



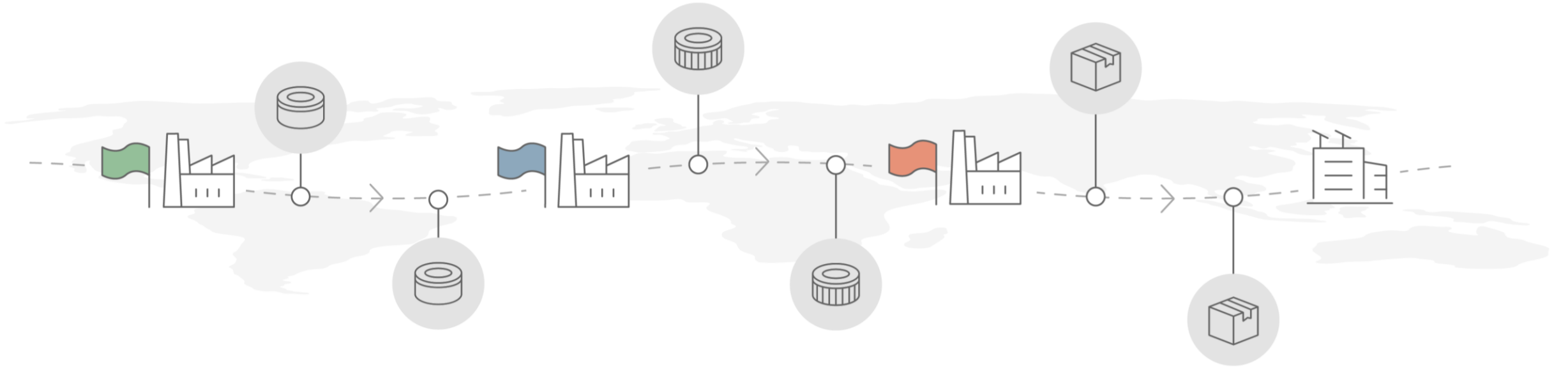
Fact Sheet: Country of Origin

Content collection for information & learning

Schaeffler Corporate Customs & Taxation

We pioneer motion

Country of Origin | Definition



Country of Origin

The **Country of Origin** is the country in which goods originate or have been manufactured. Understanding and leveraging **CoO** effectively can provide businesses with a competitive advantage in global markets.

The non-preferential origin of the goods is a mandatory element for import clearance and free circulation.

It's more than just a label; it plays a crucial role in various aspects of international trade, including compliance with trade regulations, consumer perception, marketing strategies, and overall supply chain efficiency.

Importance of correct origin determination

Ensuring accurate Country of Origin is key to compliance, trade efficiency, and consumer trust

01

Tariff Determination

Knowing the non-preferential origin is crucial for applying the correct tariff rates on imports, as different origins often incur varying rates.



02

Trade Compliance and Legal Obligations

Importers and exporters must accurately declare the origin of goods to avoid penalties and disruptions to their operations.

Goods often need certificates of origin or similar documents to verify their non-preferential origin.

03

Impact on Sourcing Decisions

The non-preferential origin affects sourcing choices, leading companies to favor suppliers from countries with beneficial tariff conditions or strong quality reputations. market competitiveness.

04

Risk Management

Understanding the non-preferential origin allows for better assessment of risks related to sourcing from specific regions, including geopolitical concerns, economic stability, and local law compliance.

In conclusion a comprehensive understanding of a product's country of origin is indispensable for businesses, thereby enhancing the supply chain resilience and adaptability in the global market.

Consequences for incorrect origin determination

Accurate Country of Origin is essential for compliance, trust, and avoiding customs enforcements

01

Penalty Fees

02

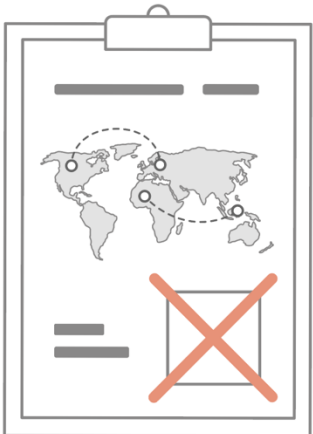
**Withdrawal of
authorizations**

03

**Loss of simplified
procedures**

04

**Reputation damages &
negative impact on
customers**



In conclusion, the consequences of incorrect origin determination are far-reaching, affecting not just immediate financial implications but also long-term business relationships, brand reputation, and overall market presence.

Companies must invest in robust compliance systems and staff training to mitigate these risks effectively.

Country of origin Usage

Understanding the country of origin is essential in trade policy as it ensures accurate application of tariffs, safeguard access to markets, fostering fair international trade and supports economic diplomacy.

