



# Preferential Origin Certification Systems in Free Trade Agreements: The Case of Chile

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# Preferential origin certification systems

- Chile is a small but open economy, with a vast network of trade agreements and a wide range of certification of origin models:



# Preferential origin certification systems

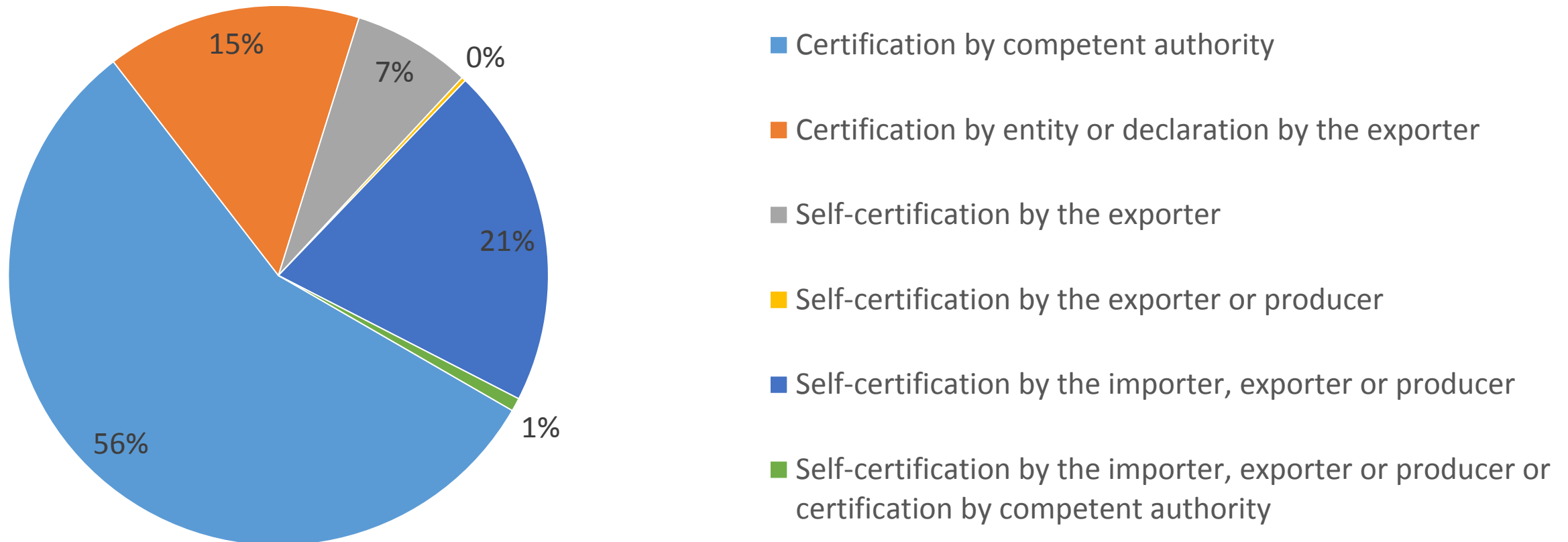
- They can be grouped into the following schemes:
  - Certification by competent authority
  - Self-certification by the exporter
  - Self-certification by the importer, exporter or producer
  - Certification by entity or declaration by the exporter
  - Self-certification by the exporter or producer
  - Self-certification by the importer, exporter or producer or certification by competent authority

# Preferential origin certification systems

- The different models chosen have depended on several factors, including:
  - Subscription date: In the older agreements the certification model by competent authority is more frequent, although there are also more recent agreements with this scheme.
  - Balance of risks: To the extent that it is assessed that there is a greater risk, more conservative models have been chosen, such as certification by competent authority.
  - Interests of the other parties: In some cases the balance of the negotiation has led to one or another certification system.

# Imports by certification system

Imports with preferential tariff treatment by certification of origin system (2016 to 2022)

