



VI EDUCATION COOPERATION

1. INTRODUCTION

Investment in education is crucial for a country's economic development. Education is the main focal sector for EU cooperation with Indonesia. A number of programmes are in place to support the improvement of Indonesia's education system.

2. ERASMUS MUNDUS

The Erasmus Mundus (EM) scholarship programme, funded by the European Commission (EC), has awarded over 7,000 scholarships for students and scholars from all over the world since 2004. 266 Indonesians have received the Erasmus Mundus scholarships. Altogether, the EU and the EU Member States provide some 1,000 scholarships a year to Indonesian students. This is in addition to the number of Indonesian students graduating in the EU who finance their own studies. The Erasmus Mundus Master Course (EMMC) is open for graduate students to undertake EMMC in at least two or more universities in two or more EU countries; and scholars/ academicians/ researchers to conduct teaching and research periods of three months at two or more universities in two or more EU countries. Erasmus Mundus Joint Doctorate (EMJD) degree offers fellowships covering up to three years of doctoral activities.

Erasmus Mundus Action 2 – Partnerships among Higher Education Institutions (former Erasmus Mundus External Cooperation Window) is a funding opportunity to support the establishment of cooperation partnerships between Higher Education Institutions (HEIs) in Europe and other countries.

3. THE EDUCATION SECTOR SUPPORT PROGRAMME (ESSP)

The EU contributes over €200 million (+ an expected second phase of €144 million) to the education sector for the period of 2010–2015 with the objective of supporting key policies and strategies in the education Renstra 2010-14 to ensure nation-wide access to, quality of, and good governance in basic education services.

Activities under this programme include:

- An initial contribution of €180 million over 2010-12 will be channelled as sector budget support. Part of the EU budget support is a performance-based component used as an incentive measure against achieving agreed results related to increasing access to education, achieving education quality standards and school accreditation, and developing capacity of school principals, supervisors and key district officials in managing the delivery of basic education.
- A complementary technical cooperation component of € 20 million over 2010-15 provides the Government with technical expertise and access to international knowledge and best practices to implement necessary reforms to achieve its education objectives.

4. BASIC EDUCATION SECTOR CAPACITY SUPPORT PROGRAMME (BE-SCSP)

The EU contributed €20 million to improve the capacity of local authorities and schools to deliver quality basic education and to improve district and provincial plans and budgets for basic education. Activities included:

- Component 1 (implemented by the ADB) has assisted the Government with defining Minimum Service Standards for basic education which define the minimum conditions that need to be provided by districts and schools/ madrasah for quality teaching and learning to occur. These standards are now enacted into Ministerial Decree 15/2010.

- Component 2 (implemented by UNICEF) has assisted with the identification and dissemination of good practices in basic education that have proven to be effective, efficient and affordable in increasing the quality of basic education. The project has directly targeted 12 districts and 505 primary and junior secondary schools, but an additional 2,500 schools have replicated the good practices using district/schools own resources.

5. THE BASIC EDUCATION SECTOR CAPACITY SUPPORT PROGRAMME 2 (BE-SCSP2)

- The EU contributes €17.5 million (+ €22 million from the Netherlands government) in 2008-2012 to support the Government efforts to improve the delivery of basic education services in 50 districts of 9 provinces through targeted capacity building and strengthening of systems at local government level.

6. NON-STATE ACTORS AND LOCAL AUTHORITIES (NSA LA) IN DEVELOPMENT PROGRAMME - EDUCATION SECTOR

Complementing EU's bilateral assistance in the education sector, 8 projects are currently being implemented by non-state actors starting in the beginning of 2009 with a total amount of EU funding of EUR 1.4 million. These actions aim at improving access to quality basic education, fully in line with the Education Renstra. The main themes of the projects are capacity building of education stakeholders; advocacy to increase regional government's budget allocation for the education sector; promotion of budget management, reporting, monitoring and transparency of education budget at the regional and school levels; engagement of civil society in improving quality and access to education; improving the quality and increasing access to inclusive education; and the promotion of good teaching and learning practices.

