
Preface

For centuries, the levy of import duties has been a common part of economics; it protects home markets and is an easy way for the authorities to generate income. As long as tariffs have existed, international trade has been hampered by them. In efforts to promote international trade and to gain competitive advantages, different trading partners have agreed to ease up and reduce or even abolish duty rates. The key condition to benefit from these duty rate reductions is that the goods for which the lower rates are applied upon importation, are “of origin,” i.e. the goods need to meet certain originating requirements in order to claim preferential treatment. The main reason for the condition is that the trading partners do not want parties that are not part of the agreement to benefit from the agreement. Therefore, in order to benefit from the lower duty rate opportunities, companies have to manage their origin issues, hence: Origin Management.

Origin Management is the holistic approach toward the creation of a single, auditable, and global platform that enables companies and governments to successfully claim preferential origin, sustain, review, and audit preferential claims. Origin Management advocates an approach that involves sharing and distributing information and resources throughout the company and the supply chain, resulting in competitive advantages, synergies, and a central point of wisdom for all origin-associated issues.

In order to understand the importance, environment, and impact of Free Trade Agreements (FTAs), it is required to appreciate the impact they have on global tariff/customs duty structures and how the specific elements of the Free Trade Agreement text affect the parties dealing with FTAs. Without a background in Global Trade and a historical perspective regarding FTAs, it is difficult to grasp its concepts and its practical application. It is therefore that the book is set up in three parts.

Part I lays the groundwork. It outlines global trade trends and history, and the concept and content of Free Trade Agreements. Special emphasis is put on the principles of Tariff reduction schedules and Rules of Origin that are laid out in each FTA and that are currently considered the FTA elements with the most impact on business. In this part focus will be on the background, principles, and structure of trade and FTAs rather than on the detailed practical implications.

In Part II, the practical implications of FTAs are further reviewed – obtaining preferential treatment involves more than a simple “check the box for lower rates,”

and participants are required to fulfill the requirements set forth in the FTAs in order to obtain and sustain preferential claims. The requirements in the FTA do not only affect the importer that makes the preferential claim. The exporter or manufacturer, its suppliers, and the authorities are other parties that are closely involved. Part II relates to how preferential claims are sustained, how Origin Management relates to other trade programs, the components of Origin Management, and which parties are involved in the various processes and procedures.

Part III details how companies can set up a successful origin management program that will ensure that the company benefits from FTAs at a reasonable cost. Many recent studies and analysis identified Origin Management as a missing link in strategic sourcing initiatives. The set up of a comprehensive origin management program will allow companies to create a sourcing strategy that also includes duty rate impact. This will exist on top of the other benefits a well-run origin program offers: lower compliance costs, ongoing lower duty rates, high compliance rates, and a transparent internal and external program structure that enhances visibility throughout the supply chain. Part III includes ideas, guidelines, and structure for setting up and maintaining origin programs. It also provides the reader industry references and a flurry of Q&A on origin issues.

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