

# Understanding the CARICOM Common External Tariff (CET) and the CARICOM Rules of Origin (RoOs)

September 22, 2020

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## *Article 82 - Establishment of Common External Tariff*

The Member States shall establish and maintain a common external tariff in respect of all goods which do not qualify for Community treatment in accordance with plans and schedules set out in the relevant determinations of COTED.

## *Classification Structure*

The Common External Tariff is based on the World Customs Organization (WCO) Harmonized Customs and Commodity Coding and Description System (HS) structure at the eight-digit level

# *Product Categorization*

In the development of the rate structure for the CET, products are categorized as:

- ▶ Inputs into the production of other products; or
- ▶ Final goods.

*“inputs” covers primary and intermediate product and capital goods.*

## *Competing or non-competing goods*

For each of the two categories mentioned, a further distinction is made between those goods that are deemed to be *competing* with like regional production and those which are regarded as *non-competing*.

# *Competing or non-competing goods*

## *Competing*

Where regional production or intermediate regional production potential from existing capacity amounts in excess of 75% of regional demand for a particular product, then imports of the like product from outside the single market would be deemed to be competing.

## *Non-competing*

If the level of regional production does not satisfy the 75% minimum, then imports of like products would be deemed to be non-competing.

## *Special Treatment*

Within both categories of inputs and final goods, a number of goods were identified as requiring special treatment in assigning tariff rates.

These included:

- ▶ Agricultural and agro-industrial goods;
- ▶ Goods which would have achieved a certain level of competitiveness in third country markets;
- ▶ Certain goods deemed to be of a sensitive nature.

- ▶ LIST A - Items on which suspension of the CET under Article 32 of the Common Market Annex has been granted for an indefinite period subject to review by Council, with the rates to be applied by Member States
- ▶ LIST C - Items in respect of which minimum rates have been agreed showing the actual rates to be applied by Individual Member States
- ▶ LIST D -
  - ▶ Part I - Products of Tariff Headings ex 73.21, ex 84.18 and ex 85.16 for which Suspension of the CET under Article 83 of the Revised Treaty has been granted to Belize for an unspecified period
  - ▶ Part II - Products of Tariff Headings ex 30.03 and ex 30.04 (Medicaments) for which Suspension of the CET under Article 83 of the Revised Treaty has been granted to St. Kitts and Nevis, other OECS Member States and Belize



## Article 83 - Operation of the Common External Tariff (CET)

1. Any alteration or suspension of the Common External Tariff on any item shall be decided by COTED.

2. Where:

- (a) a product is not being produced in the Community;
- (b) the quantity of the product being produced in the Community does not satisfy the demand of the Community; or
- (c) the quality of the product being produced in the Community is below the Community standard or a standard the use of which is authorized by COTED

# *Consultant's Report on Common External Tariff (CET)*

Industrial goods - take the necessary steps to eliminate the inconsistencies across Member States in the application of the CET

Revise the approach to ensuring the CARICOM production is sourced first before suspensions of the CET are granted (“exhaustion principle”)

Adopt an agro-industrial policy for development of agriculture-based production that emphasizes processing rather than protection of primary production

List A - in the first instance, exclude the main products from the CSME; move to full free circulation of agricultural goods;

# *Consultant's Report on Common External Tariff (CET)*

List C - recommended to be eliminated and the CET rates to be set as high as can be agreed

List D (part I) - recommended to be eliminated

List D (part II) - recommended to be harmonized at a compromise rate below the current CET rate

## *Rules of Origin - Why do they matter*

- ▶ They regulate the conditions of entry into foreign markets and may hence affect market access opportunities;
- ▶ They can have a significant bearing on the cost of a product and therefore its competitiveness;
- ▶ They are one of the considerations leading to foreign investment decisions;
- ▶ They may influence a firm's choice of suppliers

In short, they create both business opportunities and challenges

# *Rules of Origin*

## Sequence

- ▶ Identify the product
- ▶ Identify the applicable Rule
- ▶ Apply the relevant Rule
- ▶ The Certificate of Origin (CoO) demonstrates compliance with the Rule

# *RoO affect business operations... but also affect business decisions*

- ▶ Investment Decisions
- ▶ Trade Opportunities
- ▶ Choice of Suppliers
- ▶ Production Networks

# *How businesses make decisions regarding sourcing*

Business opportunity



Produce or import finished goods



What/Where to produce?



Buy inputs and components locally or choose supplier abroad



Regional Value Chains



Global Value Chains

# *CARICOM Rules of Origin (RoOs)*

- ▶ Article 84 - subject to the provisions of this Article, goods that have been consigned from one Member State to a consignee in another Member State shall be treated as being of Community origin where the goods;
- ▶ (a) have been wholly produced with the Community; or
- ▶ (b) have been produced within the Community wholly or partly from materials imported from outside the Community or from materials of undetermined origin by a process which effects a substantial transformation characterized by:
  - (i) by the goods being classified in a tariff heading different from that in which any of those materials is classified; or
  - (ii) in the case of the goods set out in the List in Schedule I of this Treaty (hereinafter referred to as “the List”, only by satisfying the conditions therefor specified.



# *CARICOM Rules of Origin (RoOs)*

- ▶ Wholly Produced - Rule 2
- ▶ Minimal processes - Rule 1 (5)
- ▶ Vessels - Rule 1 (1 & 2)
- ▶ Energy, fuel etc - Rule 1 (4)
- ▶ Treatment of Repaired Goods - Rule 6
- ▶ Treatment of Packaging - Rule 7

## *Article 84 - Paragraph 3 to 7 (Safeguard Mechanism)*

3. Where there is an interruption or inadequacy of supplies of regional materials and the manufacturer of goods, for which the qualifying condition for Community origin is that of “wholly produced” or “produced from regional materials”, is unable by reason of circumstances beyond his control to obtain supplies of the regional materials, he shall so inform the competent authority

# Rules of Origin Issues

Challenges -

- ▶ Identifying the relevant rules
- ▶ Being able to comply

# Rules of Origin issues in Consultant's Report

- ▶ Co-equal Rules
- ▶ Cumulation (accumulation) - inputs originating in qualifying countries are regarded as domestic - not as foreign input
- ▶ De Minimis
- ▶ Direct Transport
- ▶ Import to re-export
- ▶ Vessels
- ▶ Records

THANK YOU