing is carried out, provided that the price includes the value of all the materials used and all other costs related to its production, minus any internal taxes which are or may be, repaid when the product obtained is exported. Where the actual price paid does not reflect all costs related to the manufacturing of the product, which is incurred in the party, the ex-works price means the sum of all those costs, minus any internal taxes which are or may be, repaid when the product obtained is exported.*

⇒ *The "value of (non-originating) materials" means the customs value at the time of importation of the non-originating materials used, or, if this is not known and cannot be ascertained, the first ascertainable price paid for the materials in the exporting Contracting Party.*

[28] For more details see EC Guidance Transitional PEM Rules of Origin

[29] The ex-works price (EXW) is a widely used international shipping term

An average ex-works price of the product and average value of non-originating materials used shall be calculated respectively based on the sum of the ex-works prices charged for all sales of the *same products* carried out during the preceding fiscal year and the sum of the value of all the non-originating materials used in the manufacture of the *same products* over the preceding fiscal year as defined in the export party, or, where figures for a complete fiscal year are not available, a shorter period which should not be less than three months.

⇒ *The "same products" means that the products must be of the same kind and commercial quality, with the same technical and physical characteristics.*

When determining the average value of non-originating materials, if necessary, non-originating materials delivered in previous years are also taken into account. This especially applies to materials that have a longer storage life. The average value of non-originating materials is based on the values of these non-originating materials used in manufacturing products sold in the previous fiscal year.

The exporters who have opted to apply calculations based on an average basis, shall consistently apply this method for the year following the reference accounting year, or given the circumstances, the year following the shorter reference period. They may stop using this method if they find that the fluctuations in costs or exchange rates, which justified the use of the method, have ceased.

When applying for authorization, the economic operator must provide all necessary information and calculations. Each Contracting Party may specify the requirements for authorization and the application form. Some of the details that may be requested include the applicant's information, representative details, contact information, customs administration responsible for decision-making, start date of validity, location of record-keeping, type of accounting records, goods involved, and necessary calculations.

6.3 Tolerance

The tolerance rule allows for a deviation from the conditions of sufficient working or processing, permitting the use of a small amount of non-originating material (the use of which the PSR rule would not allow), without affecting its status of origin.

PEM Convention – Art. 5(2)	TPEM and RPEM Rules of Origin – Art. 5
Provide: • General tolerance of 10 % of the EXW price and • Specific tolerance for textile and textile articles (HS Chapters 50 -63) s provided in the Introductory notes to the list rules.	Provide: • General tolerance of 15% for[31]: ○ *Agricultural goods,* ○ *For other products (except for products falling within HS Chapters 50-63),* • Specific tolerance for textile and textile articles (HS Chapters 50 -63) as provided in the Introductory notes to the list rules. The tolerance for textile products is more flexible in TPEM/RPEM than in the PEM Convention Rules of Origin.

Example 5 – TPEM/RPEM rules of origin:

The exporter chooses to demonstrate that HS 8501 electric motors have acquired origin by fulfilling the PSR "manufactured from (non-originating) materials of any heading, except that of the product and heading HS 8503".
Although PSR does not allow the use of non-originating materials from heading HS 8503, the general tolerance allows the use of non-originating parts of HS 8503 as long as the value of these materials does not exceed the tolerance threshold (15% of the EXW price of the electric motor).

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
8501 to 8502	*Electric motors and generators* *Electric generating sets and rotary converters*	*Manufacture from materials of any heading, except that of the product and heading 8503* *or* *Manufacture in which the value of all the materials used does not exceed 50 % of the ex-works price of the product*

Example 6 – TPEM/RPEM rules of origin

The exporter produces a ketchup which is classified in HS 2103.

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
2103	*Sauces and preparations therefore; mixed condiments and mixed seasonings*	*Manufacture from materials of any heading, except that of the product.*

⇨ *In this particular case, the producer could prove that ketchup HS 2103 fulfils the PSR if all non-originating materials from a tariff heading different from the tariff heading HS 2103 were used in production.*

- ⇨ *In the production of ketchup, the producer used tomatoes, oil, salt, and sugar, which are classified under a heading different from HS 2103. In addition, a small amount of non-originating soy sauce classified under HS 2103 was also used.*
  Since soy sauce is classified in the same heading as the final product, the use of non-originating soy sauce is not allowed under PSR.
- ⇨ *However, the TPEM/RPEM rules of origin allow for tolerance and stipulate that for agricultural products falling under Chapters 2 and 4 to 24, a 15% tolerance is set on the net weight of the product.*
- ⇨ *This means that the exporter can prove that the produced ketchup meets the PSR if it uses no more than 15% of the mass of the final product of non-origin soy sauce in the production. Since soy sauce was used in very small quantities, the PSR was met.*

Example 7 – TPEM/RPEM rules of origin

S*easoned chicken meat* HS 1602 is made from BA c*hicken breast* (HS 0207), BA *salt* (HS 2501) and non-originating *spices* (HS 2103).

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
Chapter 16	*Preparations of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates*	*Manufacture in which all the materials of Chapter 2, 3 and 16 used are wholly obtained*

- ⇨ *List rule for Chapter 16 prescribes that to have originating products all the materials of Chapters 2, 3 and 16 should be wholly obtained.*
- ⇨ Taking into account the List rule, the product has acquired BA preferential origin for export to CEFTA Parties as well as other PEM Contracting Parties with whom has an FTA.
  However, since the general tolerance allows the use of up to 15% by weight of the final product of non-originating material, the product would be of preferential origin even if non-originating chicken meat was used in the production up to a maximum of 15% of the weight of the final product.

Remember that tolerance **cannot be used in the following situations:**

- ⇨ Tolerance cannot be used to wholly obtained products within the meaning of the provision on "Wholly obtained products[30]" (e.g. wholly obtained tomatoes from HS 0702). However, where the PSR stipulates that materials used in the production have to be wholly obtained, the tolerance applies to the sum of those materials.

  Example 8 - TPEM/RPEM rules of origin:

  If exporters export fresh, wholly obtained tomatoes, no tolerance applies, and all tomatoes must be wholly obtained.

  On the other hand, if the exporter exports natural grated tomatoes, crushed and packed in heat-sealed containers (HS 2002), they will be considered as originating in the exporting party if they are produced from materials of any heading other than that of the product and if all

[30] Article 4 of the Appendix I of the PEM Convention and Article 3 of the Appendix I of the TPEM/RPEM rules of origin

used materials from chapter 7 used are wholly obtained. This means that all tomatoes used in production must be wholly obtained.

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
2002 and 2003	*Tomatoes, mushrooms and truffles prepared or preserved otherwise than by vinegar or acetic acid*	*Manufacture from materials of any heading, except that of the product, in which all the materials of Chapter 7 used are wholly obtained*

However, the general tolerance rule allows us to use in the production the non-originating tomatoes up to 15% of the net weight of the exported product. So, the product will be of preferential exporting party origin when the non-originating tomatoes of heading HS 0702 used in production do not exceed this threshold and if other prescribed requirements are fulfilled.

⇨ Tolerance cannot be used to <u>value or weight rules.</u>

Where a list rule allows the use of a certain percentage of non-originating materials in value or in weight, the maximum content of non-originating materials will always be the one in the list rule and may not be exceeded by applying the tolerance.

<u>Example 9 - TPEM/RPEM rules of origin:</u>

The PSR for vehicles classified in HS Chapter 87 stipulates that vehicles will acquire origin if the value of all materials (non-originating) used in production does not exceed 45% of the ex-works price of the product.

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
ex-Chapter 87	*Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof; except for:*	*Manufacture in which the value of all the materials used does not exceed 45 % of the ex-works price of the product*

This rule allows a maximum of 45% non-originating material, and with tolerance, this limit cannot be raised. It is allowed to use up to 45% non-origin material, which can be less, but not more.

⇨ Tolerance cannot be used for <u>products classified in Chapters 50 – 63 of the HS</u>

However, specific tolerance for textiles and textile articles is provided in the introductory notes to the List rules. The tolerance for textile products is also more flexible in TPEM and RPEM than in the PEM Convention rules of origin.[31]

[31] See PEM Convention Appendix I Annex I, Notes 5 and 6; TPEM/RPEM Appendix I Annex I, Notes 6 and 7.

Example 10 – PEM Convention rules of origin:

The PEM Convention PSR for cotton fabric HS 5209 defines that woven cotton fabric shall acquire the origin of the exporting party if it is produced from (non-originating) natural fibers.

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
5209	*Woven fabric of cotton:* - *Other*	*Manufacture from natural fibers* [7]

Footnote 7 specify that for special conditions relating to products made of a mixture of textile materials, see Introductory Note 5.

- *Note 5.1. Where, for a given product in the list, reference is made to this Note, the conditions set out in column 3 shall not be applied to any basic textile materials used in the manufacture of this product and which, taken together, represent 10 % or less of the total weight of all the basic textile materials used. (See also Notes 5.3 and 5.4).*
- *Note 5.2. However, the tolerance mentioned in Note 5.1 may be applied only to mixed products which have been made from two or more basic textile materials.*

In the production of cotton fabric, manufacturers use cotton yarn from HS 5205 and silk yarn from HS 5004. Cotton and silk yarn are basic textile materials.
Tolerance from Note 5.1 gives the possibility that manufacturers can use either non-originating cotton yarn or non-originating silk yarn or a mixture thereof, provided that the total weight of the non-originating yarn does not exceed 10 % of the fabric weight.

6.4 Insufficiently worked or processed products

In situations where at least one non-originating material is used in production in the exporting party, proving whether the exported product has acquired the origin of the exporting party always begins with checking whether production took place in the exporting party and whether this production was greater than insufficient working or processing operations. *Production means any kind of working or processing including assembly.*

If both conditions are met (therefore there is production and it is greater than insufficient), only then is it determined whether the production in the exporting party is sufficient or not, by looking at the rule of acquisition of origin for each specific tariff heading (subheading) of the exported goods in the List rule.

> *As an example, we can mention the repair of a product that is not listed in the list of insufficient procedures. Nevertheless, we can consider repair as production because it implies the working or processing of the product even if it only returns it to its initial state. This certainly makes it a process greater than insufficient, and if the PSR is fulfilled, the repaired product can be considered as originating in the exporting party.*
>
> *Contrary, the handling of the finished product when being stored or transported cannot be considered as production, regardless of whether it is usual handling in transport or special handling (e.g. explosive chemicals). Likewise, product testing and conformity testing are not considered production because no changes in product characteristics occur.*

Insufficient operations defined by Article 6 of the PEM Convention, TPEM and RPEM (e.g., packaging, simple cutting, simple assembling, simple mixing, etc.) are often referred to as minimal operations.

Insufficient operations are those that, when carried out either individually or in combination, are deemed to be of such minor importance that they never confer originating status, even if the list rule is fulfilled.

Example 11:

Raw coffee (HS heading 0901) from Colombia is imported in bulk into North Macedonia where it is dusted, sorted and simply split up into different packages. As neither dusting nor sorting nor splitting up and repackaging are sufficient to confer origin, the conditions for the coffee to acquire North Macedonia origin cannot be fulfilled. The coffee cannot be exported to the other CEFTA Parties (or other North Macedonia's FTA partners) with Macedonian proof of origin despite the fulfilment of the PSR.

Insufficient operations are included in origin rules in two situations:

- **So-called negative test** - Regardless of the fulfilment of the conditions provided by the List rules, all preferential arrangements contain a provision listing the working or processing which is not sufficient to confer origin. The so-called "negative test" excludes the possibility of granting originating status to minor processing operations carried out on materials not originating in the parties.

- **For the application of any type of cumulation**, the working or processing must be more than insufficient.[32]

The lists of insufficient working or processing operations are not the same in all trade agreements and for this reason, it is necessary to always consult the specific trade agreement.[33]

⇒ PEM Convention insufficient working or processing operations

(a) preserving operations to ensure that the products remain in good condition during transport and storage;[35]
(b) breaking-up and assembly of packages;[36]
(c) washing, cleaning; removal of dust, oxide, oil, paint or other coverings;
(d) ironing or pressing of textiles;
(e) simple painting and polishing operations;
(f) husking, partial or total bleaching, polishing, and glazing of cereals and rice;
(g) operations to colour sugar or form sugar lumps;
(h) peeling, stoning and shelling, of fruits, nuts and vegetables;
(i) sharpening, simple grinding or simple cutting;[37]
(j) sifting, screening, sorting, classifying, grading, matching; (including the making-up of sets of articles);
(k) simple placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations;
(l) affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging;
(m) simple mixing of products, whether or not of different kinds[38];
(n) mixing of sugar with any material;
(o) simple assembly of parts of articles to constitute a complete article or disassembly of products into parts;
(p) a combination of two or more operations specified in (a) to (n);
(q) slaughter of animals.

⇒ TPEM/RPEM insufficient working or processing operations:[34]

(a) preserving operations to ensure that the products remain in good condition during transport and storage;[35]

[32] See Article 3 of the Appendix I of the PEM Convention or Article 7 of Appendix I of the TPEM or RPEM

[33] The list of insufficient operations is exhaustive. This means that any operation not mentioned in the list cannot be considered an insufficient operation. However, it is necessary to take into account that there may be operations that cannot be considered as a "production". Although these operations are not listed as insufficient operations, they cannot confer origin or allow cumulation because we need production for that to occur. For example, a product of preferential Montenegrin origin is sent to Serbia for testing. Testing is not included in the list of minimum procedures. If only testing takes place in Serbia, it cannot be considered production. Consequently, it does not meet the conditions for acquiring Serbian preferential origin through cumulation when exporting to Montenegro.

[34] See article 6 of the Appendix I of the TPEM/RPEM

[35] Preserving operations that have the purpose of ensuring that the products remain in good condition during transport and storage (drying, chilling, freezing, keeping in brine and other similar operations) are considered insufficient operations. At the same time, operations such as pickling, drying, or smoking that are intended to give products special or different characteristics are not considered insufficient. For example, fish (HS 0302) is smoked to get smoked fish (HS 0305) which gives the fish different flavour characteristics. The same is considered more than minimal operations.

(b) breaking-up and assembly of packages;[36]
(c) washing, cleaning; removal of dust, oxide, oil, paint or other coverings;
(d) ironing or pressing of textiles;
(e) simple painting and polishing operations;
(f) husking and partial or total milling of rice; polishing, and glazing of cereals and rice;
(g) operations to colour or flavour sugar or form sugar lumps; partial or total milling of crystal sugar;
(h) peeling, stoning and shelling, of fruits, nuts and vegetables;
(i) sharpening, simple grinding or simple cutting;[37]
(j) sifting, screening, sorting, classifying, grading, matching; (including the making-up of sets of articles);
(k) simple placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations;
(l) affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging;
(m) simple mixing of products, whether or not of different kinds;[38]
(n) mixing of sugar with any material;
(o) simple addition of water or dilution or dehydration or denaturation of products;
(p) simple assembly of parts of articles to constitute a complete article or disassembly of products into parts;
(q) slaughter of animals;
(r) a combination of two or more operations specified in points (a) to (q).

REMEMBER:

Article 6(2) of the Appendix I of the PEM Convention/TPEM/RPEM stipulates that all operations conducted in the exporting Party on a specific product must be considered when determining whether the working or processing undergone by that product is to be regarded as insufficient.

It means that if at least one material originates in the exporting party and is used in the production of the final product, an operation is considered more than insufficient, regardless of the value of that material.

However, if an operation is not listed as "insufficient," or if at least one material used in production originates in the exporting party, it does not automatically mean that it is "sufficient" to confer origin on the product. Operations can be more than insufficient, but at the same time not actually sufficient under the terms of the specific list rule (PSR) that applies. The list rule in question must be consulted to determine the conditions that need to be met.

Example 12:

Bicycles (HS 8712) are produced in Serbia. In production, in addition to Chinese bicycle parts, the manufacturer also uses plastic handles of Serbian origin.

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*[39]

ex-Chapter 87	*Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof; except for:*	*Manufacture in which the value of all the materials used does not exceed 45 % of the ex-works price of the product*

For the bicycle, the ex-Chapter 87 PSR is used. If the value of the assembly operation represents more than 55% of the ex-works price of the bicycle and since Serbian plastic handles are used in the production (the production is more than insufficient) the bicycles are of Serbian origin.

However, if the PSR is not fulfilled (the assembling operation represents less than 55% of the EXW price of the bike), even though Serbian plastic handles were used (more than insufficient production), the bike cannot acquire Serbian preferential origin.

Definition of simple activities

It is often challenging to determine whether an activity is insufficient or more than insufficient, especially in situations where we are talking about simple activities such as simple grinding, simple cutting, simple packing, simple mixing, etc.
The PEM Convention/TPEM/RPEM do not explicitly define what these simple activities are due to the lack of consensus among the PEM Contracting Parties.

