

Tariff preferences: Use of Cumulation provisions within “PanEuro-Mediterranean” countries – Materials covered by the EU-Turkey Customs Union

Joint Customs Consultative Committee (JCCC) paper (06) 12	
Who should read:	All involved with importing / exporting using the Tariff Preference regime
What is it about:	Further information about the use of Pan-European Mediterranean cumulation provisions when importing / exporting under preference
When effective:	Immediately

Introduction

JCCC Paper (06) 03 provided information on the implementation of Pan-Euro Med cumulation. This relates to the ability of manufacturers to use materials originating in numerous countries without affecting the entitlement of the final product to claim preferential origin. The system requires that all participating countries must have concluded Free Trade Agreements (FTAs) with each other which contain identical product specific rules of origin and accompanying administrative and documentary requirements.

In JCCC Paper (06) 03, we provided some specific information on the application of the new provisions as they applied to Turkish materials. With the exception of agricultural and “coal and steel” products, all goods in Chapters 25 to 97 of the Tariff are covered by the special trade arrangements contained within the Customs Union between the EC and Turkey, rather than by a Free Trade Agreement between the parties.

New Information

The relevant authorities in the European Commission have been of the view that the EU-Turkey Customs Union arrangements are in effect equivalent to a Free Trade Agreement and that the conditions for application of Pan-Euro-Med cumulation have therefore been met. Unfortunately, at a recent meeting of the EC's Origin Committee, the Commission announced that it had been advised by its Legal Services Department that the Customs Union arrangements do not in fact provide all of the necessary legal instruments for the Community to apply the Pan-Euro-Med cumulation system in any case where Turkish materials are involved. Likewise, Turkey is unable to export under the arrangement a finished product containing EU materials to a Mediterranean partner

Consequently Member States **will not be able** to apply this part of the arrangement until the necessary provisions have been adopted (no precise time frame yet indicated, but it will take some months).

In short we **cannot**:

- **Issue** a Pan Euro Med EUR Certificate (Form C1300) which indicates that cumulation is going to be applied with Turkey (eg Turkish originating fabric exported from the EC to Morocco for cut make and trim operations).
- **Accept** a Pan Euro Med EUR Certificate from a MED country, which indicates that cumulation has been applied with Turkey (eg Garments from Morocco made from Turkish fabric).

The European Commission has started work on the necessary legislative changes. Further publicity will be issued as soon as possible, but this often takes time to filter through, so please regard this Paper as an early warning of the situation.

Solution

To deal with this problem in the short term, the EC proposes to enact a previously applied for derogation from the normal preferential rules of origin, which would allow the use of Turkish originating fabric for certain Moroccan made garments. Such garments will have to be covered by a Standard Form EUR1 upon their importation into the Community and their quantities will be subject to tariff quotas. The start date for this derogation will be confirmed as soon as it becomes available in a further JCCC Paper.

N.B. In addition to this, the "Tunisian derogation" previously advised in JCCC Paper 57 (05), will continue to remain in force until further notice.

Further Information

Additional information about the date of formal re-introduction of Turkey to the main Pan-Euro-Med cumulation provisions will be provided as soon as it becomes available.

In the meantime, if you require any further information, please contact the Import/Export Team, Frontiers, 6 Floor North, Portcullis House, 2 Victoria Avenue, Southend-on-Sea, Essex SS2 6AL (Telephone 01702 361959) email: nicholas.clappen@hmrc.gsi.gov.uk

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