Adjusting origin practices to digital environments: Utilization of importer's data as a reliable source
Inditex business model

Inditex is the world's largest fashion retailer
A family of seven brands (Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home) that share a common purpose: to offer inspiring, quality, and responsibly produced fashion to its customers

Physical supply-chain model

Inditex internationally traded goods transit through logistical hubs

/ Articles are exported from the sourcing countries to our distribution centers in the EU

/ All goods remain clearly identified under customs warehousing procedures, to be re-consigned in partial batches to 215 markets around the world

/ The general rule is non-alteration during the transit
Data supply-chain model

The company gathers reasonable supporting evidence to

/ Identify the participants and roles (impacting origin) along the supply chain

/ Determine whether the goods meet the origin criteria and the direct consignment requirements

These records are stored at the Inditex ERP systems in a digital format.

Origin criteria

/ Bill of Materials (BOMs): identification of the inputs and their origin; description of the

manufacturing processes and countries where they take place, etc.

/ Proofs of origin issued at the country of exportation

Direct consignment

/ End-to-end transportation documents

/ Other internal records indicating whether the goods did undergo any further processing during transit and whether they remained under customs supervision
Origin requirements must balance the management of the risk of fraud with the challenges that current practices pose for the participants of international distribution networks that are governed by digital information and trust.

New approach to data is required from the authorities.

The goal of obtaining better quality data from traders, and better shared along the supply chain can be promoted by:

1. Adjusting proof of origin requirements to the figure of trusted operators.
2. Introducing elements/structures to facilitate origin determination and the flow of information.
1. Adjusting proof of origin requirements to the figure of *trusted operators*

Certification

/ Certification requirements are operating as a barrier to the application of preferential tariff treatment, affecting both businesses and beneficiary countries

For shipments claiming for a preference at the country of destination

/ A proof of origin, issued at the country of origin, with a prescribed form, in paper format (in the form of paper documentation or electronic paper substitutes) is the common rule

/ The utilization of replacement certificates in preferential arrangements is limited

Verification

/ Controls revolve primarily around individual transactions rather than operators

/ The more formal aspects of the proof of origin override alternative indicators certifying the originating or non-originating character of the goods

Proposal

/ Importer-based certification procedures (importer’s knowledge) should be included as an alternative to certificates of origin and statements from exporters and producers

/ A more holistic assessment to origin certification and verification is required
2. Introducing new elements/structures to facilitate origin determination and the flow of information along the supply chain.

/Bill of Materials (BOMs) are a key element for businesses in the determination of origin

/BOMs are likely to have different formats, structures, etc. among the participants in the supply chain

/Alignment and data transition is hard to achieve between manufacturers, suppliers, exporters, importers, etc.

/Rules of origin vary throughout the jurisdictions and their application to BOMs requires a Manual-Based Approach as opposed to a System-Based Approach

/When origin needs to be verified by an administration, the process usually is paper-based and burdensome
2. Introducing new elements and structures to facilitate origin determination

2.1 Rules of Origin

/ Harmonization, harmonization…

Rules of origin should be

/ Based on precise and easy-to-obtain elements

/ Drafted with the potential enablement of IT automated systems -to determine origin- in mind

This is particularly applicable to product specific rules where the criteria of substantial transformation is based on the performance of specific manufacturing or processing operations

Example of a rule for HS: 5208 to 5212 (cotton fabrics)

The operations described are just words. There is no correlation with codified and harmonized standards, which

/ Contributes to inconsistent exchange of information

/ Prevents these elements from being easily linked to the HS for which the rule is laid out (automatic determination)
2.2 Exchange of information

When origin is attested for certification or verification purposes, even in countries where importer-based certification procedures apply, the principle of *free evidence* is still the common practice.

Documents, certificates, and other paper-based records constitute the main source of information for the authorities.

Certain origin rules are clearly based on elements which are likely to be exchanged in a digital environment.

Rules based on *change of tariff classification*

Rules based on *added values*

The definition of structured sets of data

Conveyable between APIs of importers/exporters and the authorities

Based on International Standards, such as the WCO Data Model (HS codes, ISO country codes, ISO currency codes, etc.)

Would contribute to:

Reduce friction in the exchange of information

Facilitate verifications

Incentivize the alignment and data harmonization across the supply chain
Thank you