EU Preferential Trade Guidance on the Rules of Origin guides us and clarifies that simple activities are:[40]

> *"Simple describes activities which need neither special skills, nor machines, apparatus, or equipment especially produced or installed for carrying out the activity…. It is important to note that, using special skills, machines, apparatus or tools are in themselves not enough for the operation to go beyond "simple" operations. An assessment needs to be made as to whether without those machines the product could be produced with similar characteristics or properties".*

The use of special skills, machines, apparatus or tools is not in itself sufficient to make a process go beyond "simple" processes, and it is not enough just to include a machine in a certain process to make the process more than insufficient. These special skills, machines, apparatus or tools must contribute to the essential features or characteristics of the product. The use of machines in such situations must be introduced because it is not

[36] For example, one consignment of 1000 pencils is imported into North Macedonia from China and is split into 100 consignments with 10 pencils for export to Serbia. This is an insufficient operation.

[37] The operation of fish filleting covers the removal of certain parts of the fish (head, tail, internal parts and bones) which cannot be made without certain skills or appropriate machines to get the expected result, i.e. a fully clean and free-bone product and which, therefore, may be considered going beyond simple cutting.

[38] Simple mixing does not include chemical reactions. A chemical reaction means a process, including a biochemical process, which results in a molecule with a new structure by breaking intramolecular bonds and by forming new intramolecular bonds, or by altering the spatial arrangement of atoms in molecule.

[39] In a specific example, the exporter can prove that the product met the PSR with the application of two alternative rules. In such a case, the exporter chooses which rule to use.

[40] Guidance on the rules of origin

possible to do certain actions manually, and the use of machines also provides some special qualities and characteristics such as the exact size, weight or shape.

For example, machine cutting of cheese into equal slices of a certain weight and shape, and vacuuming (which maintains quality)- this is a machine process that gives additional significance and properties to the product and is considered greater than insufficient.

In contrast, if the cheese is only machine-cut into pieces and wrapped in paper, such a procedure is still considered insufficient (simple cutting) because it is very easy to make without the use of a machine.

6.5 Cumulation[41]

Cumulation represents a deviation from the general rules of origin and enables parties to create groups or zones to acquire preferential origin more easily. In this context, cumulation is a facilitation that allows materials originating or processed in one contracting party of a preferential arrangement to be used in subsequent production in another contracting party of that preferential arrangement.

This allows manufacturers to count materials processed or originating in another party in the cumulating zone as if they were processed or originated in the party of manufacture when incorporated into a product made there.

In general, the following factors should be taken into account:

- ⇨ The List rules (PSR) specify the necessary working or processing that must be done on non-originating materials for the produced products to be classified as originating. In the case of cumulation, the working or processing conducted in each contracting party does not have to be "sufficient working or processing"- it must go beyond insufficient working or processing. However, to confer origin of the contracting party of the last working or processing it must be "sufficient working or processing".

- ⇒ Cumulation does not apply to the basic rule of wholly obtained products. However, if the listing rule (PSR) requires production from wholly obtained products, cumulation may apply.

- ⇒ When goods are made solely from originating materials (from the exporting party and/or partner economy), cumulation applies to those originating materials from the partner economy.

  Example 13:

  For sunflower oil (HS 1512), the PSR defines that it will acquire origin if all vegetable materials used are wholly obtained.
  Sunflower oil is produced in Albania (AL) from wholly obtained Albanian and Bosnia and Herzegovina (BA) sunflower seeds. Such sunflower oil acquires Albanian origin when it is exported to all other CEFTA Parties and other Contracting Parties that apply cumulation with BA and AL

PEM rules of origin further provide three conditions that need to be fulfilled for cumulation to be applied between PEM Contracting Parties:

- ⇨ Existence of the FTA between Contracting Parties wishing to cumulate origin;
- ⇨ Identical rules of origin in place within the cumulation zone; and
- ⇨ Publication of cumulation possibility in the EU Official Journal and/or publication in the Contracting Party.

[41] See Article 3 of Appendix I of the PEM Convention and Article 7 of Appendix I of the RPEM/TPEM.

Not all Contracting Parties within the PEM zone are currently linked by a trade agreement and as a result, regional cumulation is not fully applied within the zone. This is referred to as *variable geometry* – a condition where the network of trade agreements within PEM is not fully completed. A matrix of trade agreements within the PEM zone is published in EU Official Journal.[42]

6.5.1 Types of cumulation – General information

There are three basic types of cumulation applied in CEFTA Parties:

- Bilateral;
- Diagonal;[43] and
- Full cumulation.[44]

Theoretically, the key difference between these three types of cumulation is the number of parties involved (two or more) and the types of inputs (originating or non-originating materials) that can be used as the basis for cumulation. Full cumulation can also be bilateral or diagonal depending on how many parties are included in it.

Remember:
Whereas bilateral and diagonal cumulations only apply to originating materials, full cumulation applies to the working and processing of non-originating materials. It gives the possibility to combine working and processing in different contracting parties to fulfil the requirement of sufficient worked or processed product.

<table>
<tr><th>Bilateral</th><th>Diagonal</th><th>Full</th></tr>
<tr><td colspan="2">Only originating materials could cumulate</td><td>Cumulation with non-orginating materials (processing)</td></tr>
<tr><td colspan="3">More than insufficient processing</td></tr>
<tr><td></td><td>If minimal operations in exporting party – added value</td><td>All operations carried out within different participating parties in the cumulation zone are considered together</td></tr>
<tr><td></td><td>If no manufacturing in exporting party – origin retained</td><td></td></tr>
<tr><td colspan="3">The non-originating materials used in production must be sufficiently worked or processed</td></tr>
</table>

[42] There are currently two matrices – PEM Cumulation and TPEM matrix.

[43] Regional cumulation is a form of diagonal cumulation. It allows products originating in other countries of the regional group to be considered as materials originating in the country of manufacture.

[44] In addition to these basic types of cumulation, certain contracting parties may also agree to third-party cumulation (also called cross or extended cumulation) which allows any of the previous types of cumulation (most commonly bilateral and diagonal) between parties not bound by a trade agreement or bound by a trade agreement with different rules of origin. It allows to use of inputs from a third party which is not a member of the applicable FTA and considers them originating provided that they meet the rules of origin under the relevant trade agreement. Cross-cumulation is the most flexible type of cumulation of originating inputs and is often limited to certain tariff Headings, Subheadings or to certain types of products only.

6.5.2 Bilateral cumulation

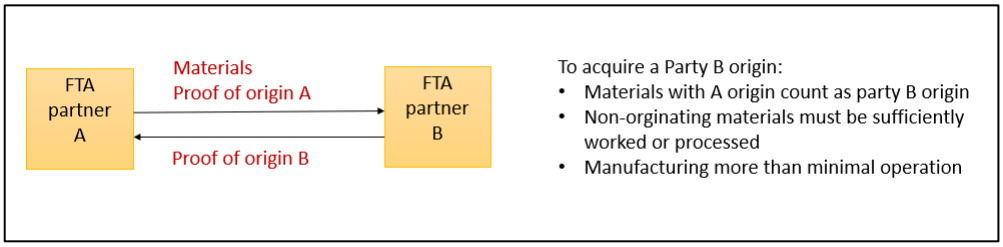
Bilateral cumulation is the basic form of cumulation found in all preferential agreements. As the name suggests, cumulation is applied between two contracting parties with a bilateral trade agreement. It allows producers in each contracting party to use materials originating in the other contracting party as if they were their own, without the final product losing its originating status. This principle embodies the idea that ***what is mine is yours and what is yours is mine***.

Goods produced using materials originating in one contracting party and further processed in another (the production need not be sufficiently worked or processed but must go beyond insufficient operations) acquire the origin of that other party and may be re-exported to the first contracting party under preferential treatment.

Without cumulation, only materials originating in the exporting contracting party can be considered as originating materials. It should be emphasized that only originating materials imported from a contracting party with which cumulation is applied, and accompanied by the relevant proof of origin, count as originating materials. In other words, they are treated as originating from the exporting party.

That allows the exporter of the final product to work less on them to generate the export party's origin, i.e., products that can then benefit from trade preferences when exported.

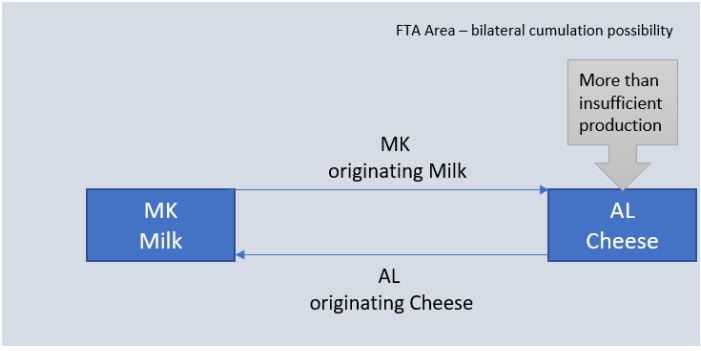
Bilateral cumulation can be demonstrated as follows:



Also, if in the production of the final product non-originating materials are used, they must be sufficiently worked or processed in order for the final product to benefit from cumulation provisions.

Example 14:

Cheese (HS 0406) is produced in Albania (AL).
Albanian (AL) and Macedonian (MK) milk are used in cheese production.
MK milk is treated in AL as if it were of Albanian origin.
Since all the processes involved in the production of cheese are carried out on the originating product (milk), the finished product has AL origin for export to MK.

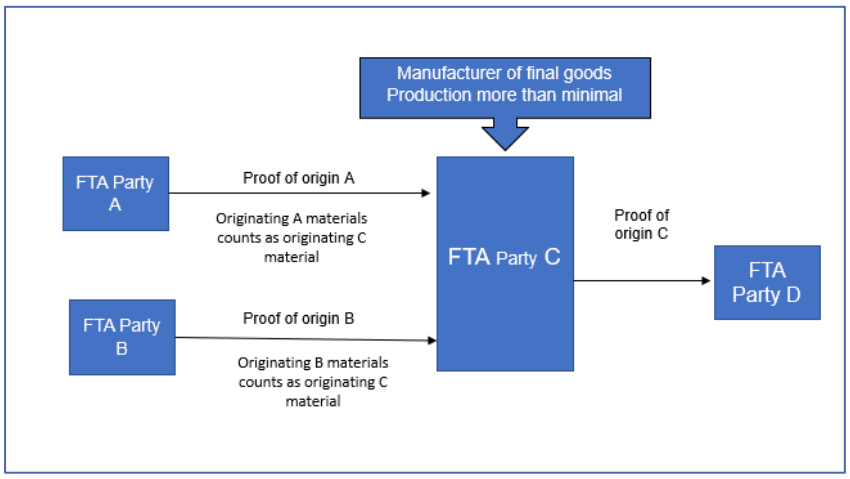


6.5.3 Diagonal cumulation

Diagonal cumulation operates between more than two contracting parties which have preferential agreements with each other containing identical rules of origin, and where provisions for such cumulation exist.[45]

As is the case with bilateral cumulation, diagonal cumulation can only be applied to materials originating in one contracting party and further processed in another contracting party.

Diagonal cumulation can be demonstrated as follows:



Unlike bilateral cumulation, diagonal cumulation also allows no working or processing to take place in the exporting contracting party and the origin of the goods should be retained.

For example, Serbian (XS) goods are imported into North Macedonia with proof of XS origin. These goods are then sold to Albania. In North Macedonia, for export to Albania, a proof of origin is issued that confirms the Serbian origin (XS/AL/MK cumulation).

In pan-Euro-Mediterranean cumulation systems, cumulation can be used among a limited number of Contracting Parties, before all Contracting Parties involved have concluded an FTA with one another providing for such cumulation *(so-called "variable geometry").* It is demanding the publication of notices indicating the fulfilment of the necessary requirements.

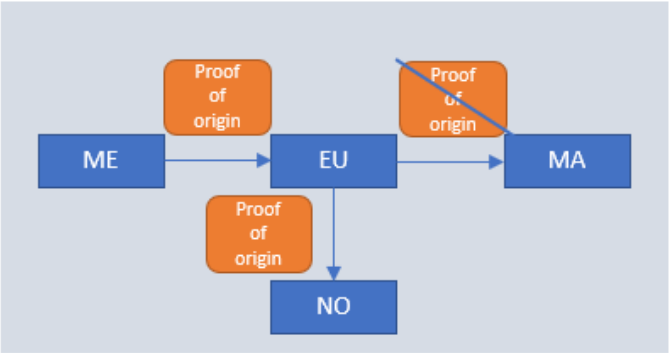
Remember that materials originating in a Contracting Party which has not concluded an agreement with the parties of final manufacture and/or of final destination shall be treated as non-originating.

Example 15:

Montenegro-originating materials were imported into the EU, where the final product is manufactured. The final product was exported to Morocco. Although the EU and Morocco have a Free Trade Agreement (FTA) and cumulation is possible between them, Montenegrin materials must be treated as non-originating materials in production for Morocco because Montenegro and Morocco do not have an FTA between themselves.

[45] Diagonal cumulation can be used for any number of countries within the zone (provided that they are all linked by an agreement).

If the same goods are exported to Norway, the Montenegrin materials should be considered as originating materials because all parties (ME, EU, NO) can cumulate the origin material. See the cumulation matrix.



*The main principles of the **PEM Convention and TPEM/RPEM** diagonal cumulation are:*

⇒ The originating material imported from another Contracting Party with whom cumulation is foreseen does not need to be sufficiently worked or processed to obtain the origin of the exporting Contracting Party. However, the working or processing in the exporting Contracting Party must go beyond the insufficient operations.

⇒ Where the working or processing carried out in the exporting Contracting Party does not go beyond the insufficient operations, the product obtained by incorporating materials originating in any other Contracting Party shall be considered as originating in the exporting Contracting Party only where the value added there is greater than the value of the materials used originating in any of the other Contracting Parties.

If this is not the case, the product obtained shall be considered as originating in the Contracting Party that accounts for the highest value of originating materials used in the manufacturing process in the exporting party.

⇒ If the Contracting Party originating products do not undergo any working or processing in the exporting party, they shall retain their origin if exported to one of the other Contracting Parties. That means the system of diagonal cumulation also permits products originating from one Contracting Party (part of the cumulation scheme) to be re-exported to another Contracting Party (also part of the same cumulation scheme), while maintaining the origin of the goods.

⇒ **TPEM/RPEM** rules of origin in Article 8(3) additionally stipulate that the proof of origin issued by application of cumulation must include the following statement in English: "CUMULATION APPLIED WITH (name of country or countries in English)". Article 8(4) allows the parties to waive the obligation of including the statement mentioned above on the proof of origin for the products exported to them that obtained originating status in the exporting Contracting Party by application of cumulation[46].

[46] The CEFTA Parties in intra-CEFTA trade as well in trade with EU and EFTA states use this option and eliminated the need to specify in the EUR.1 movement certificate with which party the cumulation was used.

⇒ When we talk about **PEM Convention** diagonal cumulation, it is necessary to refer to the Commission notice concerning the application of the Regional Convention on pan-Euro-Mediterranean preferential rules of origin or the protocols on rules of origin providing for diagonal cumulation between the Contracting Parties to this Convention (PEM Convention matrix).

- ⇨ *Tables 1 and 2 apply to cumulation under the Regional PEM Convention, while Table 3 provides diagonal cumulation possibilities between the EU, Türkiye and the participants of the EU's Stabilization and Association Process*[47]*.*
- ⇨ *In Table 1, which represented a simplified overview of cumulation possibilities, an 'X' marks the existence between 2 (or more) partners of a free trade agreement containing rules of origin allowing cumulation. To use diagonal cumulation with three (or more) partners, an 'X' should be present in all the intersections of the table between all partners. However, there are some exceptions to diagonal cumulation. For such cases, either (1), (2) or an (*) next to the "X" will point out the exceptions to consider.*
- ⇨ *Table 2 shows the date of application of the rules of origin that provide for diagonal cumulation in the pan-Euro-Med zone.*
- ⇨ *When talking about Table 3 it is necessary to mention that currently only materials originating in Türkiye covered by the EU-Türkiye Customs Union (industrial and processed agricultural products) can be incorporated as originating materials for diagonal cumulation between the European Union and the Parties of the EU's Stabilization and Association Process. Remember that this cumulation does not apply to agricultural products, coal, and steel products*[48]*.*

  Example 16:

  Turkish honey (HS 0409) is imported to North Macedonia with an EUR.1 movement certificate that confirms its Turkish origin. Honey is considered a non-originating material for export to the EU because the cumulation between EU/TR/SAP Parties for agricultural products is not allowed.

