



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;**