7. FOR MORE INFORMATION (ON ERASMUS MUNDUS)

http://eacea.ec.europa.eu/erasmus_mundus/results_compendia/selected_projects_action_1_master_courses_en.php

http://eacea.ec.europa.eu/erasmus_mundus/results_compendia/selected_projects_action_1_joint_doctorates_en.php

http://eacea.ec.europa.eu/erasmus_mundus/funding/2011/call_eacea_41_10_en.php



VII EU-INDONESIA BUSINESS DIALOGUE

1. INTRODUCTION

The second EU-Indonesia Business Dialogue took place in November 2010 in Jakarta. It was an excellent example of an integrated dialogue where business and government discussed various opportunities between Indonesia and the EU. Eight recommendations were formulated at the end of the meeting which are given in the following paragraph. During the first Vision Group meeting, these recommendations were presented to the Vision Group members as some of the follow-up related specifically to the Vision Group work. Follow-up meetings took place with business and government, most recently with Vice Minister Mahendra Siregar, to look at ways of implementing the recommendations.

2. RECOMMENDATIONS

As presented by the Indonesian Chamber of Commerce (Kadin)

1. EU and Indonesia to focus more on opportunities
 - a. develop a vision to ensure our trade and investment relations reach the next level of growth
2. EU and Indonesia should pave the way towards a comprehensive partnership agreement
3. EU and Indonesia to put in place a mechanism to improve transparency and consultation on government regulations
4. EU and Indonesia to improve regulatory cooperation through improved communication and technical dialogues
 - a. business should be integrated in this dialogue
5. EU to support Indonesia through cooperation and technical assistance:
 - a. To make regular impact assessments on draft regulations
 - b. Capacity building for implementing regulations
 - c. To implement international standards in key sectors such as UNECE standards for the automotive sector
 - d. To develop better understanding of EU laws and regulations including SPS measures, REACH, FLEGT and RED
 - e. Capacity building to help meet EU regulatory requirements
 - f. To develop capacity building programs for new market opportunities in cosmetics and herbal products
6. Indonesia to cut red tape in areas such as mandatory certification and registration system for industrial and food products
 - a. Give specific attention to easing requirements on SNI
 - b. Facilitate registration and labelling of agro food products in Indonesian

7. Indonesia to improve the investment climate in key areas including infrastructure, medical and pharmaceuticals and ensure better protection of IPR
 - a. Review the negative list related to the pharmaceutical sector
 - b. Enforcing a stronger agenda on public-private partnerships (PPPs) and its regulatory framework
 - c. Implementation of land acquisition and government guarantee funds policies should be done dealt soon sand effectively.
8. Establish mechanisms and processes for business and government cooperation in Indonesia. To strengthen the communication on trade and investment challenges and opportunities between the GoI and the business sector, represented by Kadin and the European chambers in Indonesia, it is recommended that:
 - a. Specific focal points to be nominated in the MoT, BKPM and other relevant agencies and in the business sector to prepare and handle issues
 - b. A regular and structured mechanism for consultation to be established between business and government, facilitated by the focal points, which will provide a clear and constructive interface for consultation.

3. FOR MORE INFORMATION

www.eibd-conference.com/





VIII TIMBER EXPORTS AND FLEGT – FOREST LAW ENFORCEMENT, GOVERNANCE AND TRADE

1. INTRODUCTION

The European Commission published the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan in 2003, which sets out a range of measures available to the EU and its Member States to tackle illegal logging and related trade. Indonesia is a key partner of the EU in the context of the FLEGT Action Plan. In particular, Indonesia is the first Asian country to have concluded the negotiation of a Voluntary Partnership Agreement (VPA) with the EU. Actions in other consumer countries, such as the amendment to the Lacey Act by the USA in 2008 to prohibit commerce in illegally sourced plants reflect the fact that fundamental changes that will benefit producers and traders of legal and sustainable timber are taking place in consumer markets.