  This honey can be used in North Macedonia as originating material for export to all other CEFTA Parties and other parties with whom the diagonal cumulation is possible.

⇒ When talking about the **PEM Convention and the revised PEM Convention (RPEM)** it should be noted that Appendix II to the PEM Convention/RPEM provides special provisions derogating from the provisions laid down in Appendix I.

It is necessary to draw attention specially to Annex I of Appendix II which is related to trade between the EU and the participants in the EU Stabilization

[47] Stabilisation and Association Process - SAP

[48] For more information about agricultural products, coal and steel products not included in TR/EU/CEFTA cumulation see https://taxation-customs.ec.europa.eu/turkey-customs-unions-and-preferential-arrangements_en.

and Association Process where the products that are excluded from cumulation are listed.[49]
Products listed in Annex I of Appendix II in trade between EU and SAP Parties should acquire exporting party origin only by fulfilling PSR and the cumulation is not allowed.

⇒ With the **TPEM Convention**, it is necessary to refer to the Commission notice concerning the application of the Transitional rules of origin providing for diagonal cumulation between the applying Contracting Parties in the pan-Euro-Mediterranean (PEM) zone (TPEM Matrix).

[49] See annex 2 of this Guidelines.

Diagonal cumulation – PEM Convention and TPEM/RPEM examples

Note:
Since one of the main goals of the development of the TPEM/RPEM Rules of origin was to make it easier for exporters to acquire origin, the following examples illustrate the orange juice production and acquisition of origin in one CEFTA Party by comparing the acquisition of origin based on the PEM Convention and under TPEM/RPEM rules of origin.
In this way, on the one hand, the advantage of using PEM Convention diagonal cumulation will be demonstrated, while on the other hand, the benefits brought by the introduction of new, more liberal rules on the acquisition of origin will be highlighted.

Example 17:

⇨ ***Diagonal cumulation - PEM Convention cumulation***

A Macedonian (MK) company produces orange juice (HS 2202), which they export to Albania (AL). Orange juice production is considered as more than insufficient working or processing.
In the manufacturing process, the exporter has used:

- *EU concentrated fruit juice (HS 2009),*
- *EU sugar (HS 1701),*
- *MK water (HS2201), and*
- *Chinese (CN) ascorbic acid (HS 2936).*

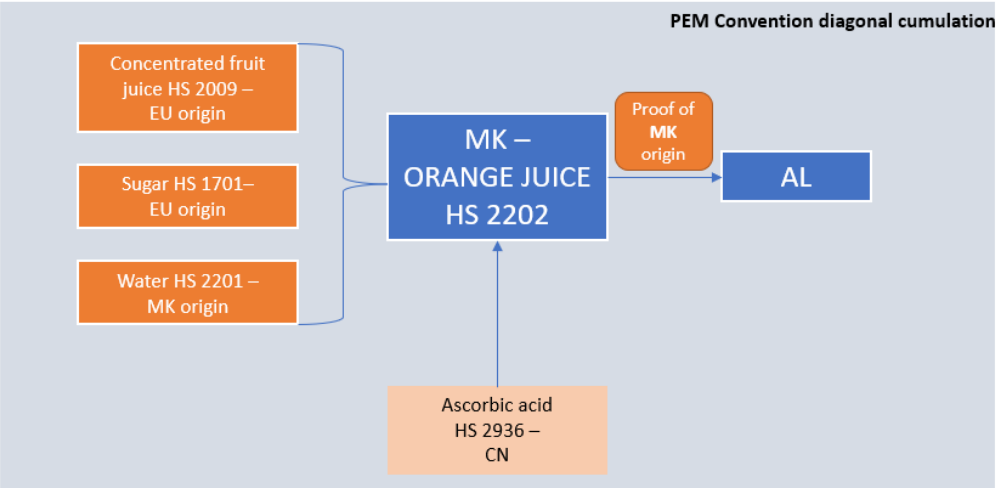
Based on diagonal cumulation (MK/EU/AL[50]) in production in MK, EU materials are considered originating materials for export to Albania. Since non-originating materials (CN Ascorbic acid) are used in producing, it is necessary to fulfil the list rule for HS 2202 to obtain MK origin.

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
2202	*Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 2009*	*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 product, and* *— in which all the fruit juice used (except that of pineapple, lime or grapefruit) is originating*

⇒ The first requirement of the PSR (HS 2202) related to CTH is fulfilled because the manufacturer used all non-originating materials from tariff headings other than a tariff heading of the product (CTH 2936 => 2202).

⇒ The second and third requirements are also fulfilled because the manufacturer used EU sugar and concentrated fruit juice in production (diagonal cumulation between MK/EU/AL is provided).

[50] See PEM Convention cumulation Matrix.



Considering the given facts, MK exporter could issue a proof of origin (MK origin) for export to Albania and for all other parties with whom cumulation with EU based on the PEM Convention is possible.[51]
Suppose a producer, for example, in the production of orange juice (HS 2202) uses non-originating concentrated fruit juice (HS 2009) instead of EU-originating concentrated fruit juice. In that case, the origin rule cannot be fulfilled due to the third requirement, making it impossible to obtain the MK origin.

Example 18

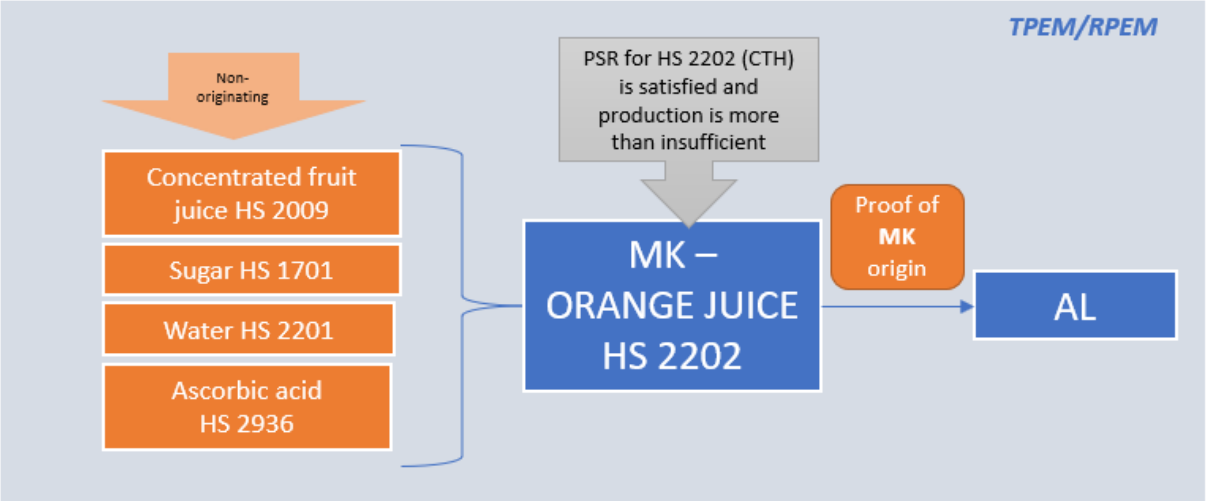
⇨ ***TPEM/RPEM Rules of Origin***

A company from North Macedonia produces orange juice (HS 2202). Orange juice production is considered as more than insufficient working or processing.
In the manufacturing process, all materials used are non-originating. That means the exporter used non-originating concentrated fruit juice (HS 2009), sugar (HS 1701), water (HS 2201), and ascorbic acid (HS 2936) in production.
The orange juice is exported to Albania (AL).
PSR for TPEM/RPEM rules of origin for HS 2202 prescribe that:

Heading	*Description of product*	*Working or processing, carried out on non-originating materials, which confers originating status*
2202	*Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 2009*	*Manufacture from materials of any heading, except that of the product*

Although the manufacturer used all non-originating materials in production, the list rule is fulfilled because all non-originating materials are classified under a tariff heading different from the tariff heading of the finished product (CTH HS 2009, 1701, 2201, 2936 => 2202).
Thanks to the more flexible rules of origin in TPEM and RPEM (for HS 2202 – CTH), a Macedonian exporter could issue proof of origin (MK origin) for export to AL (and also other PEM Contracting Parties with whom has FTA) although all materials used in production were non-originating materials.

[51] See PEM Convention cumulation Matrix.


TPEM/RPEM
Non-originating
Concentrated fruit juice HS 2009
Sugar HS 1701
Water HS 2201
Ascorbic acid HS 2936
PSR for HS 2202 (CTH) is satisfied and production is more than insufficient
MK – ORANGE JUICE HS 2202
Proof of MK origin
AL

6.5.4 Full cumulation

Full cumulation or cumulation with non-originating materials is a more flexible type of cumulation than bilateral or diagonal cumulation.[52] Unlike bilateral or diagonal cumulation, full cumulation allows the cumulation of origin by counting processing added across the FTA territory, even when the initial input is non-originating. This principle embodies the idea that ***what is done by you is considered to have been done by me.***

It allows for non-originating materials, which have not yet resulted in an originating product, to be considered as inputs for cumulation purposes and added to the manufacturing process carried out in another party in the full cumulation zone.

Full cumulation does not require the material to originate in one of the contracting parties of the zone before being exported for further working or processing in another contracting party of the zone. However, it is essential that all *non-originating materials used in the production in the contracting party of export of goods ultimately undergo all working or processing foreseen in the List rules so that the final product can obtain preferential origin.*

This consequently gives the possibility of dividing work or processing among contracting parties.

When applying full cumulation, all operations carried out or all stages of processing or transformation of products within different contracting parties in the cumulating zone, are considered together.

It should be emphasized that preferential tariff treatment will not be granted for non-originating materials used in production. Preferential tariff treatment can only be applied to imports of products that already originate.

So, to maximize the positive effect of full cumulation and avoid paying import duty on non-originating materials used in the production of originating products, full cumulation is most often connected with a duty drawback system used in connection with the inward processing procedure.[53]

The proof of processing carried out in the other contracting party is a supplier's declaration for goods without preferential origin status.

[52] Full cumulation does not apply when the list rules require that non-originating materials must be wholly obtained or require a change in tariff heading, as such rules can, by definition, only be respected through working or processing in a single contracting party.

This means that full cumulation only applies when the PSR defines a value rule or some specific working or processing operation. When a PSR defines a specific operation, the rule must contain at least a double transformation in order to apply full cumulation.

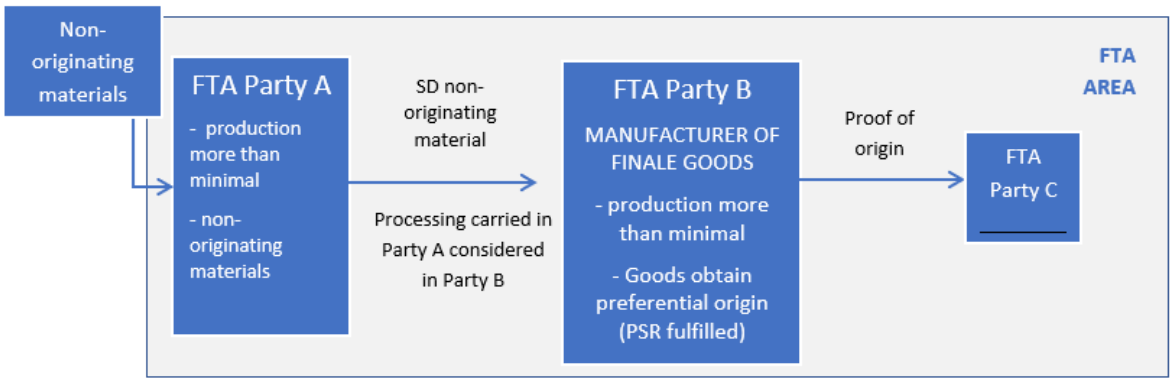
[53] Following Party regulations. Commonly, inward processing allows imported raw materials or semi-manufactured goods to be processed for re-export without a requirement that the manufacturers have to pay import duty and VAT on the non-originating materials being used.

Remember:

Goods do not have to acquire origin before being exported from one party to another for further working or processing (as in bilateral and diagonal cumulation) but working or processing must be more than insufficient operations in all contracting parties.

Full cumulation is usually connected with the inward processing procedure and duty drawback possibilities with a reason not to pay import duty for non-originating materials used in the production of the product for export.

Full cumulation can be demonstrated as follows:



⇒ In a situation where non-originating materials, which have undergone more than insufficient working or processing in party A but have not acquired preferential origin, are exported to party B, the exporter from party A may issue a supplier's declaration confirming the working or processing that has been done on non-originating materials. The non-originating material could then be used by FTA party B in the production of the final product for export to party C.

⇒ All carried-out procedures are taken into account when deciding whether or not the product obtained originating status (PSR has to be fulfilled). If the production is more than insufficient and the list rule is fulfilled, proof of origin could be issued for such a product when exporting to other FTA Parties with whom full cumulation is applicable.

⇒ If the no-drawback rule has been agreed between parties it is also not necessary, before issuing the proof of origin in party B, to calculate the import duty on the non-originating materials used in the production.

Remember that:

The PEM Convention provides bilateral and diagonal cumulation. Full cumulation is also foreseen as a derogation among some parties. For example, within the European Economic Area, between the EU and Algeria, Morocco, and Tunisia, or among CEFTA Parties.[54]

[54] See 3.6.1. The PEM Convention and CEFTA full cumulation

PEM Transitional and revised rules of the PEM Convention provide for a generalized full cumulation for all products except textiles and clothing listed in HS Chapters 50-63.

⇒ For textiles and clothing products, only bilateral full cumulation applies. In this case, the Republic of Moldova and the participants of the EU Stabilization and Association Process applying the TPEM/RPEM rules are considered as a single Contracting Party.[55]

⇒ The parties have the option to unilaterally agree to extend the generalized full cumulation also to the importation of products falling within HS Chapters 50-63.
A party choosing this extension shall notify the other party and inform the European Commission of this decision. A list of the parties that waive the exemption of Chapters 50-63 on importation can be found in the Matrix.[56] Currently, Iceland, Norway, and Switzerland (including Liechtenstein) have extended the application to all their partners applying the TPEM rules. The CEFTA Parties extended this application to each other as well.

⇒ TPEM/RPEM rules of origin in Article 8(3) additionally stipulate that the proof of origin issued by application of cumulation must include the following statement in English: "CUMULATION APPLIED WITH (name of country or countries in English)".

Article 8(4) allows the parties to waive the obligation of including the statement mentioned above on the proof of origin for the products exported to them that obtained originating status in the exporting Party by application of cumulation. The CEFTA Parties used this possibility in intra-CEFTA trade and trade with EU and EFTA states.

6.5.5 CEFTA Full Cumulation

CEFTA Parties in intra-CEFTA trade, in addition to bilateral and diagonal cumulation, can also use all the advantages brought by full cumulation, regardless of whether the goods acquire origin based on the PEM Convention or based on the TPEM/RPEM rules of origin.[57]

The PEM Convention and CEFTA full cumulation

CEFTA Decision No. 3/2015 of the CEFTA Joint Committee of 26 November 2015 introduces the possibility of duty drawback and full cumulation in trade between the Republic of Moldova and the participants in the European Union's Stabilisation and Association Process in the framework of CEFTA.

[55] See Article 7(4) of Appendix I of the TPEM/RPEM. This means that production operations within CEFTA Parties are cumulated and a product that has acquired origin using full cumulation between CEFTA Parties can be exported to the EU, EFTA and CEFTA Parties as an originating product.

[56] Commission notice concerning the application of the rules of origin providing for diagonal cumulation between the applying Contracting Parties in the pan-Euro-Mediterranean (PEM) zone – TPEM or RPEM

[57] Take into consideration all prescribed exceptions.

In line with the CEFTA Decision, the PEM Joint Committee,[58] through Decision No. 2/2017,[59] has amended Appendix II to the PEM Convention and added Annexes XIII, G and H.[60]

The same allows CEFTA Parties, as a derogation from the PEM Convention rules of origin, intra-CEFTA use of full cumulation and /or duty drawback for all goods within the framework of the rules of origin defined by the PEM Convention.

⇒ It should be emphasized that if goods acquire origin using intra-CEFTA full cumulation based on PEM Convention derogation, they are not considered originating goods when exported to other PEM Contracting Parties (e.g., the EU).

Remember:

If the goods acquire origin using PEM Convention full cumulation/duty drawback in accordance with PEM Joint Committee Decision 2/2017, it is necessary to indicate in box 7 of the movement certificate EUR.1 or in the origin declaration the ***note "PEM Convention - Full cumulation/DDB"****.*

This indication is needed to ensure the traceability of the products that obtained origin based on full cumulation/DDB in line with the respective CEFTA/PEM JC Decision.
Also, in box 4 of the movement certificate EUR.1 and in the origin declaration the text to be used is "CEFTA /CEFTA Party" (for example CEFTA/Moldova).

