

The background of the cover is a composite image. The upper half shows a dark silhouette of a world map against a blue and white sky. Several bright, glowing points are scattered across the map, with thin, curved white lines connecting them, suggesting global trade or communication networks. The lower half of the image shows a large container ship at night, its deck stacked high with colorful shipping containers in shades of red, blue, and white. The ship's lights are reflected in the dark water, creating a series of bright, vertical streaks. The overall tone is professional and international.

Analysing Heterogeneity in Regime-Wide and Product Specific Rules of Origin: An Indian Perspective

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Analysing Heterogeneity in Regime-Wide and Product Specific Rules of Origin: An Indian Perspective



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Abbreviations

ASEAN	Association of South East Asian Nations
CC	Change in Chapter
CECA	Comprehensive Economic Partnership Agreement
CECPA	Comprehensive Economic Cooperation and Partnership Agreement
CEP	Comprehensive Economic Partnership
CEPA	Comprehensive Economic Partnership Agreement
CTC	Change in Tariff Classification
CTH	Change in Tariff Heading
CTSH	Change in Tariff Sub-heading
ECTA	Economic Cooperation and Trade Agreement
EFTA	European Free Trade Association
EU	European Union
FTA	Free Trade Agreement
OCP	Origin Certificate Procedure
PSR	Product Specific Rule
QVC	Qualifying Value Content
RCEP	Regional Comprehensive Economic Partnership
ROO	Rules of Origin
RVC	Regional Value Content
TEPA	Trade Economic Partnership Agreement
UAE	United Arab Emirates
UK	United Kingdom
US	United States of Americas
WO	Wholly Obtained

Executive summary

Preferential trade agreements are primarily designed to ensure a favourable environment that streamlines the flow of goods and services across borders to minimise trade or tariff barriers. Free trade agreements, thus, enable participating countries to derive mutual economic gains in the form of enhanced market access conditions that fuel efficiency and create potential for sustainable economic growth. Over the past two decades, the number of trade agreements has increased fourfold, with a more ambitious and comprehensive focus not only on enhancing traditional international trade flows but also in addressing other development related issues. While India has participated in this global trend, its involvement has been relatively modest. It is only in recent years that India has begun to actively position itself to play a more significant role in regional trade dynamics.

Regardless of how comprehensive trade agreements become, traditional trade flows in goods and services will remain a key component, along with the preferential benefits derived from these agreements. Specifically, in the case of goods trade, the full potential of market access under any trade agreement can only be realised by adhering to the prescribed rules of origin (RoO). Rules of origin are an important concept within the trade agreements. Article 1 of the Rules of Origin Agreement defines rules of origin *as those laws, regulations and administrative determinations of general application applied to determine the country of origin of goods except those related to the granting of tariff preferences*. These rules have two broad elements – the regime wide rules that stipulate the origin criteria and related provisions as well as the administrative and implementation aspects of these rules, and product specific rules, stipulating the rules to be complied with by each product covered under an FTA.

These rules are of significance as they help to streamline the extent of preferential benefits under a free trade agreement (FTA) to ensure that these benefits are secured for only those products that satisfy origin requirements under an FTA and, thus, contribute towards ensuring fair trade practices. These rules may also help to prevent circumvention from a third country, which is not a part of the FTA. Yet, these rules in certain circumstances might pose a barrier to trade by affecting the utilisation of an FTA, either because the rules are too cumbersome or too liberal leading to circumvention.

Trade agreements are shaped by the specific countries involved, as well as their unique strengths, priorities and sensitivities. As a result, the rules established under these agreements can vary significantly, leading to differences across global free trade agreements. While some countries' FTAs may share common characteristics or similarities in their rules, others may adopt distinct approaches that differ from one agreement to another. Such heterogeneity in approach might cause hindrance in trade flows, as businesses and traders struggle to navigate differing requirements and compliance standards. Such disparities in the approach to trade regulations could lead to confusion, increased transaction costs and act as potential barriers to trade, hindering the efficiency and effectiveness of global trade networks.