Timber is an important tradable good and crucial for the EU industry. Figures show an increase in the world trade of 27% in the last years, of which the bulk goes to the EU, which imports reached almost 100 billion Euros in 2010 (including trade between EU member states). Despite the impressive market growth, Indonesia's exports have remained relatively small – meaning opportunities are not fully grasped.

2. EU'S ILLEGAL TIMBER REGULATION

EU's "Illegal Timber Regulation" builds on a comprehensive public consultation and impact assessment process. It has benefited from inputs received from Indonesian stakeholders during this process and the regulation was adopted in October 2010. Its aim is to counter the trade in illegally harvested timber and timber products through three key obligations:

- (1) It prohibits the placing of illegally harvested timber and products derived from such timber on the EU market;
- (2) It requires EU traders who place timber products on the EU market for the first time to exercise 'due diligence'; Once on the market, the timber and timber products may be sold on and/or transformed before they reach the final consumer. Economic operators in this part of the supply chain have an obligation to:
- (3) Keep records of their suppliers and customers.

The Regulation covers a wide range of timber products including solid wood products, flooring, plywood, pulp and paper. Exceptions are recycled products. FLEGT timber is considered to meet the due diligence requirements. FLEGT timber (i.e. timber produced under a FLEGT Voluntary Partnership Agreement between the country concerned and the EU) is subject to independently verified legality controls which provide a good level of assurance as to the legality of the timber. This source of timber is therefore exempt from the administrative requirements of the Regulation. Indonesian exporters will therefore benefit from an advantage on the EU market once the VPA is effectively implemented. The application of the Regulation will start from 3 March 2013 to allow sufficient time for EU operators, timber producers and Member States, as well as trading partners, to prepare for its implementation.

3. EU-INDONESIA VPA NEGOTIATION

A VPA is a binding agreement between the EU and a Partner Country by which they undertake to implement a credible timber licensing scheme to eliminate illegally-produced timber from a Partner Country's international and domestic trade. The credibility of the VPA relies on the development of a Legality Assurance System (LAS). The purpose of the LAS is to provide a reliable means to distinguish between legal and illegally produced forest products. Issuance of licenses by Partner Countries requires a system for ensuring that only legally-produced timber is licensed for export. This must include checks of forest operations and also control of the supply chain from harvesting to export.

Indonesia is the largest timber exporter country to have concluded the negotiation of a VPA. The successful conclusion was announced in Jakarta on 4 May 2011 by EU Trade Commissioner Mr De Gucht and Indonesian Forestry Minister Mr. Hasan. There are currently five countries developing the systems agreed under a VPA (Indonesia, Ghana, Cameroon, Central African Republic, and Republic of Congo) and six countries that are negotiating with the EU.

The start of the EU-Indonesia VPA negotiation was officially announced in 2007. Negotiations started in 2009, following the adoption of Indonesia's new timber legality verification system (SVLK) and the release of the proposal on the illegal timber regulation by the European Commission. The agreed LAS will be subject to an independent technical evaluation to confirm that the licensing scheme is fully operational before the VPA is implemented.

Expected impact and benefits

- Enhanced reputation of Indonesian timber products as well as secured and easier access to the EU market in the context of the EU's illegal timber regulation.
- Contribution to improved forest governance and law enforcement in Indonesia
- Contribution to Indonesia's response to climate change in the land use and forestry sector. The importance of combating illegal logging to Indonesia's climate change response is acknowledged by the GoI in several climate change policy and program documents such as the Letter of Intent concluded with Norway as well as Bappenas "Yellow Book" and the Climate Change Program Loan matrix, all referring to measures related to combating illegal logging.
- Increased revenue collection from the timber sector.
- Supply of legal timber to EU buyers.

EU and member states (UK) are supporting the FLEGT implementation in Indonesia through a variety of cooperation programmes, worth EUR 15 million and are in the process of identifying new areas of support.