Example 19

PEM Convention rules of origin - Full cumulation and duty drawback agreed between CEFTA Parties

Cotton skirts production (HS 6205)

⇒ *The first stage of production: From yarn to fabric*

- *Chinese cotton yarn (HS 5205) is imported into Montenegro (MN) where they are manufactured into fabric (HS 5208).*
  As the PSR for fabric (HS 5208) is based on the so-called "double-transformation rule"[61], it implies that in specific situations, production must have started from fiber to fulfil the list rule requirements.
- *As production in Montenegro started from yarn, fabric (HS 5208) does not acquire preferential Montenegrin origin.*

⇒ *The second stage of production: From fabric to men's shirt*

- *The non-originating fabric is then exported from Montenegro to Bosnia and Herzegovina (BA), where it is manufactured into men's shirts (HS 6205).*

[58] Article 4(3)(a) of the PEM Convention provides that the PEM Joint Committee needs to adopt amendments to the Convention, including amendments to the Appendixes.

[59] PEM Joint Committee Decision No. 2/2017.

[60] The same is also applicable when RPEM start to apply by Annex X, G, H of the revised rules of the PEM Convention.

[61] Double-transformation rule means that two significant processes of production must be held in FTA party/zone.

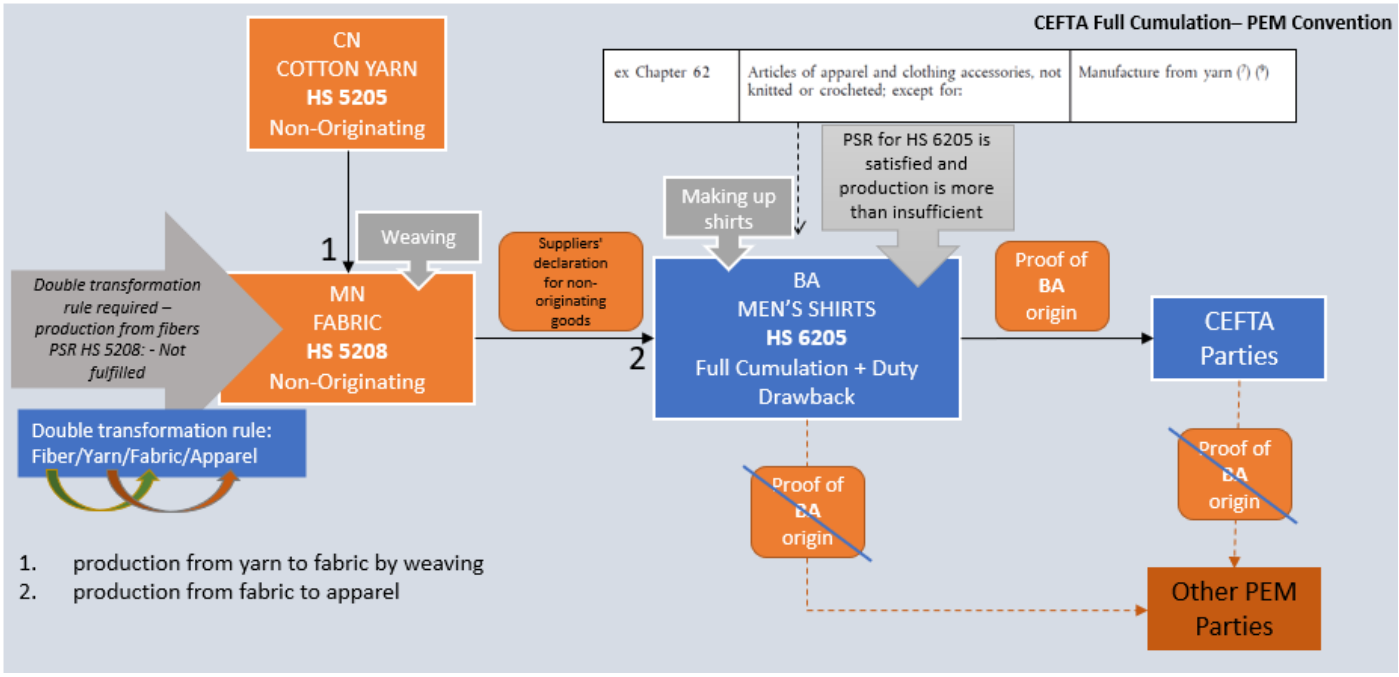
– *MN exporter have made out a supplier's declaration for goods that have undergone working in Montenegro without acquiring preferential originating status.*

For HS 6205 the ex-Chapter 62 PSR applies. It specifies that the manufacturing process must start from yarn, and only then the finished product can qualify for preferential origin.

⇒ *In Bosnia and Herzegovina (BA), the finished men's shirts obtain preferential origin status because the working carried out in Montenegro is combined with the work done in Bosnia and Herzegovina to produce the originating men's shirts.*
The double transformation requirement is then fulfilled within the territories of the parties that benefit from full cumulation. The final product obtains preferential origin status and can be exported to other CEFTA Parties and benefits from preferential treatment.

⇒ *If a IPP is used and as the drawback is applied between CEFTA Parties, it is not necessary to calculate duty on all non-originating materials used in manufacturing before the proof of origin is issued, or import duty paid on non-originating materials used in manufacturing could be refunded.*

⇒ *However, since Intra-CEFTA full cumulation based on PEM JC Decision No. 2/2017 does not provide full cumulation with other PEM Contracting Parties the product cannot be re-exported within the PEM zone under preferences.*



PEM Transitional/Revised Rules of Origin and CEFTA full cumulation [62]

TPEM/RPEM rules of origin provide a generalized full cumulation and duty drawback **for all products, except textiles and clothing** listed in HS Chapters 50 - 63.

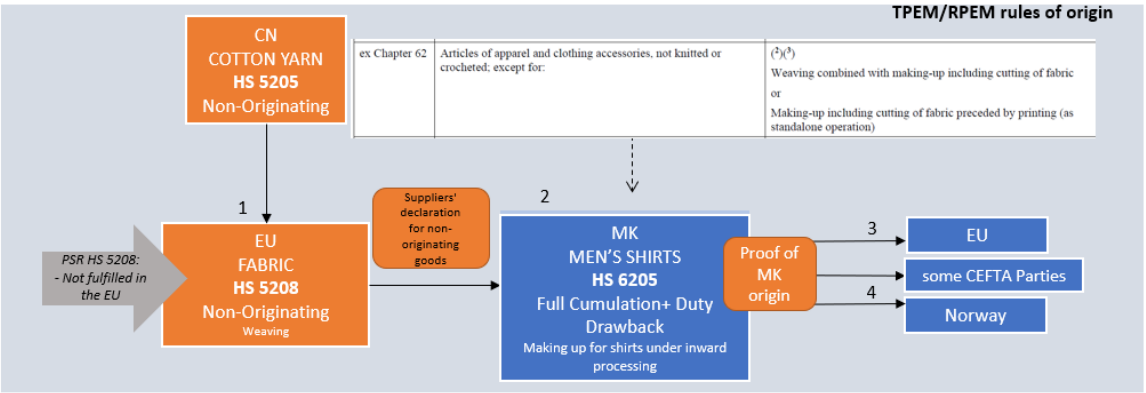
⇨ For textiles and clothing products, only bilateral full cumulation applies. Keep in mind that if in bilateral trade the origin has been acquired thanks to the application of bilateral full cumulation then duty drawback prohibition does not apply.

> Note that all CEFTA Parties for products falling within HS Chapters 50 to 63 for a full cumulation purpose are considered as a single Contracting Party – see Article 7(4) of Appendix I of the TPEM/RPEM.

⇨ Also, Contracting Parties have the option to unilaterally extend the generalized full cumulation to products of HS Chapters 50 - 63 (diagonal full cumulation). This means that products that acquire a preferential origin using full cumulation between two Contracting Parties can unilaterally receive a preference when imported to a third Contracting Party.

Example 20:

For men's shirts that have acquired MK origin based on full cumulation applied with the EU, MK exporter can issue EUR.1 for export to the EU (based on bilateral full cumulation for textile products), or for some CEFTA Parties or Norway (because Norway and some CEFTA Parties have extended the application of Article 7(3)).[63]



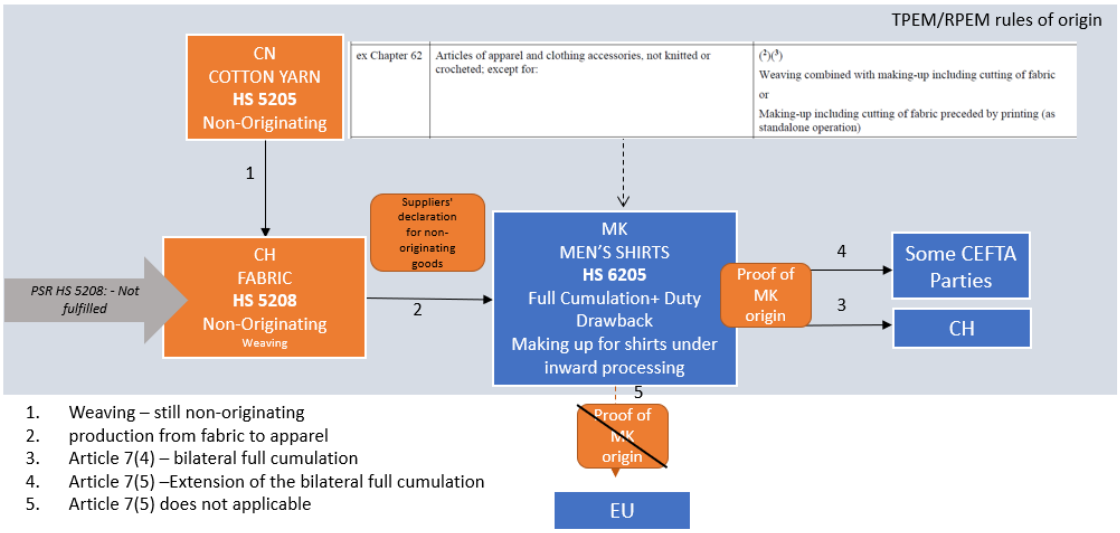
1. Weaving – still non-originating
2. production from fabric to apparel
3. Article 7(4) – bilateral full cumulation
4. Article 7(5) –an extension of the bilateral full cumulation

[62] Remember that RPEM also provide in Appendix II Annexes X, G, H, as a derogation from the basic rules, intra CEFTA full cumulation and duty drawback *for all goods*.

[63] See TPEM matrix.

Example 21:

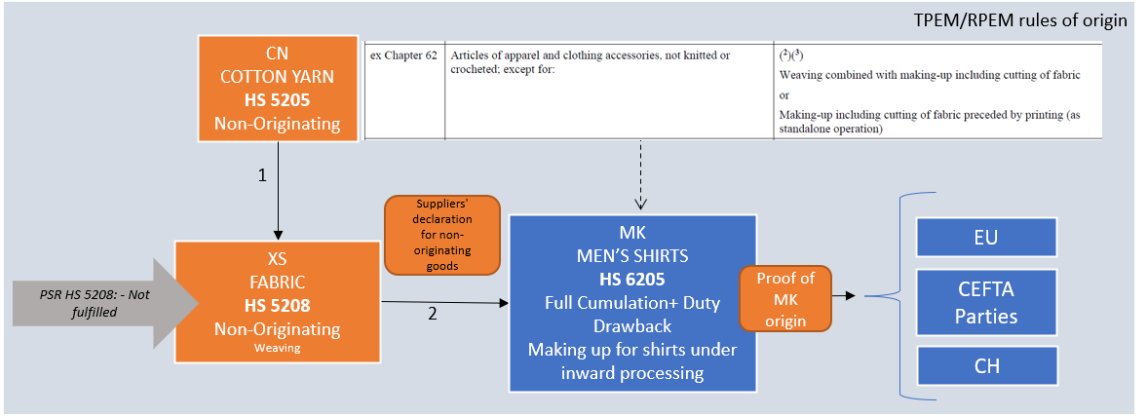
For men's shirts that have acquired MK origin based on full cumulation applied with the CH, EUR.1 can be issued for export to CH or some other CEFTA Parties while the same is not applicable for export to the EU. The same because some CEFTA Parties have extended the application of Article 7(3), while the EU has not done the same.



1. Weaving – still non-originating
2. production from fabric to apparel
3. Article 7(4) – bilateral full cumulation
4. Article 7(5) –Extension of the bilateral full cumulation
5. Article 7(5) does not applicable

Example 21a:

For men's shirts that have acquired MK origin based on full cumulation applied with the XS, EUR.1 can be issued for export to EU, EFTA or other CEFTA Parties because CEFTA Parties according to Article 7(4) TPEM/RPEM are considered as a single Contracting Party.



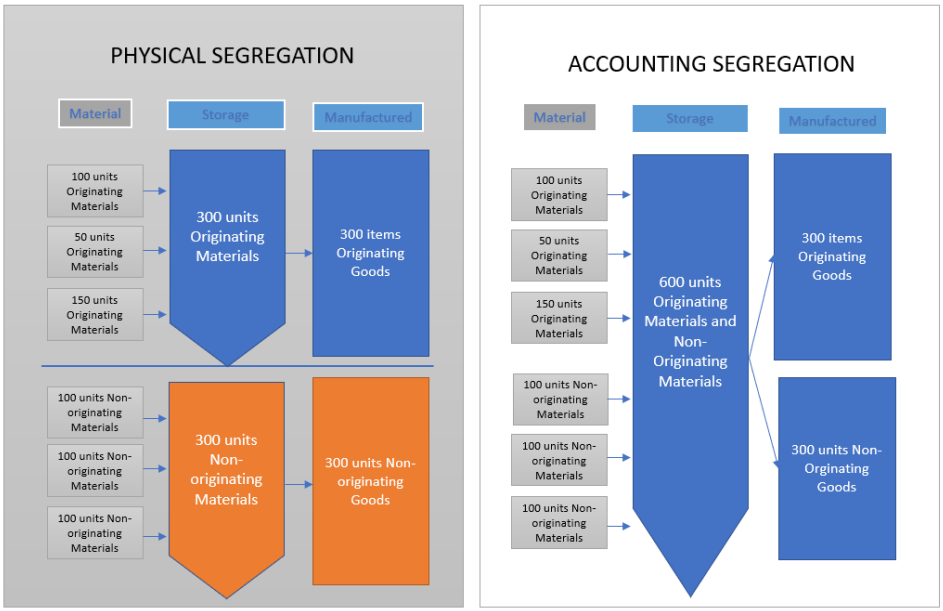
1. Weaving – still non-originating
2. production from fabric to apparel

6.6 Accounting segregation[64]

If manufacturers use both originating and non-originating materials in production, they are required to keep these materials separate to track their different origins. This

[64] Article 20 of the of Appendix I of the PEM Convention, Article 12 of Appendix I of the RPEM/TPEM

separation can be a significant financial burden for manufacturers. To address this issue, accounting segregation allows for the storage of originating and non-originating fungible materials together, as long as they are identical and interchangeable in terms of quality, characteristics, and appearance.



Remember:

The goal of accounting segregation is to ensure that the quantity of products considered as originating remains the same as if physical segregation had been implemented.

- This means that manufacturers can mix fungible materials in the same stock, with the origin separation occurring only in the accounting system.
- Compliance with generally accepted accounting principles and efficient stock management need to be in place. To determine the quantity of originating materials that must be available in the stock management system, it is essential to consider the yield rate.[65]

Remember that:

⇨ **PEM Convention (Article 20)** provides that accounting segregation can be utilized in cases where keeping separate stocks results in significant costs or material difficulties. In the PEM Convention rule on accounting segregation applies only to fungible materials, not final products.

Manufacturers must be authorized by customs to use accounting segregation, with the conditions for authorization set by customs. Customs have the possibility to revoke an authorization if the producer no longer meets the specified conditions or guarantees.

[65] The yield rate indicates the quantity of materials needed to produce one unit of the product.

Additionally, any incorrectly issued proofs of origin due to the improper use of accounting segregation will be invalidated by customs. Further details regarding the conditions for authorization, issuance, and monitoring can be found in the explanatory notes.[66]

- **Under the TPEM/RPEM rules of origin (Article 12)**, customs authorities can allow for accounting segregation when both originating and non-originating fungible materials or sugar as a product are used.

  The authorization may be granted with specific conditions and will be monitored by customs authorities, who also have the power to revoke the authorization if necessary.
  Under TPEM/RPEM the exporters will no longer have to justify that keeping separate stocks has a considerable cost or gives rise to material difficulties when requesting an authorization for accounting segregation.
  The accounting segregation method can be applied to all materials used in production, including both originating and non-originating sugar (HS 1701), regardless of whether it is processed as a material or sold as a final product.
  These materials can be stored together in the same stock if the economic operator can effectively manage the stock. This can be used even if they do not process these goods themselves but only engage in trading activities involving them.