To examine the patterns and degree of heterogeneity, this paper focuses on two key aspects of rules of origin: regime-wide rules of origin and product specific rules in India's FTAs. The aim is to assess India's approach to these rules and evaluate the consistency of this approach across its various FTAs. This analysis of India's stance is further enriched by a comparative study of FTAs from countries like Indonesia, Vietnam and the Republic of Korea. This comparison helps identify the patterns and extent of heterogeneity in the approaches of these countries across their respective FTAs, allowing for a better understanding of how India's approach to rules of origin aligns or differs from that of these countries. These three countries and India taken together provide an overview of the FTAs of Asian economies. The FTAs of these three countries are widely spread across the geographical spectrum of the globe and can help in correlating India's approach to rules of origin across several geographical regions to facilitate and help understand the pattern of convergence and divergence in India's approach vis-à-vis the approach of other countries. This analysis has examined 24 trade agreements of India and the other three countries and is divided into two time periods – the period from 2005-2012 (Phase I) when India negotiated and signed a majority of its FTAs, and from 2019 to 2024 (Phase II).

The focus of the analysis remained on major regime-wide provisions that are an inevitable part of the concept of rules of origin; for the analysis of PSRs, four sectors, namely agriculture and processed agricultural products, textiles and clothing, machinery, and automobiles were considered, covering products with the least degree of processing to the most processed products as PSRs are essentially governed by the factor of substantial processing taking place in the FTA parties. Together, these sectors account for nearly half of the HS 6-digit products.

Under Section 2 on regime-wide rules, the paper focuses on analysing the approach adopted by India in its FTAs with respect to regime-wide RoOs, which include concepts not only specific to origin criteria including provisions such as origin requirements, absorption principle, calculation of value addition, cumulation, de minimis and minimal operations but also attempts to encompass certain important aspects of origin certification procedures, primarily related to the concepts of certification and verification. In order to ascertain and bring out patterns of heterogeneity in India's approach to regime-wide rules of origin, there is also an analysis of regime-wide rules of origin under selected trade agreements of Indonesia, Vietnam and Republic of Korea and their comparison to India's rules of origin rules to understand the nature of similarities and dissimilarities in India's approach compared to that of these countries.

In Section 3, the analysis focuses on assessing and possibly identifying the broad categories of PSRs that govern India's approach in various sectors and see if India's overall approach can be categorised as liberal or stringent. This helped identify the extent of homogeneity/heterogeneity in India's approach across its various FTAs as well as helped compare it with that in the three other Asian economies for the chosen sectors. The paper also encompasses a brief section on drafting styles/techniques used to present the PSRs by different countries across their FTAs. This helped highlight how similar and identical looking PSRs can have an entirely different interpretation because of the way it has been represented in different trade agreements.

Examples have been provided to facilitate greater understanding of the way in which the meaning and interpretation of PSRs change across agreements. Besides, the level of HS classification at which these PSRs have been formulated under each FTA has also been summarised.

Section 4 concludes the analysis, which shows that there is some degree of consistency across India's FTAs in the regime-wide provisions discussed in this paper. However, when compared to the FTAs of the other three countries, there is notable heterogeneity across these provisions. In contrast, the PSR analysis shows that there is heterogeneity across India's FTAs as well as those of the other three countries although the degree of heterogeneity varies from sector to sector.

India has so far chosen to stick to a conservative and relatively stringent position/conservative approach on rules of origin with varying strategies across different FTAs, which in some cases, if not all, has been completely contradictory to the global approach. However, recent developments suggest a shift in India's stance, moving towards a relatively more liberal approach to these rules.

Based on these findings, the paper endeavours to provide certain policy recommendations that could not only help bring consistency to India's approach in its FTAs but also help align its FTAs with that of the rest of the world. These recommendations focus on expanding the existing knowledge base on rules of origin, forming expert groups, enhancing existing capacity building programmes, disseminating information more robustly, leveraging existing platforms on rules of origin and developing new and more robust portals for the ease of policymakers and traders.

1. Introduction

Trade agreements are an important policy tool in the present-day international trade system. Most nations are engaged in some trade agreement or the other ranging from PTAs with a narrow scope to comprehensive agreements (CEPAs/CECAs), which are much wider in scope. According to the WTO RTA Database,¹ the cumulative number of regional trade agreements have quadrupled in the world over the last two decades.

