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COMMUNICATION FROM THE COMMISSION

**EURO-MEDITERRANEAN CUMULATION OF ORIGIN**

## EURO-MEDITERRANEAN CUMULATION OF ORIGIN

### INTRODUCTION

It was agreed that the Euro-Mediterranean partnership launched at Barcelona in November 1995 was to be based upon a free trade area encompassing the Community and its partners. The Barcelona Declaration set the target date for the gradual establishment of this area as 2010 and stated that it would be implemented through a framework of new agreements not only between the Community and the Mediterranean partners but also between the partners themselves. In order to facilitate the establishment of the free trade area, cooperation between the parties would focus inter alia, on harmonizing rules and procedures in the customs field, in particular with a view to the progressive introduction of cumulation of origin. The parties' commitment towards an Euro-Mediterranean partnership and the establishment of a Euro-Med Free Trade Area was further underlined at the Malta Conference in April 1997.

The Commission considered that the preferential treatment accorded by the different agreements forming the area, would be based upon identical rules of origin and a system of cumulation providing the necessary linkage between the agreements. Soon after the Barcelona Conference, the Commission prepared a draft origin protocol to serve as the basis for all the necessary agreements envisaged in the creation of the Euro-Med zone. The text was essentially the same text agreed in the framework of the Community's preferential arrangements with the CEEC/EFTA countries (European cumulation). This text was circulated to all the Mediterranean countries involved in March 1996.

### UNIFIED RULES OF ORIGIN IN THE MEDITERRANEAN REGION

The simple idea behind a preferential trade agreement is that partners to an agreement allow products that originate in the other country into their country on preferential terms, that is to say, at reduced or zero rates of duty. As a result it is necessary to include within the framework of a particular agreement, a definition of what is considered to be an originating product<sup>1</sup>. By having a definition, which needs to be detailed enough to take account of industry today, it is then possible to decide which products are able to benefit from an agreement and of course notwithstanding the GATT requirements, those that are not entitled.

The fair implementation of a multilateral preferential trade arrangement requires all partners to base the originating status of their products on the same criteria. Furthermore,

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<sup>1</sup> A lexicon is attached to this document (Annex I) and contains explanations to technical terms such as cumulation and the no-drawback rule.

manufacturers and traders should be offered the same sourcing possibilities as their competitors in the partner countries, and ultimately the same export opportunities.

It is the Commission's opinion that the Community's agreements with its' Mediterranean partners must serve as the vehicles for developing the appropriate environment to enable the realisation of a Euro-Med Free Trade Area. The existing cooperation agreements are gradually being replaced by new partnership agreements and the Commission has used the on-going bilateral negotiations to introduce as far as possible a common origin protocol, essentially the same as that developed for the system of European cumulation. As a result, the origin rules contained in the new agreements between the Community and Morocco and Tunisia are identical as are the rules in the agreements between the Community and Jordan and the PLO for the West Bank and Gaza. There are however, some differences between the two versions (e.g. different processing requirements for agricultural products, different administrative procedures). The rules of origin contained in the agreement with Israel are also similar though contain some differences due to the different level of it's industrial development. Negotiations on new partnership agreements are currently underway with Egypt and expected to start soon with Syria, also based upon the same rules of origin.

However, the Community's Mediterranean partners must also put in place measures between themselves to allow originating materials and goods to circulate freely within the zone, so that trading arrangements between all partners are covered. In 1996, a series of technical meetings was held, to which all the Mediterranean countries involved were invited. In addition, the Commission increased bilateral actions on rules of origin and contacts with the relevant authorities. Notably, during the course of 1997, meetings or seminars on rules of origin have been held in the Lebanon, Morocco, Tunisia, the West Bank and Gaza, Jordan and Egypt. There appeared to be a consensus on several fundamental issues:

- identical rules, both in terms of the origin criteria (e.g. processing requirements) and the administrative cooperation procedures was essential in order to avoid unfair circumvention of trade;
- Cumulation had to be reciprocal to avoid unfair competition;
- Formal agreement by the parties concerned was required before cumulation could be implemented and a proper legal base was deemed necessary;
- at the very least an effective system of administrative cooperation between the parties involved was required;
- the eventual need for a no-drawback rule was accepted, though it was agreed that such a rule should not be applicable for a transitional period.