[66] Explanatory notes concerning the pan-Euro-Mediterranean Protocols on Rules of Origin – OJ C 83/2007. Also, see General EU guidance on preferential origin.

6.7 Territorial Requirements[67]

Goods with preferential origin must be produced within the territory of the contracting parties covered by the Free Trade Agreement. Territorial requirements do not prevent the transit of originating goods through third countries and the retention of originating status. Also, certain exceptions allow work on goods outside the territory of the parties.

6.7.1 Principle of Territoriality

Requirement for goods with a preferential origin to be produced within the territory of the parties to an FTA, without any interruption (i.e. not leaving the territory of that party during the production process).

Remember:

If originating goods exported to third country outside the preferential trade area are returned to the exporting party, they will be considered non-originating unless it can be demonstrated to the satisfaction of the customs authorities that:
a) the products returned are the same as those which were exported; and
b) they have not undergone any operations beyond that necessary to preserve them in good condition while in that economy or while being exported.
The exporter who wishes to issue proof of origin must be able to prove using supporting documents that the returned goods are the same as those exported.

PEM Convention/TPEM/RPEM provide certain exceptions that permit work on goods to take place outside of that territory.

⇒ For instance, if a particular processing task needs to be completed in an economy not included in the FTA (or with whom cumulation is not applicable), producers may outsource that operation to a foreign company. However, this is only allowed if the materials used for working or processing outside the PEM cumulation territory are originating before it has been processed abroad.

⇒ Additionally, it must be demonstrated that the re-imported goods result from working or processing carried out in the third country on materials previously exported, and processing abroad is acceptable as long as the value-added there does not exceed 10% of the final ex-works price of the product.[68]
This value-added abroad is considered third-country input according to the value-added rules. The work or processing conducted outside the exporting party must be done under outward processing arrangements or similar agreements.

Example 22:

A Macedonian company produces a mix of essential oils for export to the EU but lacks the equipment to manufacture the soft gel capsules. Thus, the MK-originating mix of essential oils is exported to Israel, where it is encapsulated. The gel capsules are then re-imported back to North Macedonia where the outward processing procedure is discharged, and final quality control and packaging are done. Proof of preferential origin can be issued or made out in

[67] Article 11 of Appendix I of the PEM Convention, Article 13 of Appendix I of RPEM/TPEM

[68] It is not allowed to apply the general tolerance rule for non-originating materials and the derogation from the principle of territoriality, as both may not be applied together.

North Macedonia for these goods for export to the EU because the added value in Israel is less than 10% of the EXW price of the final product and the products fulfilled the PSR provided for those goods.

⇒ The PEM Convention prescribe that above mentioned do not apply to products of HS Chapters 50 to 63.[69]

In contrast to the PEM Convention, the PEM Transitional and revised rules of the PEM Convention no longer have the exemption for textiles (Article 13). This implies that products falling under HS Chapters 50 – 63 may now also have certain production stages done by a third party, as long as the value-added does not exceed 10% of the ex-works price. The threshold of 10 % is the same in PEM Convention/PEM/RPEM.

If any of the above conditions cannot be complied with, the re-imported goods will be treated as non-originating.

Remember that under the PEM cumulation of origin, the principle of territoriality applies not only when an originating product is exported to a third country, but also to a party within the PEM zone with whom cumulation is not applicable.

6.7.2 Direct transport[70] vs. non-alteration[71]

The PEM Convention rules of origin prescribe a "direct transport rule," while TPEM/RPEM have a more flexible "non-alteration" rule.

Direct transport rule in the PEM Convention

To qualify for preferential treatment, originating goods must be transported directly from the exporting party to the territory of the importing party without passing through the territory of any third country. This requirement ensures that the goods received in the importing party are the same as those sent from the exporting party. While goods can transit through third countries and maintain their originating status, specific conditions must be met.

Overall, if customs of the importing party assert that the direct transport rule is not met, they might decline preferential treatment. So, *the single transport document (Bill of lading, Air waybill, CMR) will be the proof that the good just transship the third country.*

For geographical or transport reasons, goods could pass through and *stay temporarily in a third country* (transshipment, warehousing) and the best way to prove that an unusual transshipment meets the condition is a so-called *"non-manipulation certificate"* issued by the Customs administrations of the transiting third country. With this non-standardized document, the customs administration of the third country confirms that goods stayed under customs control and only unloading / reloading or any operation to preserve products in good condition is made.

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[69] See Article 11(7) of Appendix I of PEM Convention

[70] Article 12 of Appendix I of the PEM Convention

[71] Article 14 of Appendix I of RPEM/TPEM

The information included in a non-manipulation certificate typically consists of the exporter's request, details about the goods, the country of origin, the country of transit, and a statement confirming by the stamp and signature of customs of transit that the goods have not been released for free circulation and have remained under customs supervision.

Non-alteration rule in TPEM/RPEM

PEM Transitional and revised rules of the PEM Convention change the strict direct transport rule to the so-*called non-alteration rule*.

The rule aims to ensure, as a direct transport rule, that the products departing from the exporting party are the same that will arrive in the destination party, where preferential treatment will be claimed. Recognizing global trade practices, the rule, however, acknowledges that consignments might be transported indirectly and even be split up abroad.

Also, affixing marks, labels, seals, or any other documentation to ensure compliance with specific local requirements is allowed in addition to those for direct transport (unloading, reloading, or any operation intended to preserve goods in good condition).

In the case of splitting up the consignment, the exporter in the exporting party should request new proof of origin, specifying the new quantities and destination party.

The main condition is that the storage of products or consignments and the splitting of consignments must take place under customs supervision in the third country(is).

Remember:

The requirements for the non-alteration rule are considered to have been met unless the customs authorities have reason to believe otherwise. Only in case of doubts, the importing party might ask for additional evidence beyond the existing shipping and import documentation.

6.8 Duty Drawback[72]

In general, the term "duty drawback" refers to the waiver or the refund of import duty on materials used in the manufacture of a product for export. It permits us not to pay import duties (or to recover the duties paid at import) on non-originating materials used for further processing while final goods using those materials are exported.
Certain preferential trade arrangements prohibit the drawback of or exemption from import duties on imported materials used in the production of products exported under preference.

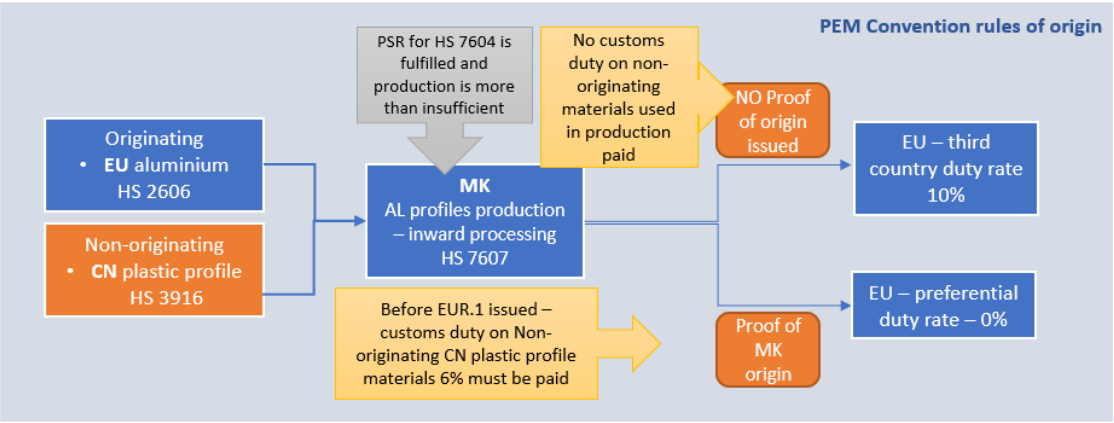
Under the PEM Convention rules of origin (Article 14) the general principle of the prohibition of drawback of, or exemption from, import duties (i.e. no-drawback rule) applies to materials used in the manufacture of any product.

The no-drawback rule ensures that duties applicable to third-country non-originating materials used in production are paid. Hence, these non-originating materials are subject to import duty, which at the same time cannot be waived or refunded, and the customs debt is incurred at the moment of acceptance of the declaration for re-export and must be calculated as if the non-originating material was released for free circulation.

Example 23:

In the production of aluminum profiles in North Macedonia (HS 7607), EU-originating aluminum (HS 2606) and non-originating CN plastic profiles (HS 3906) are used.[73]
The aluminum profiles are produced under inward processing, which means that the import duty for plastic profiles (6%) is postponed. The aluminum profiles are exported to the EU. The production in MK is more than insufficient, and if the PSR for 7607 is fulfilled, the exporter can choose:

- ⇒ *Due to the no-drawback provision outlined in the PEM Convention, customs debt is incurred on all third-country non-originating materials used in the production of exported goods before the issuance of proof of origin. So, the exporter should pay import duty on plastic profiles used in production and then issue proof of origin; or*
- ⇒ *The exporter can export the final product without providing proof of origin, which means that no customs debt is incurred for the non-originating material used in the production of the final product.*



However, between certain PEM Contracting Parties, bilateral derogations are also provided. One of them is a derogation agreed between CEFTA Parties.

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[72] Article 14 of Appendix I of the PEM Convention, Article 16 of Appendix I of the TPEM/RPEM

[73] Bilateral cumulation is applicable (EU/MK)

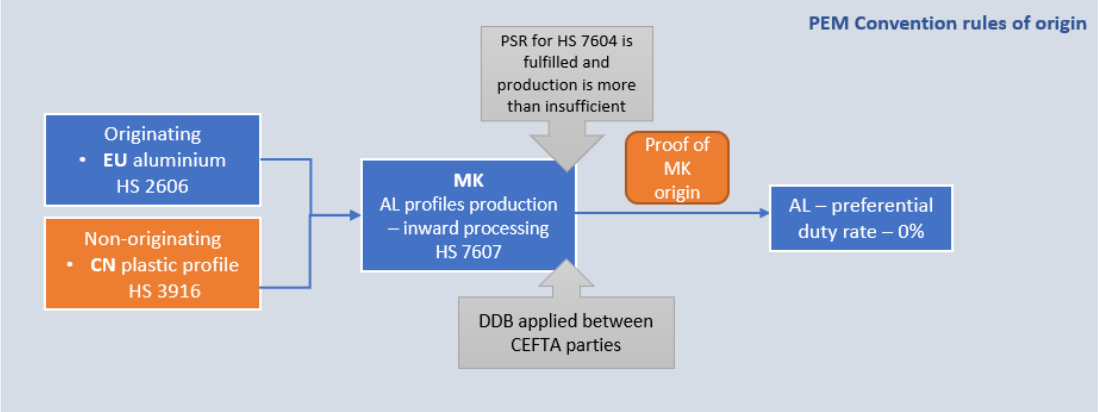
Namely, within the framework of the PEM Convention rules of origin, based on the Decision of the PEM Joint Committee No. 2/2017, the possibility for intra-CEFTA use of DDB (for all products) is ensured[74]. The same has been taken over by Appendix II, Annex X of the RPEM.

Intra-CEFTA duty drawback allows that if final goods obtain CEFTA Party origin and it is exported to other CEFTA Party, there is no need, before issuing proof of origin, to pay import duty on non-originating materials used in production. However, these goods cannot be considered as originating goods when exported to other PEM Contracting Parties (e.g., EU or EFTA).

Example 24:

In the production of aluminum profiles in North Macedonia, EU-originating aluminum (HS 2606)[75] and non-originating CN plastic profiles (HS 3906) are used. The aluminum profiles are produced under an inward processing procedure (IPP), which means that the import duty for plastic profiles (6%) is postponed. The aluminum profiles are exported to Albania. The production is more than insufficient, and let's assume that the PSR for 7607 is fulfilled.

⇒ *Since duty drawback is applied in intra-CEFTA trade, proof of origin will be issued, and no import duty should be paid on CN plastic profiles used in the production of aluminum profiles.*



Under the TPEM and RPEM rules of origin (Article 16) the prohibition of duty drawback is eliminated (in other words: duty drawback is allowed) for all products, except materials used in the manufacture of products falling within the scope of HS Chapters 50 to 63. See example 20.

⇒ The no-drawback rule applies only to non-originating materials used for the manufacture of originating products classified in HS Chapters 50 – 63.

Example 25:

In the production of hand-woven tapestry in North Macedonia (HS 5805), the PSR define that the exported product would acquire the origin of the exporting party if it were manufactured from non-originating materials of any heading, except that of the product (CTH rule).

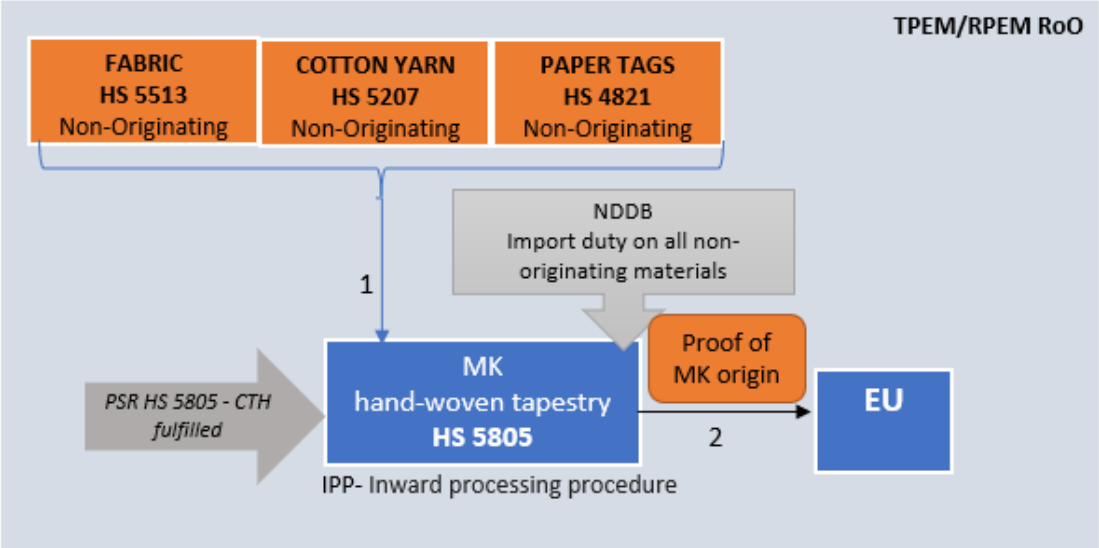
[74] See Article 10 of the Annex XIII to Appendix II of the PEM Convention (OJ L 149/2019). The same is provided by Appendix II, Annex X of the RPEM.

[75] Diagonal cumulation is applicable (EU/MK/AL).

Manufacturers in production use non-originating fabric (HS 5513), cotton yarn (HS 5207), and paper tags (HS 4821).

The hand-woven tapestries are produced under IPP, which means that import duty for all non-originating materials is postponed. The hand-woven tapestry is exported to the EU. The production is more than insufficient, and the PSR for HS 5805 is fulfilled.

Considering that duty drawback is not permitted for materials used to manufacture products from HS Chapters 50 – 63, exporters must pay import duty for all non-originating materials used in the production of hand-woven tapestries before obtaining proof of origin.



1. Non-originating materials
2. More than insufficient + CTH fulfilled + NDDB

⇒ However, the prohibition does not apply to bilateral trade if the origin has been acquired thanks to the application of full cumulation set out in Articles 7(4) and 7(5).

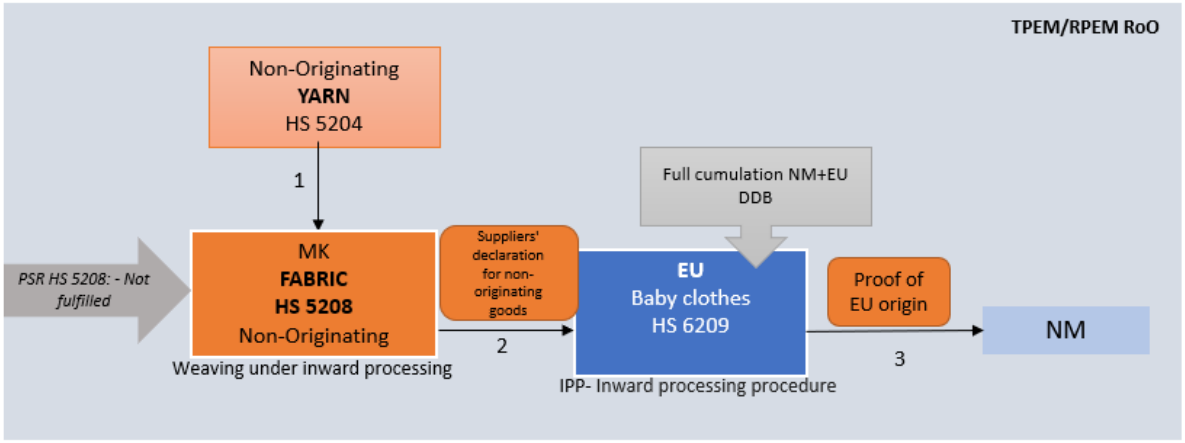
Example 26:

The EU company produces clothes for babies (ex 6209). In the production of baby clothes, non-originating yarn (HS 5204) from Bangladesh is used.

