

## **Brief Note on Rules of Origin**

### **1. What are Rules of Origin (ROO)?**

Rules of origin are the criteria needed to determine origin of a product for purposes of international trade. Their importance is derived from the fact that duties and restrictions in several cases depend upon the source of imports. Rules of origin are used:

- to determine whether imported products shall receive most-favoured-nation (MFN) treatment or preferential treatment in the importing country;
- for the purpose of trade statistics;
- for the application of labelling and marking requirements; and
- for government procurement.
- to implement measures and instruments of commercial policy such as anti-dumping duties and safeguard measures;

There are generally two categories of originating goods included in a typical RoO chapter in a Free Trade Agreement (FTA):

**Category 1: wholly Originating/ obtained goods (WO):** this applies to a good that does not contain any input from a country that is not a party to the FTA.

**Category 2: goods produced from non-originating inputs:** this applies to a good that may incorporate some material from a country that is not a party to the FTA which would be sufficiently processed as part of the production process of that good to meet origin requirements. To obtain status of originating good and avail benefits of FTA, such goods must meet the origin criteria.

### **2. What are some of the criteria used in the rules of origin?**

The criteria in the rules of origin sets out specific and detailed conditions on the level of processing that an imported item from a non Free Trade Agreement (FTA) partner country must undergo in the FTA partner country (or other eligible countries in the region) before being eligible to be called an originating product of a FTA partner country. **Some of the common criteria used are**

- **Change in Tariff Classification (this could be at the tariff chapter, tariff heading or tariff sub heading level)-CTC**
- **Regional Value Addition/Cumulation (RVA/RVC)**
- **Substantial manufacturing or processing by excluding some minimal operations.**

*{So far in our FTAs we have negotiated for dual criteria i.e. non-originating products must comply with CTC and RVC as ROO criteria. In RCEP negotiations, participating countries are keen on having CTC or RVC as a coequal and alternative criteria}*

### **3. Why are rules of Origin important in the FTA context?**

The Rules of Origin are important in the context of making an assessment on the application of preferential tariff under an FTA. Hence, without the rules of origin, the preferential tariffs under an FTA cannot be implemented. Moreover, the non-members to the FTA are not provided with the benefit of the preferential tariffs, agreed between the FTA partners. Examples of ROO adopted in some of the FTAs are as follows:

Name of the FTA	Rules of Origin
India-ASEAN FTA	Wholly obtained (WO)-for wholly originating goods. For non-originating goods- Change in tariff sub-head (CTSH) and Regional Value Addition (RVA) of minimum 35%.
India-Korea FTA	Wholly obtained (WO)-for wholly originating goods. For non-originating goods- Change in tariff sub-head (CTSH) and Regional Value Addition (RVA) of minimum 35%.
India-Japan FTA	Wholly obtained (WO)-for wholly originating goods. For non-originating goods- Change in tariff sub-head (CTSH) and Regional Value Addition (RVA) of minimum 35%.

### **4. How are Rules of Origin enforced in a FTA?**

The rules of origin are enforced through a Certificate of Origin (COO) that is issued by authorised agencies of the trading partner. An exporter cannot avail of the customs tariff preferences under the FTA without submitting this certificate of origin from the authorised agency.

### **5. Who are the authorised agencies in India for issuing the certificate of origin?**

The authorised agencies in India for issuing the certificate of origin are listed in Appendix 35 of the Handbook of Procedures Vol-1 under the Foreign Trade Policy. Export Inspection Council (EIC), an autonomous organization under ministry of Commerce is primarily authorized to issue COOs under different FTA signed by India.