4. MORE INFORMATION

http://ec.europa.eu/environment/forests/illegal_logging.htm

http://ec.europa.eu/environment/forests/timber_regulation.htm



IX EU REACH REGULATION

1. INTRODUCTION

The EC Regulation no.1907/2006 established a single integrated system for the Registration, Evaluation and Authorisation of Chemicals (REACH). The purpose of the REACH Regulation is to ensure a high level of protection of health and the environment as well as the free circulation of substances on the internal market. The Regulation entered into force on 1 June 2007.

The features of REACH which is of most direct impact to business are those pertaining to the 'Registration' and 'Authorisation' process. 'Registration' concerns the process by which information on chemicals, produced or imported above a certain threshold, will need to be submitted for registration in a central database. 'Authorisation' relates to the procedure whereby substances that are deemed to cause great concern will need to be expressly authorised before they can be manufactured or imported into the EU, and would need to be progressively replaced, where they are found to cause unacceptable risks to human health and the environment.

The REACH Regulation does not apply to business entities which are not established in the EU. Regarding substances which are manufactured outside the EU but that are imported in the EU, the obligation to make sure that they are in compliance with REACH falls primarily upon their importers. Non-EU operators cannot directly access the registration system. Manufacturers of substances that are established outside the EU and export their substances to the EU may, on a voluntary basis, appoint an only representative to conduct the registration.

The obligation to register substances manufactured or imported in the EU will be implemented gradually:

- November 2010: Registration deadline for substances manufactured or imported in quantities of 1000 tonnes and above, as well as carcinogens, mutagens and substances toxic to reproduction above one tonne per year, and substances classified as very toxic to aquatic organisms above 100 tonnes.
- June 2013: Registration deadline for substances manufactured or imported in quantities of 100 tonnes and more.
- June 2018: Registration deadline for substances manufactured or imported in quantities of one tonne and more.

A study carried out by the Government of Indonesia in 2009 indicated that 522 Indonesian companies mainly from furniture, chemical, metal, textile, leather and paper industries would be affected by the regulation of REACH. The study showed that the average readiness of Indonesian industries to meet REACH requirements was 42.6%.

2. EXEMPTION OF PALM OIL DERIVATIVES

Interested parties have the possibility to comment at various stages of the process of identification of substances that will require an authorisation (all information about the consultation process is available at ECHA's website).

Annexes IV and V of the REACH legislation set out substances and groups of substances that are exempted from registration, evaluation and downstream user provisions of REACH. The Commission adopted a review of these Annexes in October 2008 to include a number of additional substances to be exempted from registration. The list of those substances that will not need to be registered was expanded to include certain vegetable and animal oils, fats and waxes, as well as certain types of glass and ceramic frits. The Asian, including Indonesian, Oleochemical Manufacturers were included in this process. EU Commissioner for Trade Mr. de Gucht informed the Minister of Trade of Indonesia Mrs. Mari Elka Pangestu of the exemption of palm oil derivatives such as fatty acids and glycerol under Annex V, REACH in his letter on June 7, 2010.

3. TECHNICAL COOPERATION

The REACH legislation is accompanied by guidance documents for domestic EU producers and importers to ensure smooth operation of the system. The European Union Delegation in Jakarta has also translated the most important brochures about REACH into Indonesian. Issues associated with the technical and practical implementation of the REACH Regulation are primarily a matter of the European Chemicals Agency, which has a helpdesk.

During the Third Working Group on Trade and Investment between Indonesia and the EU on December 1st 2010, Indonesia expressed its concerns regarding its laboratory capacity and the costs to companies, especially SMEs, who lack necessary tools as well as expertise to comply with the REACH regulation. Indonesia – EU trade and cooperation programmes started in 2011 under which compliance with REACH could be discussed as part of the cooperation programmes managed by the Ministry of Trade of Indonesia, but that would require better understanding of the concrete challenges Indonesian companies face related to the REACH regulation and that the issues relate to export quality infrastructure.