As a first step, the yarn originating from Bangladesh is imported into North Macedonia. In North Macedonia, weaving operations are conducted. The woven fabric does not qualify for the North Macedonia preferential origin because weaving (as a standalone operation) is not considered sufficient processing according to the list rule for cotton woven fabrics (HS 5208). The non-originating fabric is than exported from North Macedonia to the EU. The woven fabric is then cut and made up into baby clothes.

In the EU, IPP is utilized, and the baby garment obtains preferential origin status because the processing carried out in North Macedonia (weaving) is combined with the processing carried out in the EU (cutting and making up). The requirement for obtaining preferential origin is fulfilled in the territory of the parties benefiting from bilateral full cumulation. The final product qualifies for preferential EU origin status and preferential customs treatment can be applied in North Macedonia. Considering that full cumulation is used in the

production of the baby's garment, no-drawback can be applied, and there is no obligation to pay import duty for non-originating woven fabric used in the EU in production.



1. Weaving – still non-originating
2. production from fabric to baby clothes
3. Article 7(4) – bilateral full cumulation + DDB

7 DOCUMENTS ON ORIGIN[76]

All preferential agreements contain provisions on how to confirm and verify a product's eligibility for preferential treatment. Typically, to claim preferential tariff treatment, a document on origin must be submitted to the importing customs administration when requested. Document on origin means a document certifying the originating status of a product as defined in the concrete preferential arrangement.

However, there are some exceptions to this rule, such as the exception for small packages sent between private individuals below a certain value threshold. Similarly, travellers' personal belongings are also exempt from the document requirement up to a specified maximum value.[77]

7.1 Issuance of proof of origin – PEM Rules of Origin

Products that originate in one Contracting Party can benefit from preferential tariff treatment when imported into the other Contracting Party when one of the following proofs of origin are submitted:

a) **movement certificate EUR.1**;
b) **origin declaration** given by the exporter on an invoice, a delivery note, or any other commercial document which describes the products concerned in sufficient detail to enable them to be identified.[78]

Movement certificates are issued by the customs authorities of the exporting party while origin declaration is issued by any exporter (for shipments if they do not exceed EUR 6000) or by an approved exporter (regardless of the value of the shipment).

TPEM specificity

During the transitional period until RPEM rules start to apply exporters have the choice to use either rule of origin based on the PEM Convention or TPEM rules of origin (with the PEM Contracting Parties that apply them).

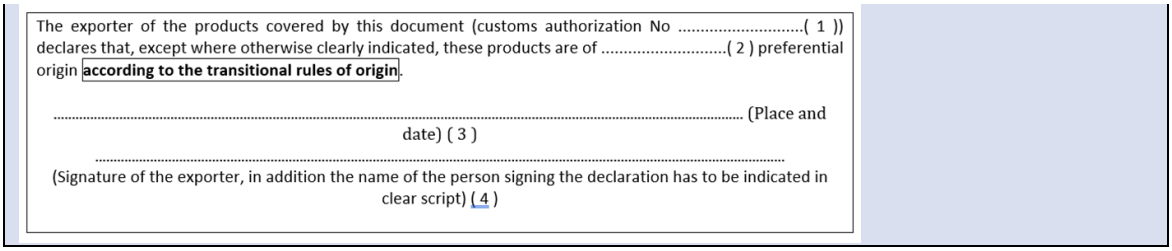
To be able to distinguish products originating under the TPEM from products originating under the PEM Convention, EUR.1 certificates or origin declarations based on the Transitional PEM rules must include the statement "TRANSITIONAL RULES" in box 7.

The origin declaration needs to state:

[76] The TPEM/RPEM rules of origin abolished the application of EUR-MED movement certificates and EUR-MED declarations of origin. Since CEFTA Parties do not apply the EUR-MED certificate even when applying the PEM Convention rules of origin, it is not necessary to elaborate on it further.

[77] The PEM Convention/TPEM/RPEM rule prescribes that the total value of those products shall not exceed EUR 500 in the case of small packages or EUR 1 200in the case of products forming part of travellers' personal luggage.

[78] "Exporter" means a person exporting the goods to the Contracting Party who can prove the origin of the goods, whether or not he is the manufacturer and whether or not he himself carries out the export customs formalities.


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

..... (Place and date) (3)

.....

(Signature of the exporter, in addition the name of the person signing the declaration has to be indicated in clear script) (4)

7.1.1 Movement certificate EUR.1

The exporter or their authorized representative must fill in both the movement certificate and the application form. The application form must be accompanied by all necessary documents to prove the origin of the goods.

A movement certificate EUR.1 shall be issued by the customs authorities and made available to the exporter as soon as actual exportation has been effected or ensured. The customs authorities responsible for issuing these certificates must take necessary actions to confirm the origin of the products and ensure that all requirements of the preferential arrangement are met. They have the right to request evidence and conduct inspections of the exporter's records or any other relevant checks.

The authorities will also verify that the forms are properly filled out, specifically ensuring that the product descriptions are completed in a way that prevents fraudulent alterations. Any unapproved erasures or writing over words are not allowed. Any other changes to the form must be officially confirmed by customs with an official stamp used for issuing movement certificates.

The exporter applying for the issuance of a movement certificate must be prepared to submit, upon request by the customs, all relevant documents proving the originating status of the products in question, as well as compliance with other requirements of the preferential agreement.

In the event of theft, loss, or destruction of a movement certificate EUR.1, the exporter may apply to the customs authorities to issue a duplicate based on the export documents they possess. The duplicate issued shall in Box 7 endorse the following word in English: “DUPLICATE” and shall bear the date of issue of the original movement certificate EUR.1. The duplicate certificate takes effect from the date of issue of the original movement certificate.

7.1.2 Origin Declaration[79]

In both the PEM Convention and TPEM/RPEM rules, an origin declaration may be made out of:

- approved exporter (AE)[80] or
- any exporter for any consignment consisting of one or more packages containing originating products the total value of which does not exceed EUR 6000.[81]

The wording of the origin declaration must conform to the wording set out in the Annex IV of Appendix I of the PEM Convention and Annex III of Appendix I of the TPEM/RPEM.

Origin declarations can be made out by typing, printing, handwriting or stamping the text on the invoice or any other commercial document (including a photocopy of the document). The document should show the name and full address of the exporter as well as a detailed description of the products, to enable their identification and the date of making out the origin declaration if it is different to the date of the invoice or commercial document.

Other commercial documents can be, for example, an accompanying delivery note, a pro forma invoice or a packing list. Origin declarations can be made out also on a separate piece of paper, with or without a letterhead. If it is made out on a separate sheet of paper, this separate sheet must be part of the commercial document by having a reference from the commercial document to the separate sheet of paper or vice versa. If the commercial document contains several pages, each page should be numbered with the total number of pages mentioned.

Origin declarations must bear the original handwritten signature of the exporter and additionally the name of the person signing the declaration. However, if the Approved Exporter has given the customs administration of the exporting Party a written undertaken accepting full responsibility for any declaration which identifies him then, no signature is required. This exemption of the signature also implies the exemption of the name of the signatory.

Text of the origin declaration in English:

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

[79] See PEM Explanatory notes and PEM Handbook for further details.

[80] Any exporter of originating goods can apply for AE authorisation if they can demonstrate the frequency of exports and provide evidence of the origin of the products they intend to export. The exporter should be known to be reliable, not subject to bankruptcy proceedings and not in arrears in the payment of duties and taxes. Any product originating from a preferential arrangement can be covered by the approval. For more information on approved exporters, see the EU Guidelines for approved exporters. When an origin declaration is sent to verification by administrative cooperation it is always sent to the customs administration whose AE number is on the origin declaration.

[81] Consignment means products which are either sent simultaneously from one exporter to one consignee or covered by a single transport document covering their shipment from the exporter to the consignee or, in the absence of such a document, by a single invoice.

.....

(Place and date) (3)

.....

(Signature of the exporter, in addition the name of the person signing the declaration has to be indicated in clear script) (4)

_____

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

(2) Origin of products to be indicated. When the origin declaration relates in whole or in part, to products originating in Ceuta and Melilla, the exporter must clearly indicate them in the document on which the declaration is made out, by means of the symbol "CM".

(3) Those indications may be omitted if the information is contained in the document itself.

(4) In cases where the exporter is not required to sign, the exemption of signature also implies the exemption of the name of the signatory.

7.2 Proof of origin issued retrospectively

PEM Convention rules of origin provide that a movement certificate EUR.1 may be issued after the exportation of the products to which it relates if:

- ⇒ it was not issued at the time of exportation because of errors or involuntary omissions or special circumstances;[82] or
- ⇒ it is demonstrated to the satisfaction of the customs authorities that a movement certificate EUR.1 was issued but was not accepted at importation for technical reasons.[83]

TPEM/RPEM rules of origin, in addition to those reasons, also allow for a EUR.1 certificate to be issued retrospectively if:

- ⇒ the final destination of the products concerned was not known at the time of exportation and was determined during their transportation or storage and after the possible splitting of consignments in accordance with the non-alteration rule;
- ⇒ a movement certificate EUR.1 was issued in accordance with the current rules of origin of the PEM Convention for products that are also originating in accordance with the PEM Transitional rules; the exporter shall take all necessary steps to ensure that the conditions to apply cumulation are fulfilled and be prepared to submit to the customs authorities all relevant documents proving that the product is originating in accordance with these Rules; or

[82] There is no specific definition of "special circumstances" and "involuntary omission" that applies universally. It varies depending on the situation and the businesses involved. For instance, from Covid19 epidemic to a scenario where an exporter suddenly gains new customers in a party with which has a free trade agreement. It could also involve receiving a last-minute order on weekends or dealing with new companies.

[83] See point 4.4 Discrepancies and Formal Errors - more about the technical reasons for not accepting the EUR.1 certificate.

⇒ a movement certificate EUR.1 was issued on the basis of Article 8(4) and the proof of origin should include the statement in English "CUMULATION APPLIED WITH (name of the country/countries in English)" at import in another applying Contracting Party.[84]

Bear in mind that the exporter shall indicate in his application the place and date of exportation of the products to which the movement certificate EUR.1 relates and state the reasons for his request.

In the context of the TPEM/RPEM rules of origin, the customs authorities may issue a movement certificate EUR.1 retrospectively within two years from the date of exportation and only after verifying that the information supplied in the exporter's application complies with that in the corresponding file.[85]

Note that movement certificates EUR.1 issued retrospectively shall be endorsed with the following phrase in English: "ISSUED RETROSPECTIVELY" in Box 7 of the movement certificate EUR.1.[86]

If the origin declaration is made out after exportation, then no special endorsement on the origin declaration is needed. In the case of retrospective making out of the origin declaration, the date at which the statement on origin is made out should be indicated, as the date commercial document on which it is made out is different.

[84] Contracting Parties may decide, for the products exported to them that obtained the originating status in the exporting Contracting Party by application of cumulation of origin to waive the obligation of including on the proof of origin the statement "CUMULATION APPLIED WITH (name of the country/countries in English)".

[85] In case of doubts about such a document of origin, the customs of the importing party should have enough time to verify the document of origin through administrative cooperation before the deadline for notifying the customs debt expires (usually 3 years).

[86] The absence of remarks regarding the retrospective issuance or the issuance of a duplicate certificate of origin could be a reason for a request for subsequent verification.

7.3 Validity of proof of origin

Proof of origin has a limited validity period.

- ⇨ **The PEM Convention** (Article 23) prescribes that the proof of origin is valid for **four (4) months** from the date it is issued in the exporting party and must be submitted to the importing party customs administration within that time frame.
- ⇨ **TPEM/RPEM Rules of Origin** (Article 23) have extended this validity period **to ten (10) months**.

The period starts running from the day the document on origin is issued or prepared in the exporting party. The proof of origin needs to be valid when claiming preference.

For the EUR.1 certificates, the date from which the period of validity is counted is the date when the certificate was issued. For origin declarations, if there is no date of making it, it is the date of the issuing of the invoice, packing list or other commercial document used for this purpose.

Remember:

In the case of a duplicate certificate, the validity period starts from the date of issuance of the original proof of origin.

In the case of replacement certificates, the validity period starts from the date of issuance/making out of the replacement proof of origin.[87]

Documents on origin which are submitted to the customs authorities of the importing party after the final date for presentation may be accepted to apply preferential treatment where:

- ⇨ the failure to submit these documents by the final date set is due to exceptional circumstances; or
- ⇨ the products covered by the document on origin have been presented to the customs administration of the importing party before the expiry of the document on origin.[88]

Exceptional circumstances in this context refer to situations that are beyond the control of the importer or their representative, occur rarely, and do not compromise the customs authorities' ability to verify the origin of the goods (such as natural catastrophes).

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[87] See Article 19 of the Appendix I of the PEM Convention. When originating products are placed under the control of a customs office in a Contracting Party, it shall be possible to replace the original proof of origin with one or more proof of origin to send all or some of these products elsewhere within that Contracting Party.

[88] Proofs of origin for goods under special procedures like external transit, inward processing, customs warehousing, temporary admission, free zone, or temporary storage do not need to be presented to customs authorities if release for free circulation is deferred. For this reason, the customs authorities can accept late submission of proof of origin if the products were delivered before the validity date expired. Also, in order to accept proof of origin after the validity date has expired, it is necessary to take into account that the date of issue/making out of the proof of origin is not more than 2 years, because the customs administration must have enough time to verify the proof of origin through administrative cooperation before the deadline for notifying the customs debt expires (usually 3 years).

A proof of origin document is considered 'submitted' only when it is presented to customs authorities along with a declaration for the release of the goods for free circulation. This declaration should indicate that the goods presented to customs are of preferential origin.

7.4 Discrepancies and formal errors[89]

Irregularities in documents of origin can vary in nature, from minor errors such as typing mistakes to more significant errors such as the indication of an incorrect country of origin. Minor errors or discrepancies in documents on origin (like typographical errors) may still be accepted for preferential treatment if they do not create doubts about the accuracy of the information.

On the other hand, movement certificates may be rejected for "technical reasons", such as not being made out in the prescribed manner. Examples of technical reasons for the rejection of certificates include not using the correct form, lacking specific security features, not being printed in one of the prescribed languages, failing to fill in one of the mandatory boxes, or the relevant certificate not being stamped and signed. In such a situation, movement certificates will be marked as "DOCUMENT NOT ACCEPTED". Subsequently, the documents will be returned to the importer in order to enable him to get a new document retrospectively.

Also, there are cases where preferential treatment would be refused without verification, as well as cases where the customs administration would verify the presented proof of origin by administrative cooperation.[90]

7.5 Electronically issued movement certificate

The COVID-19 pandemic accelerated the need for a paperless customs environment in the field of rules of origin and a vast majority of PEM Contracting Parties decided to accept electronic copies of movement certificates during that period.

The **PEM** Contracting Parties recognized the importance of introducing electronic means and working on a common system based on electronic proofs of origin and electronic administrative cooperation in PEM zone.

⇒ Based on that, Recommendation no 1/2023 of the Joint Committee of the Regional Convention on pan-Euro-Mediterranean Preferential Rules of Origin was adopted on 7 December 2023.

The Recommendation establishes a list of conditions that need to be fulfilled in order for the importing party to accept the movement certificate EUR.1 issued electronically. It suggests that PEM Contracting Parties should consider accepting electronically issued movement certificates under the PEM Convention if the electronically issued certificates have a similar form to the specimens provided in the Annex III of Appendix I of the PEM Convention. In addition, the customs authorities

[89] See Article 29 of Appendix I of the PEM Convention or Article 28 of Appendix I of the TPEM/RPEM rules.

[90] See PEM Explanatory notes for more detailed information. Verification through administrative cooperation is done if there is a doubt about either the authenticity of a movement certificate or about the truthfulness of the content of a movement certificate or an origin declaration.

of the exporting party should have a secure online system to verify the authenticity of electronically issued certificates if they do not meet certain printing requirements.

Electronically issued certificates should have a unique serial number and identifiable security features, and the start date for issuing electronic certificates should be announced in published notices.