The WTO multilateral trading system of the WTO aims at the free movement of goods under the General Agreement on Tariff and Trade (GATT 1994) ensuring that tariff rates are applied without discrimination by a member country to other members (MFN clause) and that the imported goods are treated like domestically produced goods (national treatment). However, GATT offers an exception to the MFN treatment whereby free trade agreements (FTAs)/preferential trade agreements (PTAs) and unilateral preferences like GSP can offer market access in goods at reduced or no MFN duties. Due to the provision of an enabling clause and Article XXIV, this preferential treatment ensures reciprocal tariff on substantially all trade under GATT.

India, after a decade-long gap, has resumed negotiations of free trade agreements. It has also been reviewing existing ones to ensure that they are not only export-oriented but also help ensure deeper integration with partner countries through comprehensive arrangements that go beyond traditional trade-related matters and address newer issues. Over the last two decades, while there has been a global surge in the number of trade agreements, India's integration into the global trading arena through the proliferation of trade agreements has been sluggish. After a flurry of trade agreements signed between 2005 and 2011, there were barely any agreements that India signed between 2012 and 2019. From 2019 onwards, India has gradually resumed negotiating and signing trade agreements.

India's experience with the free trade agreements that were signed until 2012 suggests that those agreements are underutilised. One reason is the prevailing preferential rules of origin in these FTAs (*Pandey, D., & Unnikrishnan, M. (2023)*). In fact, the utilisation of any FTA in general may be affected by RoO provisions in it as there is a link between the RoO design, administration and the use of the FTA (*Yi, J 2015*). Hence, it is necessary to understand what these RoOs are under India's existing FTAs and how consistent these are both across India's FTAs and as compared to the FTAs of other countries. This will help assess whether India needs to change its approach and the extent of the changes needed.

In fact, India has already implemented some changes in its recently signed FTAs that reflect a more liberal approach compared to past FTAs. These include a shift from a general rule applicable across the spectrum to product specific rules, a choice between authority-based certification and self-certification or an endeavour to move towards only self-certification or even the adoption of the absorption principle (The absorption principle is a provision

¹ WTO RTA Database: <https://rtais.wto.org/UI/PublicMaintainRTAHome.aspx>

stipulating that once a part or intermediate material obtains originating status under an FTA, it is considered to be 100% originating when used for further processing even if inputs used for the production of this part or intermediate material were not originating.²) However, it is important to ensure that these rules are negotiated in a manner that ensures consistency in the approach across different FTAs to make it simpler for exporters and manufactures and to facilitate the optimum utilisation of the FTAs.

Preferential rules of origin are an important criterion in any trade agreement as they are necessary to ensure effective market access for goods. Besides, they can prevent circumvention, ensuring that preferential benefits are only reaped by the partner countries under a particular trade agreement. Moreover, with the modernisation of trade agreements across the world, there has been an upgradation of the rules of origin to make them more trade and value chain facilitative.

As stated earlier, the rules of origin chapter in free trade agreements contains two elements – the regime wide rules that cover the general provisions pertaining to the origin criteria and origin certificate procedures pertaining to the implementation of these general provisions and product specific rules. Together, these two elements govern the preferential treatment being offered for goods under any trade agreement.

Broadly, the regime wide rules may appear to be similar across trade agreements; yet, the nuances of these rules and provisions may vary even across the trade agreements of a particular country based on how that trade agreement is negotiated. These variations within the agreements of a particular country at times prove to be an obstacle for exporters as well and the customs administration (*Comparative Study on Preferential Rules of Origin (Ver. 2017)*). Hence, each country should endeavour to negotiate a consistent and harmonised approach to rules of origin across its FTAs.

The second element of rules of origin are product specific rules, the most important aspect of rules of origin, especially in modern day FTAs. Under PSRs, a rule is defined for each product under the HS classification (at different levels of disaggregation depending on how an FTA is negotiated) on which market access is being offered by partner countries in a trade agreement. Generally, it is observed that different PSRs might exist for the same products across FTAs and these differences are deeper than the regime wide rules across FTAs (*Gourdon, J., Gourdon, K., & de Melo, J. (2023)*)

Objectives

The objective of this paper is to understand and critically examine the elements of rules of origin in India's free trade agreements and identify the pattern and extent of heterogeneity in India's approach to both regime-wide rules of origin and product specific rules. At the same time, this paper also endeavours to compare India's approach to the approach in the trade agreements of some Asian countries, namely, Indonesia, Vietnam and the Republic of Korea.