## CUMULATION

In most cases, the rules of origin contained in a Free Trade Agreement specifically provide for a system of cumulation so that products originating in one or more partner countries can be used in another partner country and result in a finished product originating in that country. There are different types of cumulation which take account of a number of factors, such as the political relations, the geographical situation and the economic interests of the countries concerned and it is through these provisions that it is possible to link up different trade agreements.

In the framework of the Community's cooperation agreements with the Maghreb countries, cumulation between Algeria, Morocco and Tunisia was already provided for. This system of cumulation was maintained in the new agreements signed with Morocco and Tunisia. Algeria's inclusion in the system is still guaranteed, though the political situation in the region hinders its current application to all intents and purposes.

On the other hand, to date, the Community's agreements with the other Mediterranean countries all simply provide for bilateral cumulation, that is to say cumulation between the Community and the other party to a particular agreement.

At a political as well as at an economic level, steps have been taken to highlight the interest in favour of extending cumulation possibilities.

The Commission, already committed towards promoting regional integration welcomes all such initiatives. On a technical level, in all cases of cumulation of origin, the Commission has always maintained the position that cumulation was subject to certain conditions which had to be respected. These conditions cannot be disregarded without the system losing all its worth.

The conditions set out by the Commission would commit the countries concerned to having some sort of Agreement between themselves, based upon identical rules of origin. In such a situation, materials originating in country A could be sent to country B, further processed and exported to the Community. The Agreement between the Community and country B would allow the use of materials from country A (i.e. the rules of origin would include the necessary cumulation provisions) and any requests to verify the goods imported into the Community would be covered by the Community Agreement with country B or by the Agreement between country A and country B.

Only such a system would be transparent and offer the necessary legal security for its application, both from the point of view of the customs administrations as well as from the economic operators seeking to use the provisions.

## PROMOTING INTEGRATION BY EXTENDING CUMULATION POSSIBILITIES

The benefits of integration to a region's stability and economic development are well documented. In the context of the Barcelona Declaration, regional integration is a fundamental element underpinning the whole process and the proposal to extend cumulation possibilities in the different preferential arrangements has a clear role to play.

At the time of the elaboration of the strategy to unify rules of origin and extend cumulation possibilities between the Community, the Central European countries and the EFTA States ("European cumulation", implemented from 1 January 1997,) economic analyses were carried out on three important sectors: automobiles, textiles and electronics. Significant economic benefits were perceived from a rationalisation and simplification of the rules of origin. Furthermore, creating a linkage between different agreements through cumulation provisions in the rules of origin was also perceived to be of benefit to economic operators in a number of ways. Though the political and geographical situation in the Mediterranean countries is different from that in central Europe, many of the perceived benefits would also apply to the Mediterranean context:

- Increased economic cooperation between the Community and the other countries concerned.
- Improved possibilities for producers to improve competitiveness by organizing their activities on a larger scale.
- Improved Community market access for products from the Mediterranean countries.
- Increased incentive for trade between the Mediterranean countries.
- Enlarged sourcing possibilities for materials and products.

The Commission is therefore fully committed towards the progressive implementation of cumulation of origin throughout the Mediterranean area, whilst taking into account the different situation for certain agricultural trade concessions and the need to avoid as far as possible trade distortions. The Commission has drawn up a list of steps that need to be taken in order for Mediterranean partner countries to benefit from extended cumulation possibilities. The following list of requirements is based upon a possible system of cumulation between the Community and two Mediterranean partners (countries A and B). Additional partners (countries C, D etc.) fulfilling the same requirements could also be introduced:

- Identical rules of origin should be introduced into the EU-country A and the EU-country B agreements (including provisions on diagonal cumulation).
- Countries A and B should conclude an agreement (or any type of arrangement, providing the necessary legal guarantees) that includes at the very least the same administrative cooperation provisions and identical rules of origin as those contained in the EU agreements with countries A and B.
- Countries A and B should provide the Commission with the necessary details of their agreement and their corresponding rules of origin.

- The EU and countries A and B should formally agree on the date of entry into force for the cumulation system. Each party would take steps to make the necessary notifications.