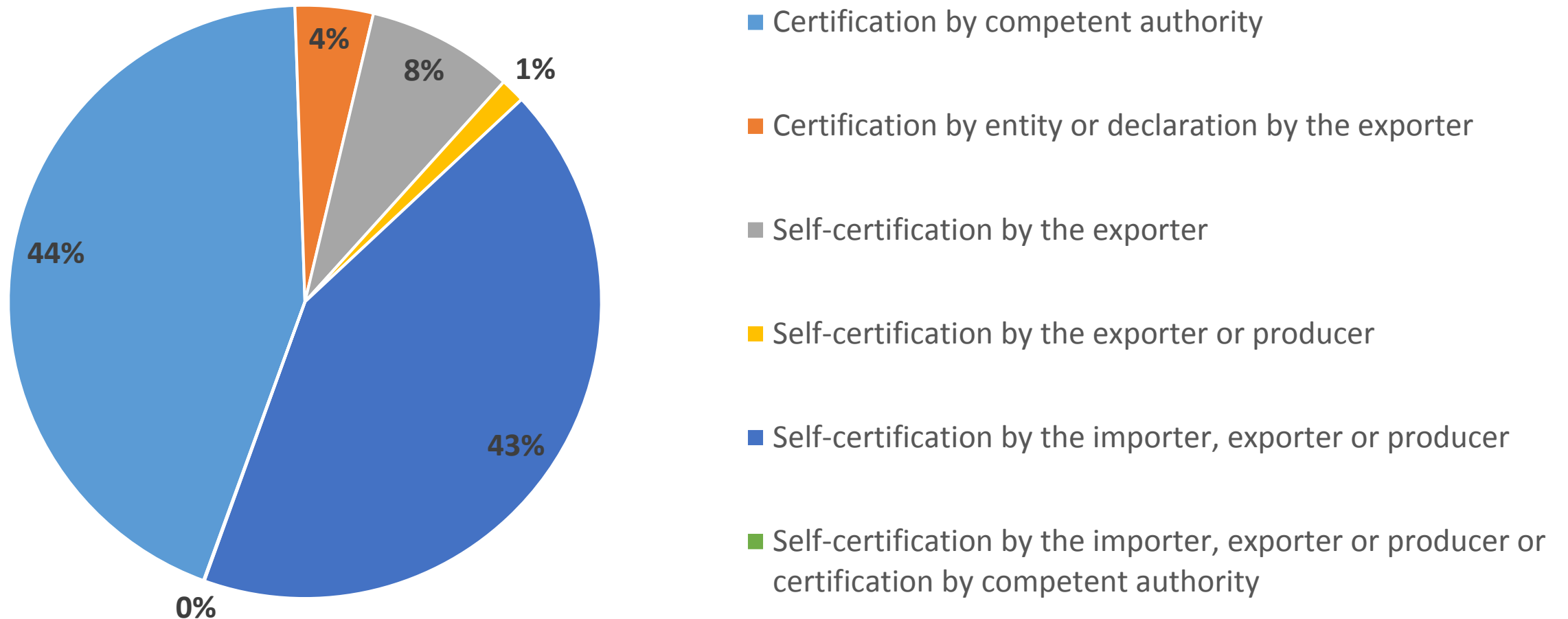


# Origin enforcement statistics

- Source:
  - Complaints and Charges System of the National Customs Service (*Sistema de Denuncias y Cargos*, DECARE)
- Data:
  - Charges regarding origin irregularities in import declarations from 2016 to 2022 were considered.
  - Charges that were either successfully challenged or dismissed internally were not taken into account.
  - Between 2016 and 2022, 2,230 of these charges were issued, for a total of USD 12,456,183.

# Origin enforcement statistics

Number of charges by certification of origin system (2016 to 2022)