²Rules of Origin Facilitator: <https://findrulesoforigin.org/en/home/help?culture=en#gloscenter>

Given that research on rules of origin and the level of heterogeneity across FTAs is still at a nascent stage, the endeavour of this paper is to further add to the knowledge on this topic. The paper provides policy recommendations based on the RoO analysis to minimise the scope of heterogeneity across India's FTAs, to bring in more consistency in the approach used during FTA negotiations and ensure that the approach to FTAs is more aligned to the global approach both when negotiating new FTAs and when existing FTAs are reviewed.

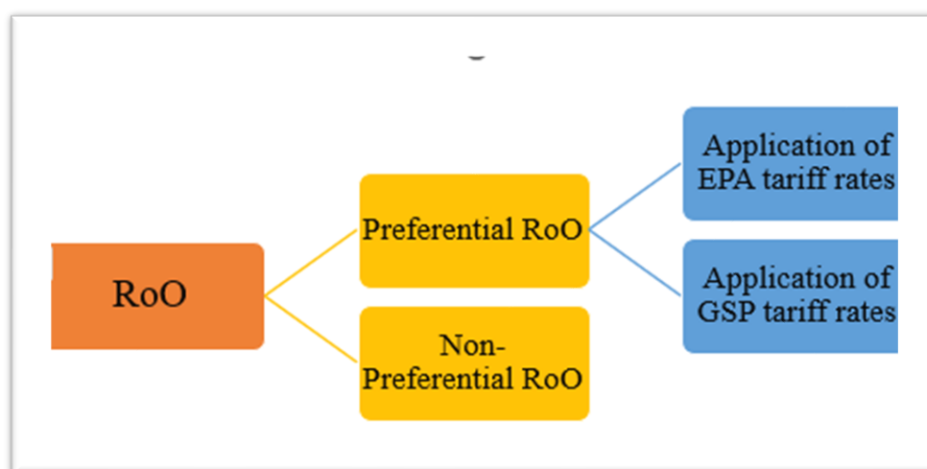
1.1. Understanding Rules of Origin

The determination of the origin of a product assumes an important role at the time of customs clearance along with determining the classification of the product and the value of the product. The origin of the product can be considered proof of the economic nationality of that product. just as a passport acts as an instrument to prove the nationality of a person when he/she enters another country. 'Article 1 of the Rules of Origin Agreement'³ defines rules of origin *as those laws, regulations and administrative determinations of general application applied to determine the country of origin of goods except those related to the granting of tariff preferences.*

Rules of origin are used to address different commercial trade policy issues and can also be used to attain specific and targeted objectives of national or international policies. These rules are important in many aspects like the application of the most favoured nation treatment and preferential treatment or for the enforcement of trade remedies like anti-dumping and countervailing duties or for imposing quantitative restrictions, labelling purposes, etc.

These rules are broadly categorised into two types, i.e., preferential rules of origin (PROOs) and non-preferential rules of origin (NPROOs), as Figure 1 below shows.

