

# Rules of origin

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What are the Rules of Origin?

Preferential vs Non preferential

Business significance

Structure

# Preferential Rules of Origin

# Why we talk of Rules of Origin in an FTA?

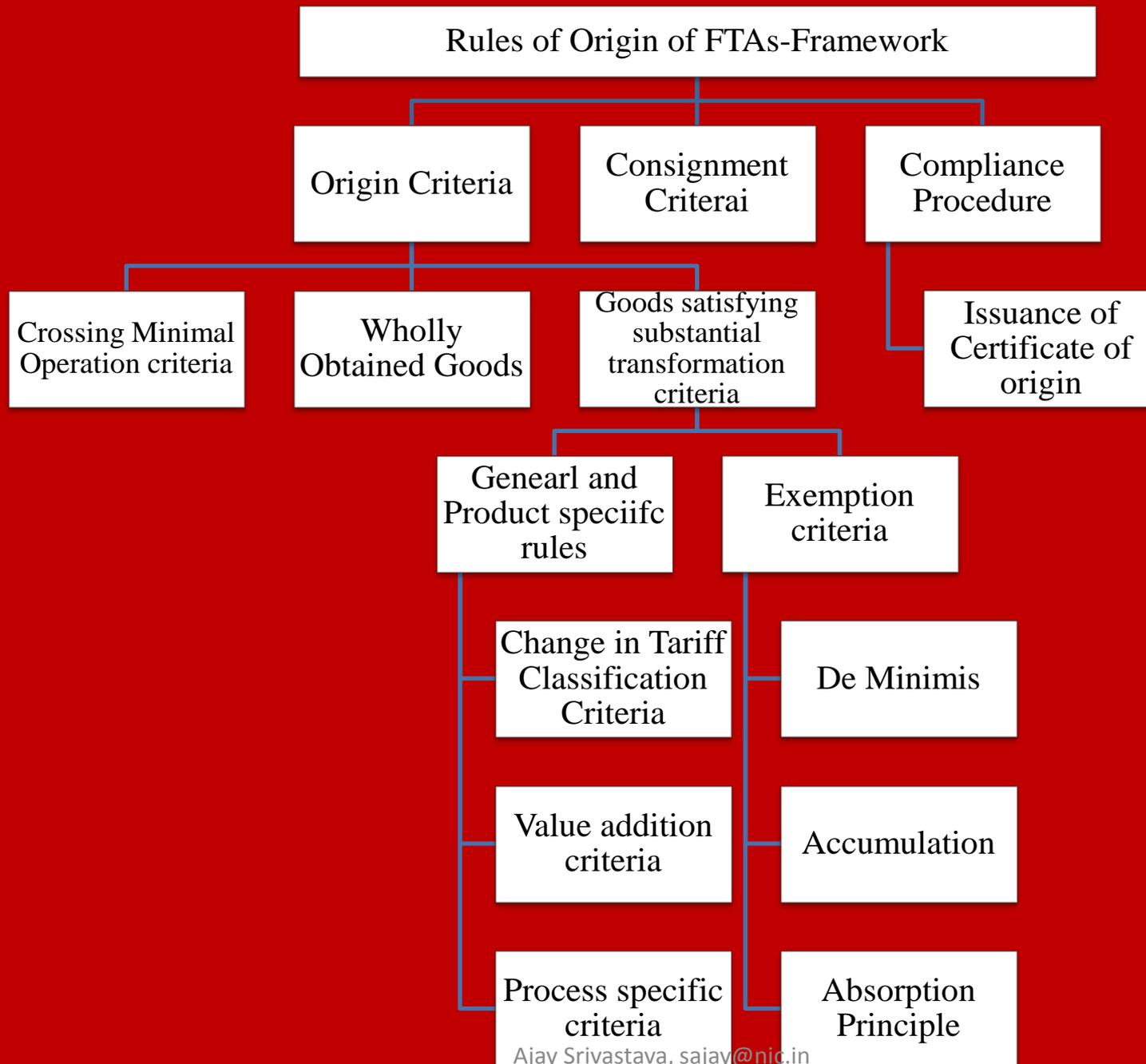
FTAs do not award tariff benefits to all goods. Even products for which an FTA has notified zero duty treatment, do not automatically become eligible for duty benefit

To qualify for zero or preferential tariff, export product must qualify as originating goods of exporting Party

A set of criteria that determines a product's originating status is called Rules of Origin criteria. It may be different for each FTA

Some products (example Mango) need to be grown in exporting country to become originating in that country. While many products (example Car) can become originating even if it has been manufactured using imported inputs.