The correct application by all Mediterranean partners to the provisions agreed upon in the framework of the existing agreements with the Community is a basic pre-condition for the implementation of diagonal cumulation. In particular, it is essential that all obstacles to Palestinian trade be eliminated in order to ensure the correct implementation of the Agreement in force between the Palestinian Authorities and the European Communities.

#### **TECHNICAL FEATURES CONCERNING ISRAEL'S PARTICIPATION IN CUMULATION**

Many of Israel's neighbours look to Israel as the potential motor for economic development in the region. The successful implementation of cumulation between Israel and one or more neighbouring countries would undoubtedly have a significant positive impact on the region's peace and stability, encouraging industrial development and economic as well as administrative cooperation.

The EC-Israel Agreement includes a protocol containing specific rules of origin and currently provides for a system of bilateral cumulation. There are several differences between these rules and those foreseen in the agreements with other countries in the region, due to the different and more developed structure of the Israeli economy. In this respect, it is important to underline the provisions concerning the no-drawback rule.

It is also important to underline that the type of cumulation currently provided for in both the agreements between the Community and Israel and the Palestinian Authorities respectively, is bilateral cumulation. There is therefore currently no legal provision that allows Israel to consider materials from the West Bank and Gaza as originating material in the framework of preferential trade with the Community.

In the light of the above, modifications to the rules of origin contained in the EC-Israel Agreement would be necessary in order for all parties to apply the same rules, which as indicated already, is a technical requirement for the correct implementation of a system of cumulation.

This harmonisation could result in the temporary suspension of the application of the no-drawback rule with regard to Israel, the only country in the region in which this provision is currently applied.

As the ultimate objective is to apply the no-drawback rule to the whole zone as soon as possible, its suspension would only apply from the date of implementation of diagonal cumulation and only until the latest date foreseen for the introduction of the no-drawback rule into the bilateral agreements with the other countries in the region, that is to say 2001.

## CONCLUSION

As stated above, the three Maghreb countries, Algeria, Morocco and Tunisia, are already covered by a system of cumulation.

The Commission considers that the creation of a "Mashrak" pole of attraction around countries that have already expressed an interest in cumulation, notably Egypt, Israel, Jordan and the West Bank and Gaza, would constitute an acceptable way to take forward the aim of regional integration in the Mediterranean. When technically prepared, other interested countries such as Syria and the Lebanon could be merged.

Subsequently, the possibility of establishing a link between the "Maghreb" and "Mashrak" poles should be examined.

It is important to recall that the Commission is committed to the creation of a Euro-Med Free Trade Area, incorporating all countries covered by the Barcelona process<sup>2</sup>. What is proposed here results from an open expression of interest by the countries concerned and their clear motivation for rapid success. This formula may then be extended to the other Mediterranean partners.

The undertaking to introduce cumulation of origin and to have common rules between the Community and its Mediterranean partners is a direct consequence of the Barcelona Declaration made in 1995. The Commission is of the opinion that a progressive strategy of implementation is necessary in order to achieve the goal envisaged. To this end, the Council is invited to give its approval to the Commission's proposal to offer cumulation of origin, subject to the fulfilment of the uniform requirements expressed above, to all Mediterranean countries. As a first step, the Commission will take the initiative to meet with officials representing Egypt, Israel, Jordan and the West Bank and Gaza to put forward the appropriate proposals to the rules of origin contained in the respective agreements.

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<sup>2</sup> In addition to the European Union and the Maghreb and Mashrak countries, the Euro-Mediterranean Partnership also encompasses Turkey, Cyprus and Malta.

With regard to Turkey two basic regimes exist with the Community. There is a customs union for industrial products and two separate preferential regimes for agricultural products and coal and steel products. According to the Decision on the implementation of the final phase of the Customs Union, Turkey was granted five years to negotiate preferential agreements similar to those concluded by the Community with third countries. Turkey has currently negotiated nearly all the agreements with the CEEC/EFTA countries in order for its inclusion into the system of European cumulation from 1.1.1999, insofar as industrial products are concerned.

Cyprus is now involved in the Accession process and there has been bilateral contacts with Malta over their future relations with the Community. Both Cyprus and Malta participated as observers in the elaboration of the harmonised rules of origin adopted in the framework of European cumulation and are therefore well aware of the potential benefits and obligations. The two countries currently benefit from bilateral cumulation.