The date from which a certain Contracting Party starts issuing certificates electronically as well as the IT system and the link for administrative cooperation are published as Annex I of the Matrix.[91]

⇒ **TPEM/RPEM rules of origin** provide the enabling clause allowing the use of electronic proofs of origin (Article 17 (4) TPEM/RPEM).
Other conditions for the electronic issuance and acceptance of proof of origin determined by the PEM Joint Committee Recommendation No. 1/2023 will be reflected in bilateral decisions agreed upon between the PEM Contracting Parties. These requirements will remain applicable until the PEM Parties agree on the use of a PEM digital environment for issuing proofs of origin and administrative cooperation on development of which all PEM Contracting Parties are working.

Note that the Transitional rules of origin cease to apply when the revised PEM Convention enters into force. Therefore, everything agreed by bilateral decisions remains applicable in the revised PEM Convention until a PEM Joint Committee decision about the electronic environment is agreed.

[91] See PEM Convention Matrix.

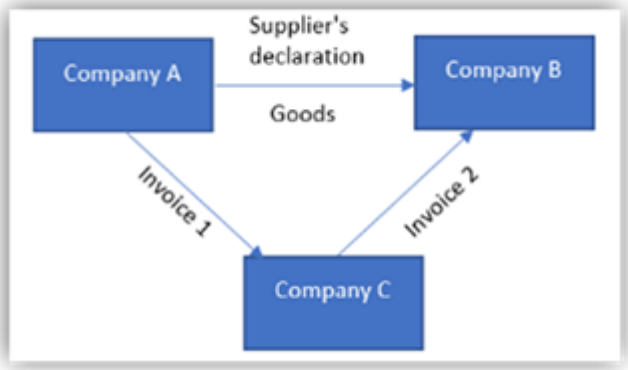
8 SUPPLIER'S DECLARATION

A supplier's declaration is a declaration made by a supplier to inform his customer of the origin of goods. The customer may need this information to prove the preferential origin of the exported goods. The supplier is the person who has control and knowledge of the originating status of the goods, irrespective of the invoicing.

Example 27:

Company A sells goods to Company C, which resells them to Company B. By order of Company C, Company A sends the goods directly to Company B.

Company A has all the information regarding the origin status of goods and could issue the SD directly to company B regardless of invoice issuing. In a situation like this company A should issue SD annexed to the delivery notes, packing list or any other commercial document describing the goods concerned in sufficient detail to enable them to be identified.



Remember:

Supplier's declaration is not a document on origin and as such cannot be the basis for requesting preferential treatment upon importation.

There is no legal obligation for a supplier to make out a supplier's declaration and no authorization for issuing a supplier's declaration is required. However, a supplier may be required by a commercial obligation to make out a supplier's declaration.

The supplier's declaration can be used in trade between two parties for the use of full cumulation or it can be used in trade between different companies established in one contracting party.[92]

Generally, a supplier's declaration may be issued:

- ⇒ for goods which obtained preferential origin (only for originating goods traded within the contracting party), and
- ⇒ for non-originating goods (used when applying full cumulation).

Unlike the supplier's declaration for originating goods, the supplier's declaration for non-originating goods does not certify to the consignee an already existing originating status of goods. It shall serve as proof of the working or processing carried out in the party on the materials in question. The purpose is to determine whether the products (manufactured from the materials concerned), can be considered as originating products by fulfilment of prescribed requirements.

[92] See in-Party regulations for detailed information on the supplier's declaration used in trade between different companies in a particular economy.

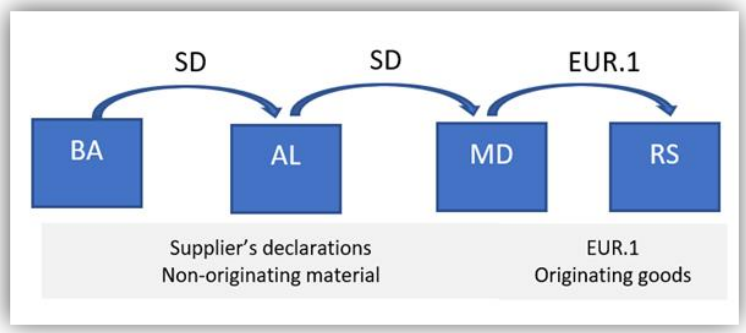
The supplier could issue:

- ⇨ a separate supplier's declaration for each consignment, or
- ⇨ a so-called long-term supplier's declaration.

A single supplier's declaration shall be made out on a commercial invoice, a delivery note or any other commercial document, or on a sheet of paper annexed thereto, describing the goods concerned in sufficient detail to enable them to be identified. It may be an ad hoc document (including a pre-printed form) referring to and accompanying a commercial invoice or other commercial document describing the goods. The supplier may provide the single supplier's declaration at any time, including after delivery of the goods.

A long-term supplier´s declaration is made out on an ad hoc document (including a pre-printed form) on which the goods are described precisely enough to be identifiable.
Long-term supplier declarations are one-time declarations that are valid for consignments over a longer period.[93]
It covers subsequent consignments of shipments that the supplier regularly supplies to a customer of goods for which the working or processing undertaken in the Parties is expected to remain constant for a considerable period.
Long-term supplier declarations provide facilitation for suppliers who are sending identical products. Instead of requiring separate statements for each individual consignment, only one supplier's declaration is needed covering all products.
A long-term supplier's declaration is valid for all the goods mentioned in the supplier's declaration that are delivered within the specified period. The making out of a long-term supplier's declaration necessitates ensuring the originating status of the goods throughout the entire validity period. The supplier shall immediately inform the customer of the goods if the information provided in his long-term supplier's declaration is no longer applicable.

The supplier's declaration can also support the making of a subsequent supplier's declaration when the goods are resold, delivered or transferred between suppliers.



Remember:
The making out of supplier's declarations is done without the participation of customs authorities. The supplier is responsible for the accuracy of the declarations made out to the consignee. When a supplier makes a supplier's declaration, formal requirements are mandatory.

[93] PEM Convention Annex XIII (CEFTA full cumulation) prescribe that a long-term supplier's declaration may normally be valid for a period of up to **one year** from the date of making out of the declaration.

On the other side, TPEM/RPEM prescribe that a long-term supplier's declaration may normally be valid for a period of up to **two years** from the date of making out the declaration.

The supplier who makes out the supplier's declaration shall be prepared to submit at any time, at the request of the customs authorities where the declaration is made out, all appropriate documents proving that the information given on that declaration is correct.

An incorrect supplier's declaration may result in the issuance of inaccurate proof of origin. This could mean that the importer would have to repay duties for single or multiple consignments because there is no valid proof of origin required to qualify for the preferential duty rate. An erroneous declaration may not only lead to the loss of a customer or the need to repay charges (depending on the contract) but may also entail other consequences, such as tax or criminal law implications. Further actions by the customs authorities may be possible if erroneous supplier declarations are also made by an approved exporter.

If there is a reason to doubt in supplier declaration and it is necessary to verify its authenticity and correctness, the verification should be done through administrative cooperation between the parties involved.[94]

Remember:

In trade between the Contracting Parties to the PEM Convention where two sets of rules of origin apply (PEM Convention rules of origin in parallel with TPEM rules), the preferential origin of goods may be determined according to one or more sets of rules of origin.
In the supplier's declaration, suppliers shall specify the legal framework used to determine the origin of the goods (namely the PEM Convention and/or the Transitional rules of origin). Where such a legal framework is not specified, by default, the supplier's declaration shall be considered as stating that the PEM Convention has been used to determine the origin of the goods.

8.1 Revised rules of the PEM Convention and Suppliers' Declarations

In the context of full cumulation in the PEM zone, a supplier's declaration is used for products not having preferential origin. Such a declaration provides relevant information on the non-originating materials used in the manufacture of the product.

For the application of full cumulation, Article 29 of Appendix I of the RPEM rules provides the possibility of using supplier declaration. It shall serve as evidence of the working or processing undergone in a Contracting Party by the goods concerned for the purpose of determining whether the products in the manufacture of which those goods are used, may be considered as products originating in the exporting Contracting Party and fulfil the other requirements of this Appendix.

Annex VI provides the text of a separate supplier's declaration while Annex VII provides the text of the long-term supplier's declaration.

[94] See Article 9 of Appendix I of the of the TPEM/RPEM. In a nutshell, for the purpose of verifying the supplier's declaration, the customs authorities return the supplier's declaration and other commercial documents related to the goods covered by the declaration to the customs authorities of the country where the declaration was made. Customs authorities requiring verification will be informed of the results of the verification as soon as possible. These results must clearly show whether the information given in the supplier's declaration is correct and enable them to determine whether and to what extent the supplier's declaration can be considered for issuing the EUR.1 goods movement certificate or for determining the origin of the declarations.

Article 35 of Appendix I of the RPEM rules determines the procedure for verifying the supplier's declaration. The customs authorities requesting the verification shall be informed of the results of the verification as soon as possible. Those results shall indicate clearly whether the information given in the supplier's declaration or the long-term supplier's declaration is correct and make it possible for them to determine whether and to what extent such declaration could be taken into account for issuing a proof on origin.

8.2 CEFTA derogation in the PEM Convention and RPEM Rules of Origin

By PEM Joint Committee Decision No 2/2017 the provisions of Appendix II of the PEM Convention were amended by introducing a possibility of duty drawback and of full cumulation in the trade covered by the CEFTA Parties.

New Annex XIII to Appendix II of the PEM Convention covered cumulation possibilities and allowed duty drawback between CEFTA Parties. Annex G provides the text of the supplier's declaration for goods which have undergone working or processing in the CEFTA Parties without having obtained preferential origin status and Annex H a text of long-term supplier declaration for goods which have undergone working or processing in the CEFTA Parties without having obtained preferential origin status.

This derogation is also included in the RPEM rules by Annex X and Annex G and H to Appendix II.

The text of the supplier declaration provided in the PEM Convention/RPEM/TPEM is the same. The only difference is in the header and the parties which are involved. For example:

- **TPEM** - SUPPLIER'S DECLARATION for goods that have undergone working or processing in applying Contracting Parties without having obtained preferential origin status.[95]
- **RPEM** - SUPPLIER'S DECLARATION for goods that have undergone working or processing in Contracting Parties of the Regional Convention on pan- Euro-Mediterranean preferential rules of origin without having obtained preferential origin status.
- **PEM JC Decision 1/2021** - SUPPLIER'S DECLARATION for goods that have undergone working or processing in the CEFTA Parties without having obtained preferential origin status.

[95] Applying Contracting Parties means partis that apply TPEM rules of origin.

9 List of Annexes:

Annex 1: Annex I of Appendix II of the PEM Convention/RPEM - Trade between the European Union and the participants in the European Union's Stabilization and Association Process

Annex 2: Text of the supplier's declaration from the PEM Joint Committee DECISION No 2/2017– Intra CEFTA full cumulation – PEM Convention, RPEM

Annex 3: Text of the supplier's declaration in CEFTA Decision 1/2021 – TPEM Rules of Origin

Annex 4: Text of the supplier's declaration from the revised rules of the PEM Convention -Annex VI and Annex VII

Annex 1: Annex I of Appendix II of the PEM Convention/RPEM

ANNEX I

Trade between the European Union and the participants in the European Union's Stabilization and Association Process

Article 1

Products listed below shall be excluded from cumulation provided for in Article 7 of Appendix I, if:

a) the country of final destination is the European Union, and:

(i) the materials used in the manufacture of these products are originating in any of the participants in the European Union's Stabilization and Association Process; or

(ii) these products have acquired their origin on the basis of working or processing carried out in any of the participants in the European Union's Stabilization and Association Process;

or

b) the country of final destination is any of the participants in the European Union's Stabilization and Association Process, and:

(i) the materials used in the manufacture of these products are originating in the European Union; or

(ii) these products have acquired their origin on the basis of working or processing carried out in the European Union.

CN-Code	Description
1704 90 99	Other sugar confectionery, not containing cocoa
1806 10 30 1806 10 90	Chocolate and other food preparations containing cocoa - Cacao powder, containing added sugar or sweetening matter: - - Containing 65% or more but less than 80% by weight of sucrose (including invert sugar expressed as sucrose) or isoglucose expressed as sucrose - - Containing 80% or more by weight of sucrose (including invert sugar expressed as sucrose) or isoglucose expressed as sucrose
1806 20 95	- Other food preparations containing cocoa in block, slabs or bars weighting more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packaging of a content exceeding 2 kg -- Other --- Other
1901 90 99	Malt extract, food preparations of flour, groats, meal, starch or malt extract, nit containing cocoa or containing less than 40% by weight of cocoa calculated on a

CN-Code	Description
	totally defatted basis, not elsewhere specified or included, food preparations of goods of headings 0401 to 0404, not containing cocoa or containing less than 5% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included - Other -- Other (than malt extract) --- Other
2101 12 98	Other preparations with a basis of coffee
2101 20 98	Other preparations with a basis of tea or mate
2106 90 59	Food preparations not elsewhere specified or included - Other -- Other
2106 90 98	Food preparations not elsewhere specified or included: - Other (than protein concentrates and textured protein substances) -- Other --- Other
3302 10 29	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 --Of the type used in the drink industries: ---Preparations containing all flavouring agents characterizing a beverage: ----Of an actual alcoholic strength by volume exceeding 0.5% ----Other: -----Containing no milkfats, sucrose, isoglucose, glucose, or starch or containing, by weight, less than 1.5% milkfat, 5%sucrose or isoglucose, 5% glucose or starch -----Other

Annex 2 –Text of the supplier's declaration from PEM Joint Committee DECISION No 2/2017– Intra CEFTA – PEM Convention

ANNEX II

ANNEX G of Appendix II

Supplier's declaration for goods which have undergone working or processing in the CEFTA Parties without having obtained preferential origin status

The supplier's declaration, the text of which is given below, must be made out in accordance with the footnotes. However, the footnotes do not have to be reproduced.

SUPPLIER'S DECLARATION
for goods which have undergone working or processing in the CEFTA Parties without having obtained preferential origin status

I, the undersigned, supplier of the goods covered by the annexed document, declare that:

1. The following materials which do not originate in the CEFTA Parties have been used in the CEFTA Parties to produce these goods:

Description of the goods supplied ([96])	Description of non-originating materials used	Heading of non-originating materials used ([97])	Value of non-originating materials used (3) (98)
		Total value	

2. All the other materials used in the CEFTA Parties to produce these goods originate in the CEFTA Parties;

[96] When the invoice, delivery note or other commercial document to which the declaration is annexed relates to different kinds of goods, or to goods which do not incorporate non-originating materials to the same extent, the supplier must clearly differentiate them.
Example:
The document relates to different models of electric motor of heading 8501 to be used in the manufacture of washing ma-chines of heading 8450. The nature and value of the non-originating materials used in the manufacture of these motors differ from one model to another. The models must therefore be differentiated in the first column and the indications in the other columns must be provided separately for each of the models to make it possible for the manufacturer of washing machines to make a correct assessment of the originating status of his products depending on which model of electrical motor he uses.

[97] The indications requested in these columns should only be given if they are necessary.
Examples:
The rule for garments of ex Chapter 62 says that non-originating yarn may be used. If a manufacturer of such garments in Serbia uses fabric imported from Montenegro which has been obtained there by weaving non-originating yarn, it is sufficient for the Montenegrin supplier to describe in his declaration the non-originating material used as yarn, without it being necessary to indicate the heading and value of such yarn.
A producer of iron of heading 7217 who has produced it from non-originating iron bars should indicate in the second column 'bars of iron'. Where this wire is to be used in the production of a machine, for which the rule contains a limitation for all non-originating materials used to a certain percentage value, it is necessary to indicate in the third column the value of non-originating bars.

[98] 'Value of materials' means the customs value at the time of importation of the non-originating materials used, or, if this is not known and cannot be ascertained, the first ascertainable price paid for the materials in one of the CEFTA Parties. The exact value for each non-originating material used must be given per unit of the goods specified in the first column.

3. The following goods have undergone working or processing outside CEFTA Parties, in accordance with Article 11 of Appendix I to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin and have acquired the following total added value there:

Description of the goods supplied	Total added value acquired outside the CEFTA Parties[99]
…….	……
…….	……
…….	……
…….	……

……

(Place and date)

……

……

……

(Address and signature of the supplier; in addition, the name of the person signing the declaration has to be indicated in clear script)

[99] 'Total added value' shall mean all costs accumulated outside the CEFTA Parties, including the value of all materials added there. The exact total added value acquired outside the CEFTA Parties must be given per unit of the goods specified in the first column.

ANNEX III

ANNEX H to Appendix II

Long-term supplier's declaration for goods which have undergone working or processing in the CEFTA Parties without having obtained preferential origin status

The long-term supplier's declaration, the text of which is given below, must be made out in accordance with the footnotes. However, the footnotes do not have to be reproduced.