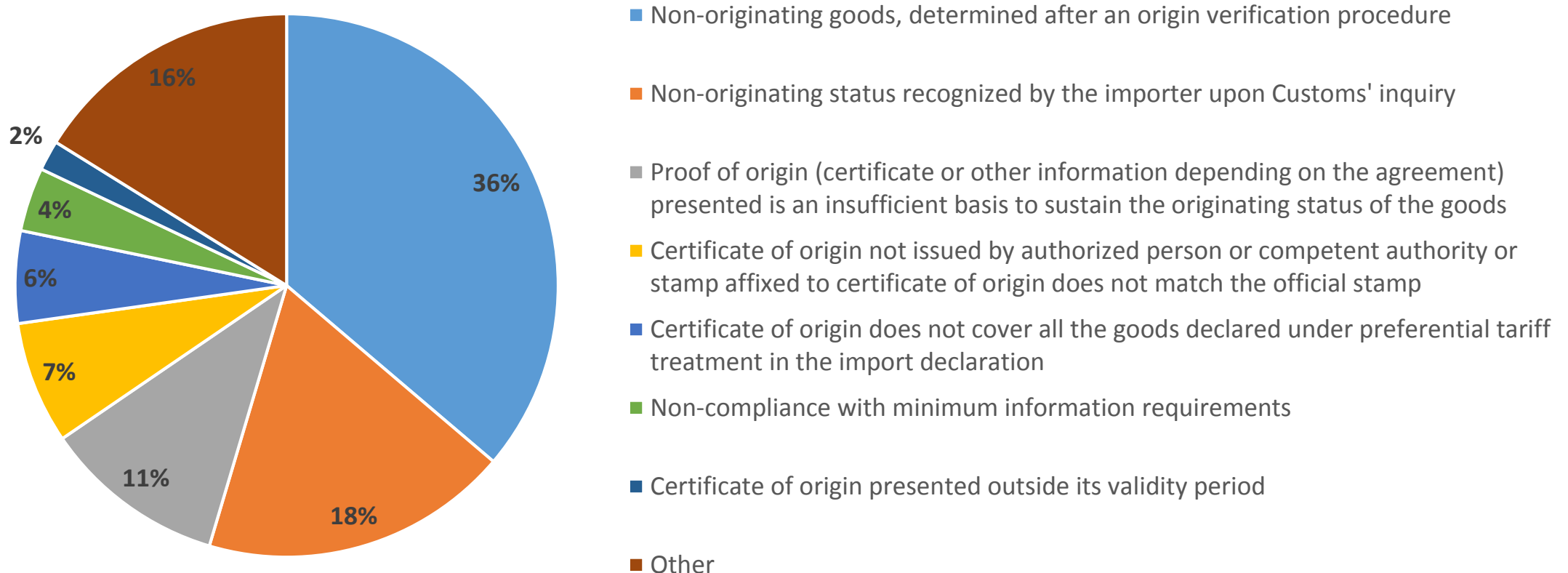
# Origin enforcement statistics

- 43% of origin-related charges are concentrated in agreements with the “self-certification by the importer, exporter or producer” system, contrasting with the 21% that they represent of preferential imports.
- This occurs because in many cases when inspection takes place, it becomes clear that importers do not have effective and ascertainable knowledge that the good is originating.
- The exception is the “self-certification by the importer, exporter or producer or certification by competent authority” system, in which not many charges are observed. This is due to the fact that it is the model for Least Developed Countries, which have a limited volume of trade, so they are not identified as an important risk source.



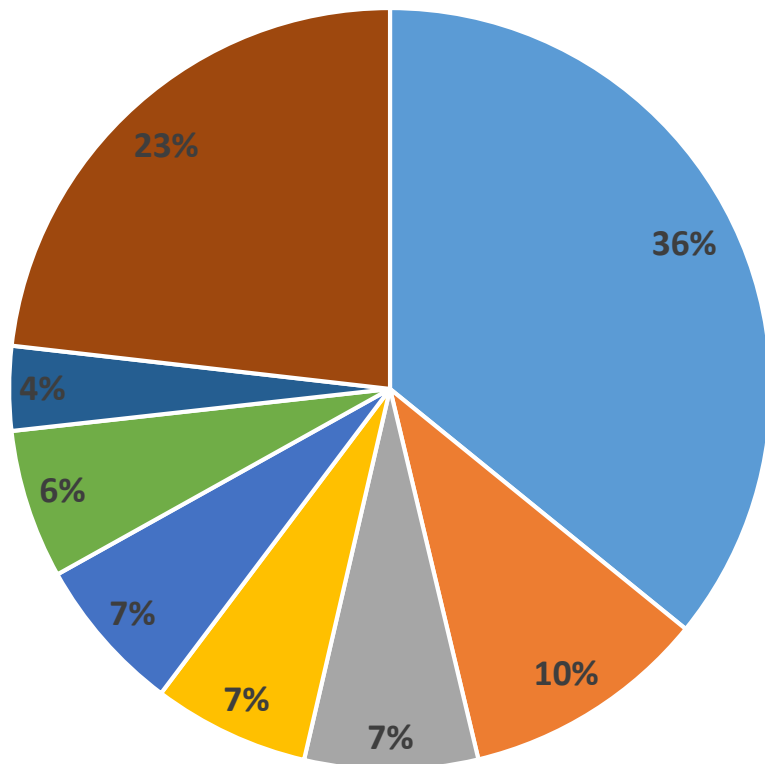
# Main irregularities: Self-certification by the importer, exporter or producer

Main irregularities (by number of charges 2016 - 2022)