## LEXICON

### **Rules of origin – basic concepts:**

In the Community's agreements, the rules of origin are contained in a protocol and cover in addition to a fairly complex definition of what may be considered to be originating, details of administrative measures that are to be applied in order to ensure the agreement is applied correctly. With regard to the definition of the concept of originating products, there are basically three criteria to be considered; "wholly obtained", "sufficient transformation" and "cumulation".

Once the originating status of a product is established, administrative procedures are necessary to enable the product to obtain the preferential treatment that it is entitled to. In the Community's agreements, proofs of origin are required, essentially the EUR.1 movement certificate. EUR.1 certificates are therefore issued by the customs authority in the exporting country if the products are judged to be originating and submitted with the products to customs in the importing country.

### **Wholly obtained products:**

Goods originate in a certain country or area when they are wholly obtained in that country. Examples of "wholly obtained" goods are mineral products extracted within the territory of the country concerned, vegetable products harvested there, live animals born and raised there, fish caught by vessels of the country benefiting from the preference and waste and scrap collected there.

Furthermore, goods manufactured from wholly obtained materials, such as a wooden table produced from wholly obtained wood or meat produced from wholly obtained animals, are also considered to be "wholly obtained".

### **Sufficient transformation:**

Non-originating materials can also obtain origin by undergoing a sufficient degree of transformation or processing within the country or area concerned. The degree of transformation or processing considered sufficient is never easy to define and tends to refer to a processing operation that brings about a significant qualitative change. The form of the transformation or processing requirements varies from product to product and includes added value rules, the exclusive use of originating products (e.g. canned fish) and types of manufacturing (e.g. garments from yarn).



The definition of sufficient transformation is expressed in the rules of origin as processing requirements. These requirements are contained in a lengthy annexe to the origin protocol of each agreement on a more or less product-by-product basis. A certain flexibility has been introduced in the more recently adopted origin protocols, through a general tolerance (10 percent by value of the ex-works price) from the processing requirements.

### **The principle of territoriality:**

The principle of territoriality is a standard feature in the rules of origin contained in the Community's preferential arrangements. Without prejudice to cumulation possibilities, the processing conditions applicable to materials in order for the final products to be considered to have originating status, must be fulfilled without interruption in the country of manufacture. In other words, a manufacturer is not allowed to export semi-finished products to a third country for further processing and consider the final product to be originating, even when the processing inside the preferential zone was sufficient.

However, a certain relaxation of this principle was introduced into some agreements. Currently, provisions concerning the relaxation of the territorial principle, expressed in terms of a percentage of the overall value of the final product, (10 percent by value of the ex-works price and not to be confused with the general tolerance rule) is only contained in one Mediterranean agreement, the EC-Israel Agreement.

### **The no-drawback rule:**

Rules of origin often contain provisions to ensure that materials imported from third countries have been charged with the appropriate customs duties before they can, after sufficient processing, enjoy the tariff preferences provided for in the agreements. This obligation and the prohibition of the reimbursement of customs duties levied on these materials when they are exported to another country under the terms of a preferential agreement is commonly called "the no-drawback rule".

The aim of the no-drawback rule is to restrict trade circumvention by operators using preferential arrangements to introduce materials and components from non-preference countries, onto the home market without customs duties having been levied anywhere on them. Within the Mediterranean context, the rule is only applicable in EC-Israel preferential trade.

An example of how the rule works is the production of alternators in Israel from components originating in the US. Israeli customs would collect the applicable duties on the components as if they had been imported into Israel for home use, before the final

products could be considered to have Israeli origin. Without the no-drawback rule, no customs duties would be paid on the components in Israel. Neither would any duty be collected in the Community, as the alternators would be considered to originate in Israel. The US components would therefore enter the Community market, duty-free. It should be noted here that as the agreements are reciprocal, Community producers of alternators would be in the same position.

### **Cumulation:**

The rules of origin contained in the Community's preferential trade arrangements invariably provide for a system of cumulation that allows manufacturers to count originating materials from another or several partner countries towards obtaining originating status on their finished products. There are basically three types of cumulation: bilateral, diagonal and full cumulation.

