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Rules of Origin and Origin Procedures

The Trans-Pacific Partnership (TPP) levels the playing field for American workers and American businesses, leading to more Made-in-America exports and more higher-paying American jobs here at home. By cutting over 18,000 taxes different countries put on Made-in-America products, TPP makes sure our farmers, ranchers, manufacturers, service suppliers, and small businesses can compete—and win—in some of the fastest growing markets in the world. With more than 95 percent of the world's consumers living outside our borders, TPP will significantly expand the export of Made-in-America goods and services and support American jobs.

EXECUTIVE SUMMARY

TPP's Rules of Origin and Origin Procedures chapter creates rules of origin defining what it means for a product to be originating from TPP partner

countries and thereby eligible for TPP benefits. It also creates the mechanisms for enforcing these rules. Together, this makes sure the agreement's benefits go to TPP Parties that are taking on the Agreement's high-standard, ambitious obligations. TPP's strong rules of origin will help remove incentives for U.S. companies to move production abroad and encourage them to keep high-paying jobs in the United States.

CHAPTER OVERVIEW

Defining "TPP originating"

The Rules of Origin chapter creates a fundamental commitment that only "originating goods"—that is, goods genuinely produced in TPP countries—will receive the lower tariffs of the TPP. A good cannot be produced in countries outside the TPP and be considered TPP originating. These rules are specific to each product, defining the operations it must undergo in order to be considered a TPP good and receive TPP benefits.

Originating goods

The Rules of Origin chapter will have three ways to define how something is "made in the TPP":

- **Wholly Obtained or Produced Goods**

The Rules of Origin chapter defines goods grown, harvested or fished in TPP countries as TPP originating and eligible to receive lower tariffs. These rules allow farmers to get TPP benefits for their produce or crops grown in TPP countries, or for fish caught on TPP vessels.

- **Goods Produced Exclusively from TPP Materials**

The Rules of Origin chapter defines goods produced exclusively from originating materials and that otherwise meet the TPP rules of origin as eligible to receive lower tariffs.

- **Product Specific Rules**

The Rules of Origin chapter allows many goods to be considered TPP originating if they meet the agreement's product-specific rules limiting the type or amount of non-TPP materials that can be used or if such materials have been substantially transformed into a "TPP product."

For example, chemical products often result from complex production processes that transform simple inputs into new or different products. These rules ensure that only businesses that make significant investments and source significant amounts of materials and components in the United States and other TPP countries are eligible to receive lower duties.

Cumulation

The Rules of Origin chapter allows TPP countries to treat materials from one TPP country in the same way they treat materials from any other TPP country when these materials are used to make a TPP good. This concept, called "cumulation," strengthens incentives for TPP businesses to integrate production and supply chains within the TPP region, making it more attractive to do business with producers in the United States and other TPP countries than with producers in other countries.

Remanufactured goods

Remanufacturing has important benefits, including supporting U.S. jobs and reducing stress on the environment. Recognizing these benefits, the Rules of Origin chapter ensures that recovered materials used in the production of a remanufactured product count as TPP materials, allowing more remanufactured goods to count as TPP originating. Because remanufacturing is a complex, high-value, and labor-intensive production process, these commitments reduce the need for companies to import materials and components from outside the TPP region and incentivize domestic production, benefiting U.S. and other TPP workers.

Transit and transshipment

With TPP countries located across the Asia-Pacific, manufacturers in all TPP countries have to be able to transport their goods across oceans to get goods to consumers. The Rules of Origin chapter ensures that TPP goods do not lose preferential tariffs simply because of the routes they transit to reach consumers. At the same time, to prevent circumvention of the TPP rules, the chapter imposes strict limits on the production processes that can be conducted while in transit outside the TPP region in order for a product to still be eligible for TPP tariff preferences.

Origin procedures

TPP countries work in different ways with importers, exporters, and producers. Some companies can adapt to these differences, but others—particularly smaller firms or new traders—often find them difficult, complicated, and burdensome to deal with across countries. To make sure our businesses—especially small and medium-sized businesses—can easily operate across the TPP region, the Rules of Origin chapter creates a common TPP-wide system of showing and verifying that goods made in the TPP meet the rules of origin. This enables all traders to make a claim for preferential treatment, provided they have the ability and documentation to support that claim. In addition, the chapter provides customs authorities with the tools they need to verify claims in the manner they deem most appropriate, allowing them to make information requests to the importer, exporter, or producer, or to request visits to exporter or producer facilities.

Adaptation to Future Changes in Technology and Supply Chains

Recognizing that production processes and the nature of supply chains change over time, the Rules of Origin chapter commits TPP Parties to meet regularly to consider improvements to the administration of the rules of origin.

NEW FEATURES

TPP's expanded commitments on cumulation are an important innovation designed to help promote production and supply chains among the United States and other TPP countries, and to reduce incentives to shift production to producers outside the region. TPP also includes more detailed provisions than any previous U.S. Free Trade Agreement (FTA) for importers to make claims for preferential tariff treatment and for customs authorities to verify claims of preferential treatment. This enhancement will better inform U.S. exporters on what to expect during a verification, how to prove compliance, and how to respond if goods are denied preferential treatment.

IMPACT

Rules of origin define what it means for a product to be considered TPP originating and therefore to be eligible for duty-free treatment under the agreement. Together with the enforcement provisions, this makes sure the

agreement's benefits go to TPP countries that are taking on the agreement's high-standard, ambitious obligations, rather than to non-TPP countries.

The Rules of Origin chapter also incentivizes investment in TPP economies by providing simple, clear rules for claiming preferential treatment. The many previous FTAs among countries in the world's busiest trading region each have their own rules. This created a so-called "spaghetti bowl" of rules of origin with no coherence. This in turn often makes it difficult for traders to take advantage of these agreements' benefits, especially as goods often undergo production in multiple countries that are party to different, unconnected FTAs.

As TPP helps to develop a single, integrated Asia-Pacific market, with one, common set of rules of origin, U.S. companies that might otherwise have relocated to Asia in order to connect to Asia-Pacific production and supply chains may no longer need to do so. The United States is already emerging as the production platform of choice because of our large market, low energy costs, unmatched innovation, technological strength, educated workforce, and strong investment climate. If both TPP and T-TIP are concluded and passed by Congress, alongside our current FTAs, the U.S. would have free trade access to nearly two-thirds of the global economy. The TPP links our businesses and workers directly into these production and supply networks, providing opportunities to further increase U.S. exports and support U.S. jobs.