Figure 1: Types of Rules of Origin



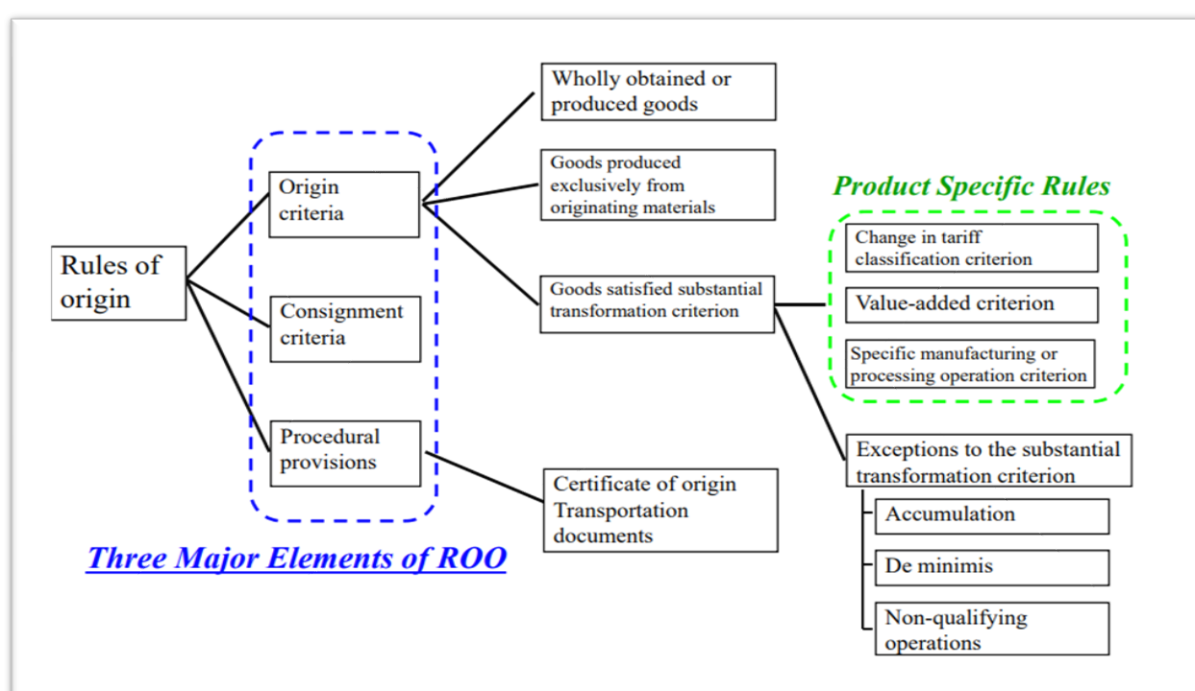
³ WTO Agreement on Rules of Origin: https://www.wto.org/english/docs_e/legal_e/ro_e.htm

Non-preferential rules of origin are the rules applied when trade between countries is taking place on a most-favoured nation basis and there are no trade preferences. NPROOs are not applied by all countries. However, some trade policy measures such as quotas, anti-dumping or “made in” labels may require the determination of origin and, therefore, the application of non-preferential rules (WTO, Rules of Origin).

Preferential rules of origin are applied in reciprocal preferences (i.e., in the case of regional trade agreements or customs unions) or in a situation of non-reciprocal but unilateral trade preferences (i.e., preferences provided by developed countries perhaps in favour of developing countries or least-developed countries). These rules must conform to the general disciplines of Annex II of the Agreement on Rules of Origin. In addition, the GATT and the Agreement on Trade Facilitation contain some provisions related to origin requirements (WTO, Rules of Origin).

Since the focus of this paper is on rules of origin under free trade agreements, there is a need to understand the concept of preferential rules of origin in detail. The major elements pertaining to these rules are summarised in Figure 2.