Exporter must know and apply correct Rules of Origin Criteria to claim duty benefit under an FTA.



# Q

- India has signed an FTA with ASEAN. Can I import raw material from Indonesia without paying any import duty?
- What is cumulation of production and how does it help in improving market access for my product?
- If I use raw material imported under India-ASEAN FTA from Indonesia for producing and then exporting the product to China, Malaysia and S. Korea, what are the conditions that must be satisfied?

# Q

- I have imported inputs under an FTA. What are the conditions that will apply on (I) sale of such imported input, (II) product manufactured using imported inputs.
- Can third country products enter Indian market without any further processing via ASEAN countries using India -ASEAN FTA provisions?

# Q

- With Sri Lanka, India has signed 4 Trade agreements. How do I decide which agreement is most beneficial to my products?

# Why we talk of Rules of Origin in an FTA?

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Thank you for your attention

## OVERVIEW OF TARIFF REDUCTION FOR ALL TARIFF LINES

### Example-India-Japan FTA

Under India-Japan FTA, tariffs are reduced or eliminated on 86% of Japan's tariff lines and 86 % of India's tariff lines. Category wise details are as follows:

### JAPAN'S TARIFF REDUCTION ON IMPORTS FROM INDIA

Category	Years when duty will become zero	Number of HS(8) lines	% Tariff Lines
A	0	7029	77.6
B7	7	46	0.5
B10	10	450	5
B15	15	77	0.85
X	Exclusion	1238	13.68

## EXAMPLE-TARIFF REDUCTION FOR INDIVIDUAL TARIFF LINE

The following product is an example of Gradual reduction of duties leading to elimination.

<b>Product</b>		<b>lead acid accumulators –HS code 85072000</b>				
<b>FTA</b>		<b>India - South Korea Comprehensive Economic Partnership Agreement (CEPA)</b>				
<b>Exporting Country</b>		<b>India</b>				
<b>Importing country( FTA benefit granting country)</b>		<b>S. Korea</b>				
<b>Duty Type</b>		<b>Ad Valorem(AV)</b>				
<b>Details of Duty Saving</b>						
<b>S. No.</b>	<b>Year</b>	<b>Import value US \$</b>	<b>MFN rate - %</b>	<b>Preferential rate - %</b>	<b>Preferential Duty</b>	<b>Potential tariff savings US\$ on US\$100 Exports</b>
<b>1</b>	1-Jan-12		8.00	3.20	3.20	4.80
<b>2</b>	1-Jan-13	100.00	8.00	1.60	1.60	6.40
<b>3</b>	30-Sep-13	100.00	8.00	1.60	1.60	6.40
<b>4</b>	1-Jan-14	100.00	8.00	0.00	0.00	8.00
<b>5</b>	1-Jan-15	100.00	8.00	0.00	0.00	8.00
<b>Recomendation</b>		<b>Exports under the FTA result in duty saving.</b>				

## What is a Free trade Agreement?

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Results of  
an FTA

Reduction/elimination of tariffs and nontariff barriers  
on imports from partner country

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Easing or removing quantitative import restrictions

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Improved customs procedures

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Improved market access for commercial and  
professional services