#### **Bilateral cumulation:**

Bilateral cumulation is the least developed system and operates between two partners (e.g. EC-Jordan Agreement or EC-Egypt Agreement). It applies only to materials which originate in either of the two partner countries.

An example is the assembly in Jordan of integrated circuits (HS heading 8542) from EC originating microchips of the same heading and other Jordanian materials. The integrated circuits would be considered as originating in Jordan and entitled to preferential treatment on importation into the Community, even though the assembly operation in Jordan would not be considered a sufficient process according to the basic processing criteria.

#### **Diagonal cumulation:**

Diagonal cumulation refers to the cumulation possibilities when several countries are party to an agreement or linked by several similar agreements and where the use of materials originating in any of the countries concerned is permitted (e.g. the European cumulation system).

An example is television receivers (HS heading 8528), assembled in Switzerland from components originating in Norway and the Community. The television receivers would be considered as originating in Switzerland and would be entitled to preferential tariff treatment on importation into the Community. It should be noted that in both bilateral and diagonal cumulation, the cumulation provisions apply only to "originating" materials.

**Full cumulation:**

Full cumulation is the system which represents a more advanced form of economic integration between the partner countries. Full cumulation provides for the cumulation of processing between two or more partner countries. Account is therefore taken of all processing or transformation of a product within the trade zone without the products being used necessarily having to originate in one of the partner countries.

For example, US cotton fibre (HS heading 5201) is spun into yarn in the Community, exported to Tunisia and woven into cotton fabric (HS heading 5210). Within the context of the EC-Tunisia rules of origin for textiles, a double transformation is required on non-originating materials to obtain originating status on the goods produced. Full cumulation allows the processing in Tunisia and the Community to be counted together; the cotton fabric is therefore considered to originate in Tunisia and can benefit from preferential tariff treatment on importation into the Community. The Tunisian manufacturer, although processing a non-originating yarn can include the earlier process in calculating the origin of the cotton fabric. Therefore, the difference between diagonal cumulation and full cumulation is that in the latter system, all processing operations count towards obtaining origin. The fabric would not have obtained origin under diagonal cumulation provisions.

**Administrative cooperation:**

An evidence of origin has to be presented in order to benefit from tariff preferences. The type of evidence varies from agreement to agreement, but is essentially an EUR.1 movement certificate. The rules cover under which circumstances proofs of origin may be issued, as well as arrangements for administrative cooperation between the customs authorities in the exporting and importing country.

Simplified measures exist. For example, invoice declarations (i.e. declarations made on the commercial documents accompanying the goods) are accepted in certain situations under the rules in the new agreements with certain Mediterranean countries (e.g. Israel, Morocco, Tunisia, Jordan). Invoice declarations are also accepted for small consignments.

In all cases, the competent authority (usually customs) in the exporting country is responsible for the issue and endorsement of evidences of origin. The importing country has the possibility of sending evidences of origin back for verification. Such verification checks are carried out by the authorities in the exporting country though in some cases, Commission services assist in the investigations. This is a very important feature of preferential trade arrangements and is based on mutual trust. Although the impact of tariff preferences is on the importing state, it is the exporting customs administration that is responsible for ensuring the correct application of the system.

**IMPORT/EXPORT STATISTICS**

The following comparative tables show for the years 1996 and 1997:

- Imports (in tonnes,) into the Community from the rest of the world (including the Mediterranean region), together with the corresponding figures for the Community's 12 Mediterranean partners (including Israel) and Israel.
- Exports from the Community to the rest of the world (including the Mediterranean region), together with the corresponding figures for the Community's 12 Mediterranean partners (including Israel) and Israel.

The figures are also broken down into different sectors (agricultural, chemical, textile and mechanical).

