



# **INTRODUCTION TO RULES OF ORIGIN**

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## **⌘ Objective:**

**To raise awareness and build capacity in the area of Rules of Origin;**

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## **⌘ Enabling Objectives:**

- 1. To provide basic and technical training on Rules of Origin;**
- 2. To enhance the understanding of Rules of Origin with regards to various treaties;**

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## **⌘ Enabling Objectives Con't:**

- 3. To facilitate the implementation  
of Rules of Origin in  
Caricom Countries;**

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**⌘ What are “Rules of Origin”:**

**The Laws, Regulations and  
Administrative Arrangements used  
by individual states to determine the  
country of origin of goods?**

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**These rules dictate the sufficient level of processing of a product that must take place in a given exporting country in order for the product to be considered as having its origin in that country ?**

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**A universal understanding of the  
concept of origin would have clear  
benefits in terms of trade facilitation**

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## **“TRADE FACILITATION”**

**Provisions to expedite the movement of goods through borders by enhancing the efficiency of Customs and other border agencies**



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## **❖ Customs response towards Trade Facilitation:**

- ✓ Application of modern customs techniques e.g. risk management**
- ✓ Application of simplified customs procedures**
- ✓ Implementation of a single administrative document (SAD)**

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## **❖ Customs and Trade Facilitation:**

- ✓ Upgrade of customs automated systems e.g. Asycuda World**
- ✓ Review of national legislation to reflect international standards e.g. acceptance of electronic information including payments**

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## **❖ Customs and Trade Facilitation:**

- ✓ Provision of and access to information electronically and otherwise**
- ✓ Development of technical assistance data base**
- ✓ Provision for formal appeal process**

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## **❖ Customs and Trade Facilitation:**

- ✓ Implementation of SAFE framework of standards including the introduction of reforms and the acquisition of equipment for deployment at ports of entry for non-intrusive detection methods**

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⌘ **Why do we need “Rules of Origin” ?**

✓ **Non – preferential purposes**

✓ **Preferential purposes ?**

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## **⌘ Non – preferential Rules of Origin:**

**Used for determining economic nationality of products subject to commercial policy measures such as:**

- ✓ Tariff Quotas**
- ✓ Anti-Dumping**
- ✓ For statistical purposes**
- ✓ For Government procurement ?**

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**⌘ In 1974, at the Kyoto Convention, guidelines for simplification and harmonization of customs procedures entered into force**

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**⌘ An agreement was reached to introduce harmonized non-preferential rules of origin within the World Trade Organization (WTO) framework;**



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**⌘ Harmonization of non-preferential  
rules of origin:**

**why the logic?**

**❖ Administrative requirements for  
proving origin take time and  
constitute costs ( non tariff barriers  
for traders) ?**

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## ⌘ Why the logic Con't:

- ❖ Different rules in different trading partner countries add to these costs;
- ❖ Divergence also means uncertainty and unpredictability
- ❖ Which can lead to trade disputes ?

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**⌘ Harmonization of non-preferential  
rules of origin con't:**

**The WTO Agreement on rules of origin  
(articles 2-3) requires members to  
ensure that:**

**❖ Their rules of origin are transparent**

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**con't**

- ❖ **They do not have restricting, distorting or disruptive effects on international trade**
- ❖ **They are administered in a consistent, uniform, impartial and reasonable manner ?**

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**con't**

- ❖ **They are based on a positive standard**

**Article 5 - requires members to notify its rules of origin and any modifications ?**

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## ⌘ Preferential Rules of Origin:

**Used for determining the nationality/regionality of a product subject to preferential tariff rates within a FTA/RTA ?**

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## **⌘ Preferential Rules of Origin:**

**There are no internationally agreed upon rules of origin for preferential purposes;**

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## **⌘ Preferential Rules of Origin:**

**Each “Free Trade Area”/“Regional Trade Area” administering a trade agreement – presently establishes its own rules of origin**



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## **⌘ Preferential Rules of Origin:**

**The purpose of preferential rules of origin is to prevent trade deflection;**

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## **⌘ Why do we need to understand Preferential Rules of Origin:**

- ❖ They discriminate between goods**
- ❖ They need to be fulfilled for being able to utilise trade agreements**
- ❖ All administrative requirements create burdens and can distort trade**

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**con't**

- ❖ **Defining a goods nationality becomes more difficult as globalization advances**
- ❖ **They are often used as a development tool**

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⌘ **Important differences between non-preferential and preferential rules of origin:**

❖ **Non-preferential rules of origin cover all goods – HS chapters (1 – 97)**

**Preferential rules do not have to;**

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**con't**

- ❖ **Non-preferential rules ultimately leads to a country of origin**
  - while preferential rules only have to determine whether the goods qualify for preferential treatment;**

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**con't**

- ❖ **Preferential rules have economic significance to a higher degree than non-preferential rules;**

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## **⌘ Conclusions:**

**Rules of origin are highly complex –  
both for traders and customs officials**

**Restrictive rules often have a negative  
effect on trade**

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**⌘ Conclusions: con't**

**Regardless of their restrictiveness,  
divergent rules of origin are also  
barriers to trade;**