

## New Zealand and EU approaches to rules of origin

**Rules of origin chapters establish the framework to determine what goods are eligible for tariff preference under the free trade agreement, the documentary and procedural requirements businesses need to follow to claim that preference and verification procedures to be followed by enforcement agencies.**

Rules of origin provisions address the process for claiming preference for goods imported under the agreement, and the rights and obligations imposed on traders and customs administrations in the event of verification activity.

New Zealand and the EU agreed in early scoping discussions that rules of origin in the FTA should be trade facilitating and should use the principles of simplicity, transparency and cost minimisation. The overarching policy framework within which rules of origin operate is substantially aligned in existing EU and New Zealand free trade agreements with other trading partners. These provisions cover defining originating goods (wholly obtained, produced entirely from originating materials, or produced using non-Party materials provided they meet either a specified process or value threshold); accumulation across the Parties; consignment rules; treatment of indirect materials, spare parts and accessories and packaging materials; and the basis of value calculations.

### **Objectives for this agreement**

New Zealand prefers product specific rules that are based primarily on the Change of Tariff Classification (CTC) methodology, with the use of other rules for specific products where appropriate (e.g. chemical process rules or value-add rules). Given the diversity in business models and methods of accounting, where possible alternative rules should be offered to provide choice to businesses. For instance, depending on the complexity of the product, a manufacturing company may find it easier to add up material and labour costs (and claim under a value-add rule) rather than separately to identify non-Party inputs and their tariff classification (and claim under a CTC rule).

New Zealand and EU approaches are both committed to ensuring that the procedures for making claims for preferential treatment are clear, transparent and predictable. New Zealand will be pressing for self-declaration of origin, with an optional self-certification template (for guidance only), and will explore with the EU whether there are any measures that could be adopted that further contribute to a seamless and paperless flow of trade.

The New Zealand manufacturing industry is predominantly made up of small and medium-sized enterprises that have developed specialised products for niche markets. We operate from a relatively narrow domestic base and therefore rely on imported materials in the production of our exports. New Zealand will be strongly pressing for rules that reflect the principle of substantial transformation and that support access to global supply chains. We would expect some differences to emerge here where the EU may seek to provide protection to historically 'sensitive products'.