Regarding SMEs, the amount of information that is required in the context of registration is related to lower tonnage ranges. Additionally, significant reductions in fees and charges for SMEs (up to 90%), have been foreseen in the Regulation.

4. FOR MORE INFORMATION

http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm

<http://echa.europa.eu/>



X TECHNICAL BARRIERS TO TRADE (TBT)

1. INTRODUCTION

The TBT Agreement, negotiated during the Uruguay Round, is an integral part of the WTO legal framework. Key principles underlying the TBT Agreement are (1) non discrimination; (2) proportionality – measures should not be more trade restrictive than necessary to achieve the objectives pursued; (3) harmonisation through the use of relevant international standards; and (4) transparency, notably through an obligation to notify draft technical regulations and conformity assessment procedures to the TBT Committee at an early stage and take account of comments from other WTO members.

This means that technical standards should be aligned with international standards and should not impose unnecessary burdens for traders. Technical standards should not be used as a barrier to trade. Legitimate use of technical standards include: national security requirements; the prevention of deceptive practices; protection of human health or safety, animal or plant life or health or the environment. In assessing such risks, relevant elements of consideration are, inter alia: available scientific and technical information related processing technology or intended end-uses of products.

2. EU'S POLICY

Technical requirements arise through all sectors of the economy. Their impact on trade arises through the costs of (1) adjusting products and production facilities to comply with differing requirements in different markets and (2) demonstrating compliance with these requirements. The impact on trade of technical requirements can be very significant and at times excessive.

The EU takes a risk-based approach to its procedures to assess conformity with its requirements. In many sectors deemed of low-risk, the EU offers the option of a Supplier's Declaration of conformity. The EU believes that mandating certification for low-risk products may lead to disproportionately burdensome obligations on economic operators. A central EU objective in the TBT field is to facilitate exports by EU manufacturers by reducing technical barriers which unnecessarily restrict trade in world markets. The EU also promotes greater harmonisation of technical regulations, standards and conformity assessment procedures.

In the EU, standardisation is a voluntary process of developing technical specifications based on consensus among all interested parties (industry including Small and Medium-sized Enterprises, consumers, trade unions, environmental Non Governmental Organisations, public authorities, etc). Overall, the EU strives to develop a better regulatory environment for businesses. This initiative aims at simplifying existing regulations, reducing administrative burdens and using impact assessments and public consultations when drafting new laws and regulations.

3. INDONESIA'S POLICY

Standardisation is a supporting element of TBT that has an important role in optimising the utilisation of resources in development activities in Indonesia. Government Regulation No. 102 of 2000 regarding National Standardisation sets out the National Standardisation System (SSN), which is coordinated by the National Standardisation Agency (BSN) assisted by the technical Ministries in implementation.

The implementation of National Indonesian Standards (SNI) is mostly voluntary, meaning that the activities and products that do not meet the provisions of the SNI are not prohibited for trade. Thus, to ensure the acceptance and widespread utilisation of SNI, the application of norms of openness to all stakeholders and consistent with the development of international standards is a very important factor. However, for the purposes of protecting the consumer health and safety, national security and environment conservation, the Government can impose certain mandatory SNI.

The enforcement of mandatory SNI is done through the issuance of technical regulations by government institutions or agencies which are authorised to regulate the activities and the circulation of products. In this case, the activities and products that do not meet the provisions of the SNI are prohibited from being traded. This provision is universally applied both to products manufactured domestically and imported products.

4. COOPERATION

The EU pursues a range of bilateral and regional initiatives aiming to reduce TBTs. These initiatives include regulatory cooperation (to make regulatory systems more compatible); mutual recognition agreements (to eliminate costs arising from unnecessary duplication of technical and / or certification requirements); and the provision of technical assistance for developing countries. The EU is continuously supporting Indonesia in upgrading its conformity assessment and testing framework with a view of upgrading the export quality infrastructure in selected sectors. This support has been ongoing since 2005 under the Trade Support Programmes I and II.