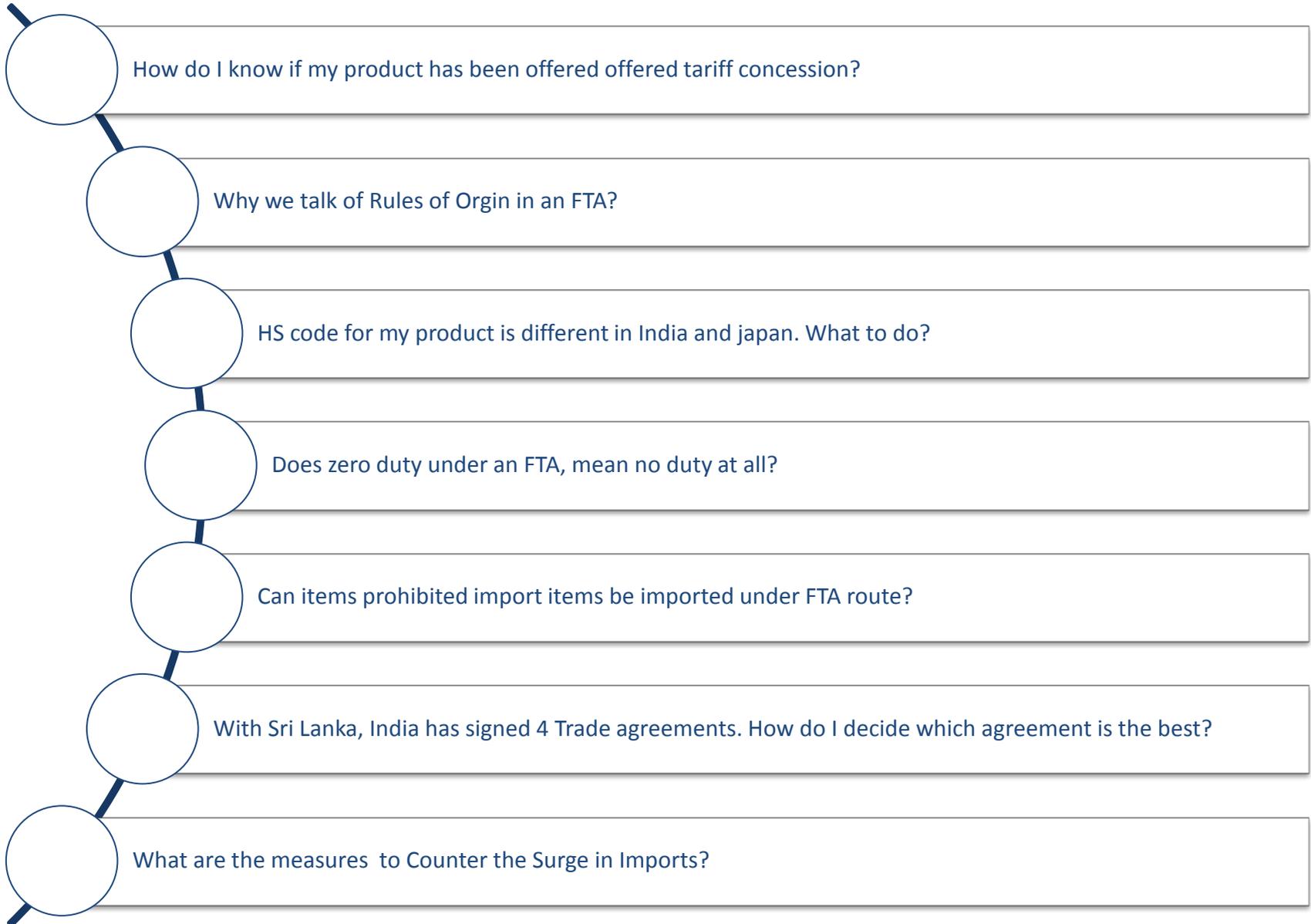
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Easier entry for Professionals

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Better investment rules.

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FTA  
coverage

## Trade in Goods

Goods-Agriculture and industrial  
products

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Rules of Origin

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Trade Remedies-Anti Dumping

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Dispute Settlement

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Sanitary and PhytoSanitary(SPS) and  
Technical Barriers to Trade(TBT)

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Trade Facilitation

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## Other Areas

Trade in Services-Commercial and other  
Services

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Investment

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Intellectual Property Rights(IPR)

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Other areas-like Government  
Procurement

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