<b>STATISTICS</b>	<b>IMPORT / EXPORT</b>
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(Units = Tonnes)

TABLE I	extra EUR15	12MED	ISRAEL
<b>YEAR 1996</b>	<b>TOTAL TRADE</b>		
<b>IMPORTS</b>	1397579165	12446224.1	7087544.5
<b>EXPORTS</b>	452038722.4	64538181.4	7765116.4
<b>YEAR 1996</b>	<b>AGRICULTURE</b> (Chaps. 1 to 24)		
<b>IMPORTS</b>	101085641.8	4257896.9	665140.8
<b>EXPORTS</b>	56690416.7	8175861.8	710119.1
<b>YEAR 1996</b>	<b>CHEMICALS</b> (Chaps. 28 to 38)		
<b>IMPORTS</b>	38409592.5	6204327.1	1801838.6
<b>EXPORTS</b>	33613461.2	3060343.4	408584.6
<b>YEAR 1996</b>	<b>TEXTILES</b> (Chaps. 50 to 63)		
<b>IMPORTS</b>	6056345.7	973032.7	51855.2
<b>EXPORTS</b>	3064342.3	668079.2	57407.3
<b>YEAR 1996</b>	<b>MACHINERY</b> (Chaps. 72 to 85)		
<b>IMPORTS</b>	41734433.3	2026344.4	90797.9
<b>EXPORTS</b>	53237534.2	10304549.4	1039428.4

TABLE II	extra EUR15	12MED	ISRAEL
<b>YEAR 1997</b>	<b>TOTAL TRADE</b>		
<b>IMPORTS</b>	2082210537	118871808.3	7.209.347
<b>EXPORTS</b>	746678535.4	86853978.9	10.108.029
<b>YEAR 1997</b>	<b>AGRICULTURE</b> (Chaps. 1 to 24)		
<b>IMPORTS</b>	361071874.5	4038554.2	748955.4
<b>EXPORTS</b>	83169928.7	11279732.7	1078162.8
<b>YEAR 1997</b>	<b>CHEMICALS</b> (Chaps. 28 to 38)		
<b>IMPORTS</b>	60409170.4	6510612.5	1.905.263
<b>EXPORTS</b>	61571948.8	4932299.6	7580881.2
<b>YEAR 1997</b>	<b>TEXTILES</b> (Chaps. 50 to 63)		
<b>IMPORTS</b>	7853962.5	1680155.6	57032.5
<b>EXPORTS</b>	4553459.8	871716.6	70980.2
<b>YEAR 1997</b>	<b>MACHINERY</b> (Chaps. 72 to 85)		
<b>IMPORTS</b>	55987663.9	2.887.952	107951.4
<b>EXPORTS</b>	66530321.1	12344365.2	872817.1

(ANNEX III)

TABLE: SUMMARY

COUNTRY	CUMULATION	SUFFICIENT WORKING	EXTRA-TERRITORIALITY	NO DRAWBACK	PROCEDURE
<b>ALGERIA:</b> Agreement dated 26.04.76 in force from 28.09.78  Agreement being negotiated.	-Bilateral -Total Euro-Maghreb	- Lists A and B <sup>(1)</sup> - Change of heading - No tolerance	no	no	- EUR.1 - EUR.2 - For cumulation: supplier's declaration
	-Bilateral -Total Euro-Maghreb (New formula)	-List rules (CEEC list) - Tolerance 10%	no	yes (Three years allowed for application)	- EUR.1 - Invoice declaration for: - approved exporters and s- consignments up to ECU 6 000 -For cumulation: supplier's declaration
<b>TUNISIA :</b> Agreement signed 17.07.95 in force from 1.3.1998	-Bilateral -Total Euro-Maghreb	-Change of tariff heading  -List rules (same list as Morocco, drawn up before HS 96)  - No tolerance	no	no	- EUR.1 (simplified procedure for approved exporters) - Invoice declaration for consignments up to ECU 5 110 - Supplier's declaration for cumulation
<b>MOROCCO:</b> Agreement dated 27.04.76 in force from 28.09.78  Agreement signed 26.02.96 Ratification under way	-Bilateral -Total Euro-Maghreb	- Lists A and B <sup>(1)</sup> - Change of tariff heading - No tolerance	no	no	- EUR.1 - EUR.2 - Supplier's declaration for cumulation
	-Bilateral -Total Euro-Maghreb	- Change of tariff heading  - List rules (same list as Tunisia, drawn up before HS 96)  - No tolerance	no	no	- EUR.1 (simplified procedure for approved exporters) - Invoice declaration for consignments up to ECU 5 110 - Supplier's declaration for cumulation

<sup>(1)</sup>Not transposed to HS.