Figure 2: Major Elements of Preferential Rules of Origin



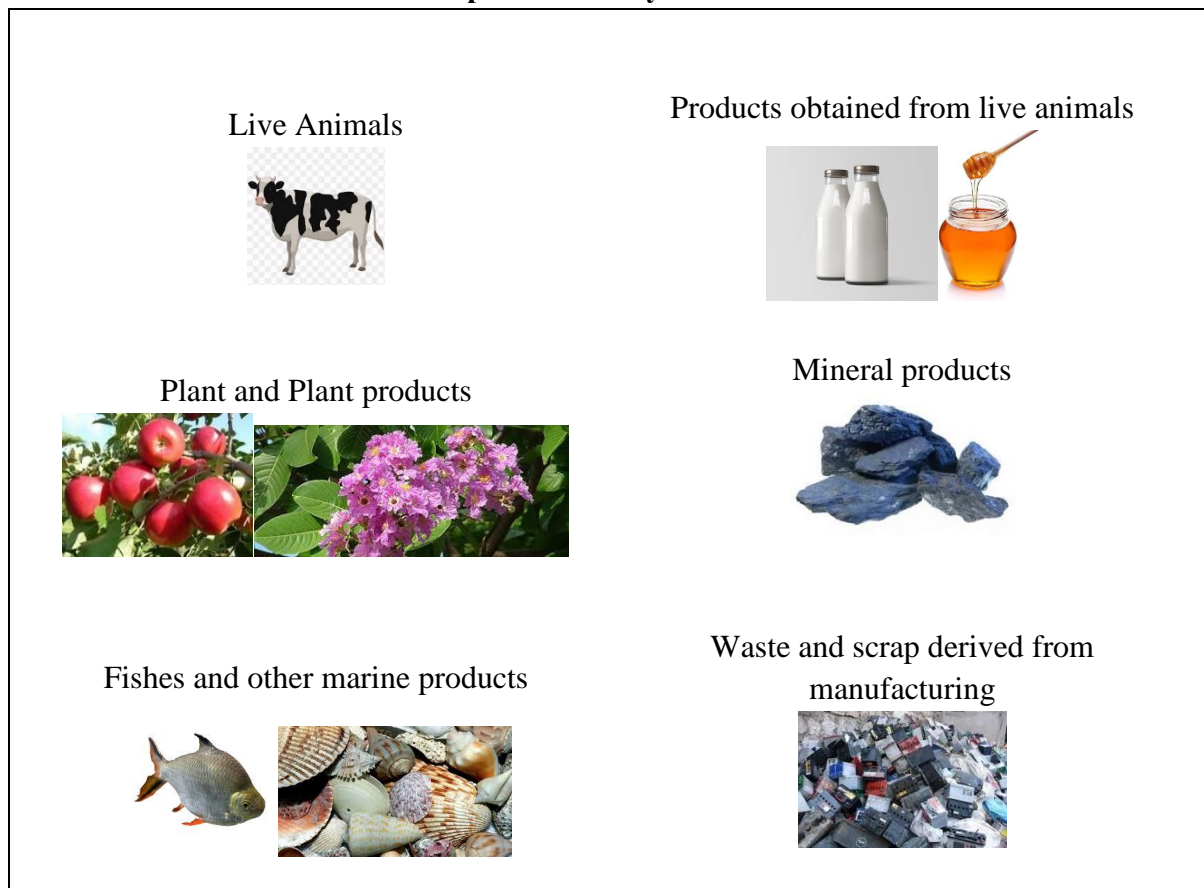
Source: Outline of Rules of Origin for EPA in Japan

The rules can be divided into three broad elements – origin criteria, consignment criteria and origin procedures. These have been explained below.

The first element is the origin criteria, which lays down the basis for determining the origin of a product, i.e., what conditions need to be met by a product for it to be considered as originating in a party under a trade agreement. Usually, there are two broad ways of determining the origin

– the **wholly obtained** criterion, which relates to a product obtained entirely in the territory of one or more FTA parties under the relevant trade agreement, without the addition of any non-originating materials/imported materials. Box 1 below shows some examples of products that are usually included under the criterion of wholly obtained products in different trade agreements, which include live animals born and raised in an FTA party or products obtained from such live animals, plant and plant products obtained from the territory of a party, etc.

Box 1: Examples of Wholly Obtained Products



For products produced using imported/non-originating raw materials, the criterion of substantial transformation is used to determine the origin. All countries face resource constraints in some form or the other, necessitating trade in these resources. The criterion of substantial transformation stipulates that a final product would be considered as having originated in a particular country if a substantial amount of manufacturing/production takes place in the exporting country even if raw materials or intermediates going into the production of these are imported or non-originating in nature.

The criterion of substantial transformation can be proved based on three broad sub-criteria. These are change in the tariff classification criterion, value addition criterion or a specific process criterion. These criteria may be used as standalone rules or as alternatives to each other or in combination, i.e., a compound rule. The substantial transformation criterion could be a common criterion for all products under a given FTA, referred to as a general rule, or it could be specific to each product, and are referred to as product specific rules. The approach of the

general rule and product specific rule is discussed in greater detail in Section 3 on heterogeneity in product specific rules of origin.

Change in tariff classification (CTC) is a criterion used to establish that substantial transformation is taking place by ensuring that the tariff classification of the final product is different from the classification of the non-originating materials used in the manufacture of that product. Thus, change in tariff classification could be at different levels of the HS nomenclature, i.e., at the HS 2-digit level, which is referred to as change in chapter criterion, at the HS 4-digit level, referred as change in tariff heading criteria, and the HS 6- digit level, known as change in tariff sub-heading criterion. Box 2 explains the different types of change in tariff classification criteria.

Box 2: Types of Change in Tariff Classification

Change in Chapter Rule (CC): A product complies with the rule when non-originating materials used in its production are classified in an HS chapter different from the one of the final product.