LONG-TERM SUPPLIER'S DECLARATION

for goods which have undergone working or processing in the CEFTA Parties without having obtained preferential originating status

I, the undersigned, supplier of the goods covered by this document, which are regularly supplied to …… [100] declare that:

1. The following materials which do not originate in the CEFTA Parties have been used in the CEFTA Parties, to produce these goods:

Description of the goods supplied ([101])	Description of non-originating materials used	Heading of non-originating materials used ([102])	Value of non-originating materials used (8)(103)
		Total value	

[100] Name and address of customer.

[101] When the invoice, delivery note or other commercial document to which the declaration is annexed relates to different kinds of goods, or to goods which do not incorporate non-originating materials to the same extent, the supplier must clearly differentiate them.
Example:
The document relates to different models of electric motor of heading 8501 to be used in the manufacture of washing machines of heading 8450. The nature and value of the non-originating materials used in the manufacture of these motors differ from one model to another. The models must therefore be differentiated in the first column and the indications in the other columns must be provided separately for each of the models to make it possible for the manufacturer of washing machines to make a correct assessment of the originating status of his products depending on which model of electrical motor he uses.

[102] The indications requested in these columns should only be given if they are necessary.
Examples:
The rule for garments of ex Chapter 62 says that non-originating yarn may be used. If a manufacturer of such garments in Serbia uses fabric imported from Montenegro which has been obtained there by weaving non-originating yarn, it is sufficient for the Montenegrin supplier to describe in his declaration the non-originating material used as yarn, without it being necessary to indicate the heading and value of such yarn. A producer of iron of heading 7217 who has produced it from non-originating iron bars should indicate in the second column 'bars of iron'. Where this wire is to be used in the production of a machine, for which the rule contains a limitation for all non-originating materials used to a certain percentage value, it is necessary to indicate in the third column the value of non-originating bars.

[103] 'Value of materials means the customs value at the time of importation of the non-originating materials used, or, if this is not known and cannot be ascertained, the first ascertainable price paid for the materials in one of the CEFTA Parties.
The exact value for each non-originating material used must be given per unit of the goods specified in the first column.

2. All the other materials used in the CEFTA Parties to produce these goods originate in the CEFTA Parties;

3. The following goods have undergone working or processing outside CEFTA Parties, in accordance with Article 11 of Appendix I to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin, and have acquired the following total added value there:

Description of the goods supplied	Total added value acquired outside the CEFTA Parties[104]

This declaration is valid for all subsequent consignments of these goods dispatched from……

to……..[105].

I undertake to inform……(1) immediately if this declaration is no longer valid.

……

(Place and date)

……..

……..

……..

(Address and signature of the supplier; in addition, the name of the person signing the declaration has to be indicated in clear script)

[104] 'Total added value' shall mean all costs accumulated outside the CEFTA Parties, including the value of all materials added there. The exact total added value acquired outside the CEFTA Parties must be given per unit of the goods specified in the first column.

[105] Insert dates. The period of validity of the long-term supplier's declaration should not normally exceed 12 months, subject to the conditions laid down by the customs authorities of the country where the long term sup-plier's declaration is made out.

Annex 3 –Text of the supplier's declaration in CEFTA Decision 1/2021 – TPEM Rules of Origin

SUPPLIER'S DECLARATION

The supplier's declaration, the text of which is provided below, must be made out in accordance with the footnotes.

However, the footnotes do not have to be reproduced.

SUPPLIER'S DECLARATION
for goods which have undergone working or processing in applying Contracting Parties without having obtained preferential origin status

I, the undersigned, supplier of the goods covered by the annexed document, declare that:

1. The following materials which do not originate in [indicate the name of the relevant applying Contracting Party(ies)] have been used in [indicate the name of the relevant applying Contracting Party(ies)] to produce these goods:

Description of the goods supplied[1]	Description of non-originating materials used	Heading of non-originating materials used[2]	Value of non-originating materials used [2][3]
		Total value	

2. All the other materials used in [indicate the name of the relevant applying Contracting Party(ies)] to produce those goods originate in [indicate the name of the relevant applying Contracting Party(ies)];

3. The following goods have undergone working or processing outside [indicate the name of the relevant applying Contracting Party(ies)] in accordance with Article 13 of this Appendix and have acquired the following total added value there:

Description of the goods supplied	Total added value acquired outside [indicate the name of the relevant applying Contracting Party(ies)][4]
	(Place and date)
	(Address and signature of the supplier; in addition the name of the person signing the declaration has to be indicated in clear script)

---

(1) When the invoice, delivery note or other commercial document to which the declaration is annexed relates to different kinds of goods, or to goods which do not incorporate non-originating materials to the same extent, the supplier must clearly differentiate them.
Example:

The document relates to different models of electric motor of heading 8501 to be used in the manufacture of washing machines of heading 8450. The nature and value of the non-originating materials used in the manufacture of those motors differ from one model to another. The models must therefore be differentiated in the first column and the indications in the other columns must be provided separately for each of the models to make it possible for the manufacturer of washing machines to make a correct assessment of the originating status of his products depending on which model of electrical motor he uses.

(2) The indications requested in those columns should only be given if they are necessary.
Examples:
The rule for garments of ex Chapter 62 says Weaving combined with making-up including cutting of fabric may be used. If a manufacturer of such garments in an applying Contracting Party uses fabric imported from the European Union which has been obtained there by weaving non-originating yarn, it is sufficient for the European Union supplier to describe in his declaration the non-originating material used as yarn, without it being necessary to indicate the heading and value of such yarn.
A producer of iron of heading 7217 who has produced it from non-originating iron bars should indicate in the second column 'bars of iron'. Where this wire is to be used in the production of a machine, for which the rule contains a limitation for all non-originating materials used to a certain percentage value, it is necessary to indicate in the third column the value of non-originating bars.

(3) 'Value of materials' means the customs value at the time of importation of the non-originating materials used, or, if this is not known and cannot be ascertained, the first ascertainable price paid for the materials in [indicate the name of the relevant applying Contracting Party(ies)].
The exact value for each non-originating material used must be given per unit of the goods specified in the first column.

(4) 'Total added value' shall mean all costs accumulated outside [indicate the name of the relevant applying Contracting Party(ies)], including the value of all materials added there. The exact total added value acquired outside [indicate the name of the relevant applying Contracting Party(ies)] must be given per unit of the goods specified in the first column.

ANNEX VII

LONG-TERM SUPPLIER'S DECLARATION

The long-term supplier's declaration, the text of which is given below, must be made out in accordance with the footnotes. However, the footnotes do not have to be reproduced.

LONG-TERM SUPPLIER'S DECLARATION
for goods which have undergone working or processing in an applying Contracting Party without having obtained preferential origin status.

I, the undersigned, supplier of the goods covered by the annexed document, which are regularly supplied to [(1)] ……., declare that:

1. The following materials which do not originate in [indicate the name of the relevant applying Contracting Party(ies)] have been used in [indicate the name of the relevant applying Contracting Party(ies)] to produce these goods:

Description of the goods supplied [(2)]	Description of non-originating materials used	Heading of non-originating materials used [(3)]	Value of non-originating materials used [(3)(4)]
		Total value	

2. All the other materials used in [indicate the name of the relevant applying Contracting Party(ies)] to produce those goods originate in [indicate the name of the relevant applying Contracting Party(ies)];

3. The following goods have undergone working or processing outside [indicate the name of the relevant applying Contracting Party(ies)] in accordance with Article 13 of this Appendix and have acquired the following total added value there:

Description of the goods supplied	Total added value acquired outside [indicate the name of the relevant applying Contracting Party(ies)] [(5)]

This declaration is valid for all subsequent consignments of those goods dispatched from……

to…… [(6)]

I undertake to inform ……[(1)] immediately if this declaration is no longer valid.

(Place and date)
(Address and signature of the supplier; in addition, the name of the person signing the declaration has to be indicated in clear script)

(1) Name and address of the customer.

(2) When the invoice, delivery note or other commercial document to which the declaration is annexed relates to different kinds of goods, or to goods which do not incorporate non-originating materials to the same extent, the supplier must clearly differentiate them.

Example:
The document relates to different models of electric motor of heading 8501 to be used in the manufacture of washing machines of heading 8450. The nature and value of the non-originating materials used in the manufacture of those motors differ from one model to another. The models must therefore be differentiated in the first column and the indications in the other columns must be provided separately for each of the models to make it possible for the manufacturer of washing machines to make a correct assessment of the originating status of his products depending on which model of electrical motor he uses.

(3) The indications requested in these columns should only be given if they are necessary.

Examples:
The rule for garments of ex Chapter 62 says Weaving combined with making-up including cutting of fabric may be used. If a manufacturer of such garments in an applying Contracting Party uses fabric imported from the European Union which has been obtained there by weaving non-originating yarn, it is sufficient for the European Union supplier to describe in his declaration the non-originating material used as yarn, without it being necessary to indicate the heading and value of such yarn.
A producer of iron of heading 7217 who has produced it from non-originating iron bars should indicate in the second column 'bars of iron'. Where this wire is to be used in the production of a machine, for which the rule contains a limitation for all non-originating materials used to a certain percentage value, it is necessary to indicate in the third column the value of non-originating bars.

(4) 'Value of materials' means the customs value at the time of importation of the non-originating materials used, or, if this is not known and cannot be ascertained, the first ascertainable price paid for the materials in [indicate the name of the relevant applying Contracting Party(ies)].

The exact value for each non-originating material used must be given per unit of the goods specified in the first column.

(5) 'Total added value' shall mean all costs accumulated outside [indicate the name of the relevant applying Contracting Party(ies)], including the value of all materials added there. The exact total added value acquired outside [indicate the name of the relevant applying Contracting Party(ies)] must be given per unit of the goods specified in the first column.

(6) Insert dates. The period of validity of the long-term supplier's declaration should not normally exceed 24 months, subject to the conditions laid down by the customs authorities of the applying Contracting Party where the long-term supplier's declaration is made out."

Annex 4: Text of the supplier's declaration from the revised rules of the PEM Convention - Annex VI and Annex VII

Annex VI

SUPPLIER'S DECLARATION

The supplier's declaration, the text of which is provided below, must be made out in accordance with the footnotes. However, the footnotes do not have to be reproduced.

SUPPLIER'S DECLARATION

for goods which have undergone working or processing in Contracting Parties of the Regional Convention on pan-Euro-Mediterranean preferential rules of origin without having obtained preferential origin status

I, the undersigned, supplier of the goods covered by the annexed document, declare that:

1. The following materials which do not originate in [indicate the name of the relevant Contracting Party(ies)] have been used in [indicate the name of the relevant Contracting Party(ies)] to produce those goods:

Description of the goods supplied (1)	Description of non-originating materials used	Heading of non-originating materials used (2)	Value of non-originating materials used (2) (3)
		Total value	

2. All the other materials used in [indicate the name of the relevant Contracting Party(ies)] to produce those goods originate in [indicate the name of the relevant Contracting Party(ies)].

3. The following goods have undergone working or processing outside [indicate the name of the relevant Contracting Party(ies)] in accordance with Article 13 of Appendix I and have acquired the following total added value there:

Description of the goods supplied	Total added value acquired outside [indicate the name of the relevant Contracting Party(ies)] (4)
	(Place and date)
	(Address and signature of the supplier; in addition the name of the person signing the declaration has to be indicated in clear script)

(1) When the invoice, delivery note or other commercial document to which the declaration is annexed relates to different kinds of goods, or to goods which do not incorporate non-originating materials to the same extent, the supplier must clearly differentiate them. Example: The document relates to different models of electric motor of heading 8501 to be used in the manufacture of washing machines of heading 8450. The nature and value of the non-originating materials used in the manufacture of those motors differ from one model to another. The models must therefore be differentiated in the first column and the indications in the other columns must be provided separately for each of the models to make it possible for the manufacturer of washing machines to make a correct assessment of the originating status of his products depending on which model of electrical motor he uses.

(2) The indications requested in those columns should only be given if they are necessary. Examples: The rule for garments of ex Chapter 62 says weaving combined with making-up including cutting of fabric may be used. If a manufacturer of such garments in a Contracting Party uses fabric imported from the European Union which has been obtained there by weaving non-originating yarn, it is sufficient for the European Union supplier to describe in his declaration the non-originating material used as yarn, without it being necessary to indicate the heading and value of such yarn. A producer of iron of heading 7217 who has produced it from non-originating iron bars should indicate in the second column “bars of iron”. Where that wire is to be used in the production of a machine, for which the rule contains a limitation for all non-originating materials used to a certain percentage value, it is necessary to indicate in the third column the value of non-originating bars.

(3) “Value of materials” means the customs value at the time of importation of the non-originating materials used, or, if this is not known and cannot be ascertained, the first ascertainable price paid for the materials in [indicate the name of the relevant Contracting Party(ies)]. The exact value for each non-originating material used must be given per unit of the goods specified in the first column.

(4) “Total added value” shall mean all costs accumulated outside [indicate the name of the relevant Contracting Party(ies)], including the value of all materials added there. The exact total added value acquired outside [indicate the name of the relevant Contracting Party(ies)] must be given per unit of the goods specified in the first column.

Annex VII RPEM

LONG-TERM SUPPLIER'S DECLARATION

The long-term supplier's declaration, the text of which is provided below, must be made out in accordance with the footnotes. However, the footnotes do not have to be reproduced.

LONG-TERM SUPPLIER'S DECLARATION

for goods which have undergone working or processing in Contracting Parties of the Regional Convention on pan-Euro-Mediterranean preferential rules of origin without having obtained preferential origin status
I, the undersigned, supplier of the goods covered by the annexed document, which are regularly supplied to (1) ....., declare that:

1. The following materials which do not originate in [indicate the name of the relevant Contracting Party(ies)] have been used in [indicate the name of the relevant Contracting Party(ies)] to produce those goods:

Description of the goods supplied (3)	Description of non-originating materials used	Heading of non-originating materials used (2)	Value of non-originating materials used (2) (3)
		Total value	

2. All the other materials used in [indicate the name of the relevant Contracting Party(ies)] to produce those goods originate in [indicate the name of the relevant Contracting Party(ies)];

3. The following goods have undergone working or processing outside [indicate the name of the relevant Contracting Party(ies)] in accordance with Article 13 of Appendix I and have acquired the following total added value there:

Description of the goods supplied	Total added value acquired outside [indicate the name of the relevant Contracting Party(ies)] (4)

This declaration is valid for all subsequent consignments of those goods dispatched from..... to..... (5)
I undertake to inform ..... (1) immediately if this declaration is no longer valid.

(3) When the invoice, delivery note or other commercial document to which the declaration is annexed relates to different kinds of goods, or to goods which do not incorporate non-originating materials to the same extent, the supplier must clearly differentiate them. Example: The document relates to different models of electric motor of heading 8501 to be used in the manufacture of washing machines of heading 8450. The nature and value of the non-originating materials used in the manufacture of those motors differ from one model to another. The models must therefore be differentiated in the first column and the indications in the other columns must be provided separately for each of the models to make it possible for the manufacturer of washing machines to make a correct assessment of the originating status of his products depending on which model of electrical motor he uses.

(Place and date)
(Address and signature of the supplier; in addition the name of the person signing the declaration has to be indicated in clear script)

(1) Name and address of the customer.
(2) The indications requested in those columns should only be given if they are necessary. Examples: The rule for garments of ex Chapter 62 says weaving combined with making-up including cutting of fabric may be used. If a manufacturer of such garments in a Contracting Party uses fabric imported from the European Union which has been obtained there by weaving non-originating yarn, it is sufficient for the European Union supplier to describe in his declaration the non-originating material used as yarn, without it being necessary to indicate the heading and value of such yarn. A producer of iron of heading 7217 who has produced it from non-originating iron bars should indicate in the second column "bars of iron". Where that wire is to be used in the production of a machine, for which the rule contains a limitation for all non-originating materials used to a certain percentage value, it is necessary to indicate in the third column the value of non-originating bars.
(3) "Value of materials" means the customs value at the time of importation of the non-originating materials used, or, if this is not known and cannot be ascertained, the first ascertainable price paid for the materials in [indicate the name of the relevant Contracting Party(ies)]. The exact value for each non-originating material used must be given per unit of the goods specified in the first column.
(4) "Total added value" shall mean all costs accumulated outside [indicate the name of the relevant Contracting Party], including the value of all materials added there. The exact total added value acquired outside [indicate the name of the relevant Contracting Party(ies)] must be given per unit of the goods specified in the first column.
(5) Insert dates. The period of validity of the long-term supplier's declaration should not normally exceed 24 months, subject to the conditions laid down by the customs authorities of the country where the long-term supplier's declaration is made out.