# Main irregularities: Certification by competent authority

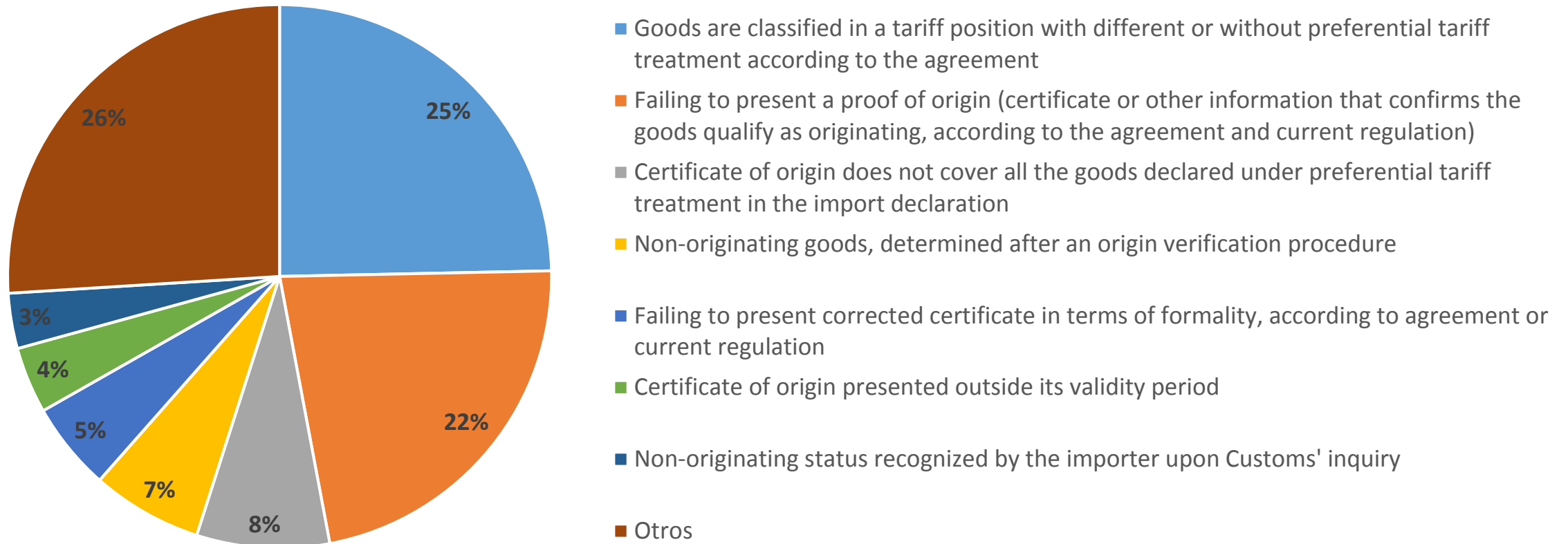
Main irregularities (by number of charges 2016 - 2022)



- Goods are classified in a tariff position with different or without preferential tariff treatment according to the agreement
- Non-compliance with rules regarding direct transport and transshipment
- Certificate of origin does not cover all the goods declared under preferential tariff treatment in the import declaration
- Non-originating goods, determined after an origin verification procedure
- Certificate of origin not issued by authorized person or competent authority or stamp affixed to certificate of origin does not match the official stamp
- Failing to present a proof of origin (certificate or other information that confirms the goods qualify as originating, according to the agreement and current regulation)
- Failing to present certificate of origin in original, when required by the applicable agreement or regulation
- Otros

# Main irregularities : Other certification systems

Main irregularities (by number of charges 2016 - 2022)



# Conclusions

- More recently, the National Customs Service of Chile in coordination with the Undersecretariat of International Economic Relations, have steered towards the negotiation of self-certification schemes to the extent that:
  - It is carried out by the exporter or producer, not the importer.
  - There is a minimum data content, either in a certificate with a given format or in a commercial document. This information normally refers to the inclusion of the tariff classification, a description of the merchandise, identification of the producer, exporter and importer and compliance with the applicable rules of origin, among other elements.
  - Are appropriately linked with record-keeping requirements and origin verification provisions.
  - The balance of risks of the agreement allows it.
- This makes it possible to reduce costs by making it easier to obtain a proof of origin without an additional intermediary, such as the competent entity.

# Conclusions

- Self-certification by the exporter or producer and not by the importer is preferred for several reasons:
  - The producer has effective knowledge of the origin of the merchandise; the exporter has a more direct relationship with the producer and it is easier for them to prove effectively if the merchandise meets the origin requirements.
  - It is more difficult for the importer to access sufficient information to prove the originating character of the goods. On many occasions, a lack of knowledge of the applicable requirements and the production process of the good is evident, so that they declare that it is originating without having the supporting information. Therefore, upon verifications of origin procedures, they cannot sustain the request for preferential tariff treatment.
  - Although in the case of larger importers or those with a stable commercial relationship with their suppliers it is easier to access information regarding the originating status of the goods, for smaller operators or those who make sporadic purchases from certain suppliers it may be difficult to obtain the necessary information to compliance with applicable RoO.



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