5. MORE INFORMATION

<http://ec.europa.eu/enterprise/tbt/>

http://www.wto.org/english/tratop_e/tbt_e/tbt_e.htm

<http://www.bsn.go.id>



XI INTELLECTUAL PROPERTY RIGHTS

1. INTRODUCTION

Strong intellectual property rights (IPR) protection is crucial to protecting and stimulating entrepreneurship and fostering creative economy. Counterfeit products are a threat to public health and good protection of IPR is a key to research and development. Furthermore, trade and investments are attracted by high standards of IPR protection which in return stimulate more innovation and thus national development. This all serves to achieve goals and benefits of integration into the global system. Countries with inadequate protection are often vulnerable to patent, copyright, and trade mark infringements that hinder trade flows, technological transfers and economic development. Improving the legal framework and strengthening enforcement are important cornerstones for investors as well as for new entrepreneurs stimulated by the economic policy aiming at encouraging creativity and innovation.

Protection and enforcement of intellectual property are crucial for the EU's ability to compete in the global economy as European competitiveness builds on the innovation and value added to products by high levels of creativity. Intellectual property rights such as patents, trade marks, designs, copyrights or geographical indications are becoming increasingly important for European inventors, creators and businesses. These rights enable them to prevent unauthorised exploitation of their creations and distinctive signs, or to allow such exploitation in return for compensation. One of EU's objectives is to see such standards respected by its trading partners. The EU works in the WTO to improve the protection and enforcement of IP rights and to continuously strengthen the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). The EU negotiates IPR provisions in its bilateral trade agreements and was involved in the development of the Anti-Counterfeiting Trade Agreement (ACTA).

2. INDONESIAN FRAMEWORK

The Government's Medium Term National Development Plan includes culture, creativity and technological innovation as priorities. In the strategic plan of the Ministry of Trade, the main priority in the short term is to increase export performance through market and product diversification, including services such as design and information technology and as means to protect Indonesia's traditions and rich cultural heritage. IPR plays a crucial part to enhance and protect these sectors and its innovation potential. In particular, Indonesia supports the development of Geographical Indications (GIs) and the EU supported the process of registering Indonesia's first GI in 2008 (Kintamani coffee).

Following its 1994 ratification of the WTO Agreement, Indonesia has taken steps to develop and issue new intellectual property laws, create a better framework for protection of intellectual property rights and provide a better environment for the development of intellectual property and inventions. Still, less than 10% of all patents registered in Indonesia are domestic inventions, which is one reason for a need to focus on increasing awareness on the importance of intellectual property rights. Over the past decade there has been significant progress in the development of Indonesia's intellectual property (IP) laws and the implementation of those laws by the Directorate-General of Intellectual Property Rights (DG IPR). Right holders consider that Indonesia has an acceptable legal framework largely in line with WTO TRIPS agreement and containing strong penalties for infringements, although some issues of concern remain. Firstly, Indonesia has not in its legislation on patents implemented TRIPS Article 39.3 on data exclusivity. Secondly, a well known trademark has to be registered in Indonesia in order to enjoy protection.

Cooperation and coordination between government agencies needs improvements, particularly related to enforcement. The establishment and further strengthening of a National Task Force created in 2006 should help remedy this situation. Indonesia has an interest in improving these matters not only in order to enhance innovation and protect its own IPRs, but also as a response to demands from the international community as a way of fulfilling international commitments and thereby better integrating into the global trading system.

3. TECHNICAL COOPERATION

The regional EU-ASEAN programme on IPR, ECAP, started in 1993. The core objective of the ECAP programme has been to foster trade, investment and technology exchanges between Europe and ASEAN as well as to foster intra-ASEAN trade and investment. ECAP I assisted ASEAN in strengthening systems for the protection of industrial property rights, whereas ECAP II covered the entire spectrum of intellectual property rights, particularly enforcement. The third component, ECAP III, was launched in the first half of 2010. ECAP III aims at further harmonising and upgrading systems for intellectual property generation, protection, administration and enforcement in ASEAN, including in the ASEAN Secretariat, and builds on the previous two programmes. It will focus around five components, e.g. IPR enforcement, promotion of IP education, continued support to the implementation of geographical indication as well as awareness raising activities.