COUNTRY	CUMULATION	SUFFICIENT WORKING	EXTRA-TERRITORIALITY	NO DRAWBACK	PROCEDURE
<b>West Bank and Gaza Strip:</b> Agreement signed 24.2.97 in force from 1.7.97	Bilateral	- List rules (CEEC list)  - Tolerance 10%	no	yes (applicable from 2000)	- EUR.1 - Invoice declaration for: - approved exporters - consignments up to ECU 6 000
<b>ISRAEL:</b> Agreement signed 20.11.95 / Interim agreement signed 18.12.95, in force from 1.1.96	Bilateral	- List rules (different list, drawn up before HS 96)  - Tolerance 10%	yes =10%	yes	- EUR.1 - Invoice declaration for: - approved exporters - consignments up to ECU 6 000
<b>EGYPT:</b> Agreement dated 18.12.72 in force from 28.09.78  Agreement being negotiated	Bilateral  - Bilateral - Egyptian request for diagonal cumulation	- List rules - Change of tariff heading - No tolerance  - List rules (CEEC list)  - Tolerance 10%	no  no	no  yes	- EUR.1 - EUR.2  - EUR.1 - Invoice declaration for: - approved exporters - consignments up to ECU 6 000
<b>JORDAN:</b> Agreement dated 18.01.77 in force from 28.10.78  Agreement signed in November 97	Bilateral  - Bilateral - Declaration on cumulation and equitable treatment	- List rules - Change of tariff heading - No tolerance  - List rules (CEEC list)  - Tolerance 10%	no  no	no  yes 4 years after entry into force	- EUR.1 - EUR.2  - EUR.1 - Invoice declaration for: - approved exporters - consignments up to ECU 6 000

COUNTRY	CUMULATION	SUFFICIENT WORKING	EXTRA-TERRITORIALITY	NO DRAWBACK	PROCEDURE
<b>LEBANON:</b> Agreement dated 03.05.78 in force from 28.09.78  Negotiations under way	Bilateral	- Lists A and B <sup>(1)</sup> - Change of tariff heading - No tolerance	no	no	- EUR.1 - EUR.2
	Bilateral (Joint Declaration on cumulation)	- List rules (CEEC list) - Tolerance 10%	no	yes (applicable 3 years after agreement enters into force)	- EUR.1 - Invoice declaration for: - approved exporters - consignments up to ECU 6 000
<b>SYRIA:</b> Agreement dated 18.01.77 in force from 28.9.76  Agreement to be negotiated	Bilateral	- Lists A and B <sup>(1)</sup> - Change of tariff heading - No tolerance	no	no	- EUR.1 - EUR.2
	Bilateral	- List rules (CEEC list) - Tolerance 10%	no	yes	- EUR.1 - Invoice declaration for: - approved exporters - consignments up to ECU 6 000
<b>CYPRUS:</b> Agreement dated 19.12.72 in force from 21.05.73	Bilateral	- List rules - Change of tariff heading - No tolerance	no	no	- EUR.1 - EUR.2
<b>MALTA:</b> Agreement dated 05.12.70 in force from 23.04.76	Bilateral	- List rules - Change of tariff heading - No tolerance	no	no	- EUR.1 - EUR.2



## FINANCIAL STATEMENT

Communication by the Commission on Euro-Mediterranean cumulation of origin

### **1. BUDGET LINE CONCERNED**

Chapter 12, Article 120  
(zero-rated duty)

### **2. LEGAL BASIS**

Report of the 1385<sup>th</sup> meeting of the Commission on 6 May 1998

### **3. TITLE**

Communication by the Commission on Euro-Mediterranean cumulation of origin

### **4. OBJECTIVE**

This Communication explains certain basic concepts involved in the implementation of preferential trade arrangements and sets out a possible means of introducing cumulation of origin into the relevant agreements.

### **5. FINANCIAL IMPLICATIONS**

The possible suspension of the application of the no-drawback rule with Israel, for a 3-4 year limited period, would be substantially offset by the introduction of the rule with all the other Mediterranean countries involved in the cumulation system. It is not possible to evaluate the budgetary impact of the implementation of this measure.