Rules of origin

Preferential tariffs within free trade agreements are contingent on rules of origin, ensuring that the goods originate from member countries or comply with specific production criteria. This affects the eligibility of goods for reduced tariffs under such agreements.

Anti-dumping measures

By accurately determining and verifying the country of origin, authorities ensure the effective and fair application of anti-dumping duties, helping preserve competitive market conditions and prevent unfair trade practices.

Origin Marking

Origin marking is vital as it informs consumers of the product's provenance, enabling them to make informed purchasing decisions and fostering transparency in global commerce. Additionally, clear country of origin labelling helps businesses comply with import regulations, preventing fraudulent claims.

Trade embargoes

The country of origin is critically important in the context of trade embargoes, which are government-imposed bans or restrictions. Political tensions can lead to complete bans on imports from specific countries. Proper identification is necessary to comply with the laws and when importing goods from certain regions.

Safeguard measures

Determining the country of origin helps in pinpointing the sources of the surge in imports and targeting the appropriate goods for corrective measures without unjustly impacting international trade relations or contravening global trade rules.

Tariff quotas

Countries often implement restrictions or tariff quotas to regulate the volume of imports from certain origins, manage stability, protect local industries. The country of origin is a critical factor in the application of tariff quotas, ensuring that trade policies are implemented accurately and as intended.

Determination of Country of Origin

The **Country of Origin** is the country in which goods originate or have been manufactured. To determine the non-preferential origin of a product, two situations may arise. Basically, two scenarios should be distinguished:

1

There is **only one country** which is involved in the manufacture of the product, including the input materials, which means the goods have been wholly obtained or produced in that country.



2

There **are two or more countries** which are involved in the manufacture of the product; the goods will originate in the country in which the last substantial and economically justified working or processing took place, which was carried out in an enterprise equipped for that purpose and resulted in the production of a new product or represents a significant stage of production. The basic principle of last substantial working or processing is defined in Article 60 II UCC.



Determination of Country of Origin

In the second scenario there are several criteria to determine the non-preferential origin of a product; the most important being the last substantial processing and economically justified working or processing.

The last substantial processing

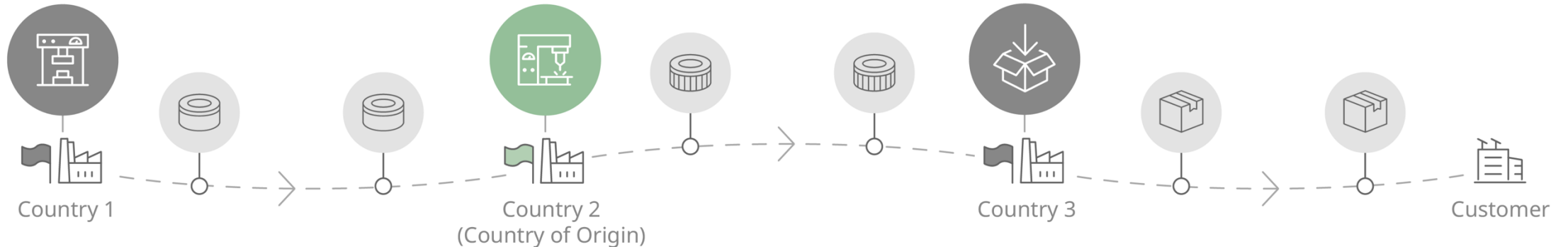
The last substantial processing or working should result in the manufacture of a new product or represent an important stage of manufacture.

This might cause changes the Country of Origin.

The Minimal operations

Certain operations must never be regarded as substantial processing or working, economically justified, conferring origin: preservation, cleaning, washing, labelling, simple assembly, packaging.

Hence, minimal operation won't change the Country of Origin.



The production plant

Working or processing of goods must have been carried out in an undertaking equipped plant for that purpose.

The Economic justification

The application of this criterion can only be established on a case-by-case basis, taking into account all the elements of the last processing and the purpose of those processing operations in the last country of production.

The result of the transformation

The working or processing of goods must result in the manufacture of a new product.

Determination of Country of Origin



The last substantial operation is one of the most common cases for determining the Country of Origin and requires awareness among all parties involved

To determine the country of origin considering the recommendations of the last substantial operation, it is necessary to have information on **all components used** and **all production steps** that take place **in a specific location**.

In particular, the non-originating materials used in the last country of production must be identified. Some of the rules from **Annex 22-01** specify the necessary steps of production to determine the country of origin.

This criterion must be checked in two different ways depending if the product concerned is included or not included in the Annex 22-01 UCC-DA.



Table of list rules conferring non-preferential origin on products
(following the classification in the CN) - European Commission

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