ECAP III will be complemented by a bilateral programme for Indonesia under the Trade Cooperation Facility set to commence in early 2012. This follows a strong wish from the Indonesian Government of a dedicated programme focusing on Indonesia specific issues. The purpose is to contribute to increasing legal certainty for investors and traders and enhancing the competitiveness of Indonesia's goods and services through benefitting from a strengthened protection of intellectual property rights. It is proposed that the project centres around three areas: i) Support the revision of the legal framework so as to further harmonise it with international treaties and best practices, ii) Strengthen enforcement and administration of legislation through better coordination between government agencies and more efficient administrative procedures, iii) Support the creation of an IP culture through awareness building activities.

There is also some bilateral co-operation between Indonesia and the EU Member States. The National Institute of Intellectual Property Rights of France has previously been engaged in a dialogue with DG IPR on geographical indications, formalised through a cooperation agreement. The Swedish IP office has through SIDA provided funding for basic IP training, implemented by WIPO (World Intellectual Property Office).

4. FOR MORE INFORMATION

<http://www.dgip.go.id/ebscript/publicportal.cgi>

<http://ec.europa.eu/trade/creating-opportunities/trade-topics/intellectual-property/>



XII RULES OF ORIGIN

1. INTRODUCTION

Rules of Origin are used to determine the criteria to decide whether goods were really produced or manufactured in the beneficiary country to which the preferential tariff treatment is granted. To be considered as originating in the beneficiary country concerned and thus to be able to benefit from the preferential treatment, goods must be wholly obtained (e.g. grown, mined) there or, where this is not the case, have undergone sufficient processing there. The rules of origin define “sufficient processing” by way of a list of origin criteria that vary from product to product.

2. RULES OF ORIGIN IN FREE TRADE AGREEMENTS

Free trade agreements (FTA) should include an agreement on ROO. ROO are used to determine whether goods traded between parties qualify for access to the tariff under the agreement. They are necessary to ensure that the benefits reciprocally negotiated under the agreement accrue principally to the parties to that agreement. Generally, to qualify for preferential tariff treatment under an FTA, a good must fall into one of three categories.

- The first category covers goods that are wholly obtained – that is, wholly sourced, produced or manufactured – in the territory of the FTA parties.
- The second category involves products manufactured in the territory of the FTA parties entirely from materials that themselves satisfy a ROO.
- The third category involves products using non-originating materials but produced in such a way as to satisfy a prescribed ROO.

To qualify for preferential tariff treatment as originating goods on the third category, goods must undergo substantial transformation.

- Change in tariff classification method requires a good, after production, to be classified under a sufficiently different tariff classification of the Harmonized Commodity Description and Coding System from the classification of the non-originating imported component materials.
- Value added method prescribes a threshold proportion of the value of a good that must be derived from materials and processing within the territory of an FTA party.
- Processing method requires specific manufacturing or processing operations to be undertaken in an FTA party’s territory, such as a chemical reaction.

3. REVISED RULES OF ORIGIN UNDER THE EU GSP REGIME

The European Commission on 18 November 2010 adopted a regulation revising rules of origin for products imported under the generalised system of preferences (GSP). This regulation relaxes and simplifies rules and procedures for developing countries wishing to access the EU’s preferential trade arrangements, while ensuring the necessary controls are in place to prevent fraud. The new rules of origin apply from 1 January 2011.

The Regulation adopted by the Commission today will considerably simplify the rules of origin so that they are easier for developing countries to understand and to comply with. The new rules take into account the specificities of different sectors of production and particular processing requirements, amongst other things.