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## **Why the Importer-Based Self-Certification Model?**

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## Why the Importer-Based Self-Certification Model?

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## Importer-Based Certification

- Allows an importer to make a claim for trade preference based on:
  - Importer knowledge of the production process
  - Reliance on certification by the producer or exporter with knowledge of the production process
    - If the importer learns that the information on which he relied is incorrect, the importer must correct or withdraw the claim.



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## Reasons for Importer-Based Self-Certification

- North American Free Trade Agreement (NAFTA)
- The Customs Modernization Act (“Mod Act”)
- Key Advantages



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## North American Free Trade Agreement

- NAFTA: implemented in 1994
- Uses self-certification, but is an exporter-focused agreement
- Requires NAFTA Certificate of Origin to be filled out by the exporter/producer



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## North American Free Trade Agreement

- NAFTA Certificate of Origin must be signed, dated, and in the possession of the importer when the NAFTA claim is made
  - Requires the importer to obtain the certificate of origin even if the importer has first-hand knowledge of the production process
- Presented upon request to CBP
- Under the terms of the NAFTA, preference claims can be denied even if the goods are originating if the certificate of origin was not properly executed



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## North American Free Trade Agreement

- CBP must receive the certificate of origin from the importer before beginning a verification
- Verifications are with the exporter/producer that signed the certificate of origin
- Importers can receive notices that a preference claim was denied with a bill for duties owed, even though they were not part of the verification process



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## Customs Modernization Act

- Also known as the “Mod Act”
- Became effective on December 8, 1993
- New concepts:
  - Informed compliance
  - Shared responsibility
- Result: Importers held liable for meeting all U.S. laws and regulations applying to importations



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## Key Advantages

- Aligns importer obligations with benefits
  - Importer receives the duty benefit and is ultimately responsible for the veracity of their free trade agreement claim.
  - CBP has no authority over exporters, but can sanction importers that make false claims.
  - Importers with knowledge of the production process no longer have to rely on the producer or exporter certification.



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## Key Advantages

- Reduces costs
  - In line with existing importation procedures; no need to complete additional government forms.
  - No delay or cost in obtaining a certificate of origin from the exporter or producer.
  - Eliminates the need for traders to complete a form and keep the form as paperwork.
  - Cuts down on costs of customs administration, as verification of exporters can be costly



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## Key Advantages

- Provides greater flexibility to importers and customs
  - Allows importers to claim preferential treatment based on actual knowledge of the production process, or reliance on certification by the producer or exporter
  - No need for customs to verify a certificate of origin, so goods can move quickly through the border. Verifications conducted based on risk-assessment techniques and only after goods are released.
  - Provides both the importer and the exporter the flexibility to accommodate supply chains.



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