An example could be of strawberry jam (HS 200710), for which the PSR under RCEP is “CC”. Assume that Thailand is exporting this jam to Japan for which it needs to meet the CC rule. If the strawberries (HS 081010) are grown and all other raw materials such as stabiliser, etc., originate in Thailand, but it imports sugar (HS 170191) from a non-party to the RCEP, the jam produced in Thailand, when exported to Japan, will be considered as having originated in Thailand as the final product belongs to Chapter 20 while the non-originating material belongs to Chapter 17.

Change in tariff heading rule (CTH): A product complies with the rule when non-originating materials used in its production are classified in an HS heading different from that of the final product.

For example, in the CPTPP, the PSR for sound recording apparatus (HS 8519) is “CTH”. Assume Japan exports this apparatus to Mexico under CPTPP. The inputs of this apparatus are magnetic tapes for recording sound (HS 8520), optical discs (CDs, DVDs, etc.) (HS 8523), other recorded media (HS 8524) and microphones and speakers (HS 8518). Suppose, Japan manufactures this apparatus from all the inputs originating in Japan except other recorded media, which it imports from a non-party. In this case, the apparatus will be considered originating in Japan as the tariff heading of the non- originating material is different from that of the final product.

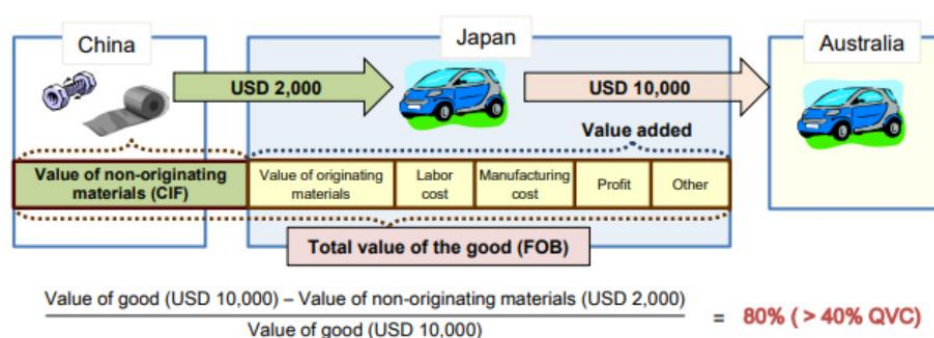
Change in tariff sub-heading rule (CTSH): A product complies with the rule when the non-originating materials used in its production are classified in an HS sub-heading different than the one of the final products.

Suppose the PSR for smartphones (HS 851713) under US-Korea FTA, is “A change to sub-heading 8517.11 through 8517.69 from any other sub-heading” or, in other words, a CTSH rule. A smartphone has several components such as batteries (HS 8507), semiconductors (HS 8542), display screen (HS 8528), camera modules (HS 9018), microphones and speakers (HS 8518), and a wireless communication module (HS 851762). If the USA manufactures smartphones and exports these to Korea under their FTA, but it imports some components, say, a wireless communication module from a non- party to the FTA, USA can still be the country of origin of the smartphone since it will be able to meet the CTSH rule because the sub-heading of the imported component is different from the sub-heading of the smartphone.

Value addition or percentage change rule stipulates that there is substantial transformation and that a minimum percentage of the product’s value originates in the exporting country for the product to be considered as originating in the exporting country. This rule is usually referred to as qualifying value content/regional value content. The components of value and formula for calculating such value addition may vary from agreement to agreement. It is also possible that percentages are set for the maximum value of the non-originating materials instead of setting the minimum percentages for local value addition. However, the accuracy of a standalone value addition rule cannot be relied upon or be guaranteed, since there is scope for accounting manipulations in the case of such rules (*Das, 2004*). Box 3 provides an illustrative example of the value addition criteria.

Box 3: An Illustrative Example of Value Addition Rule

PSR for a passenger vehicle of heading 87.03 under the Japan-Australia EPA:
“the value added in the country of manufacture (qualifying value content) is not less than 40% and the last process of production has been performed in the exporting party”



The QVC (RVC) of the vehicle is 80 per cent. As the vehicle meets the RoO requirement under the Japan-Australia EPA, it is an originating good.

Source: Customs legal official⁴

There is a possibility that a CTC rule or a value addition rule might not be able to justify the substantial transformation requirement, given the complex nature of the production process or in a situation where technology is continuously evolving. In such cases, there is yet another

⁴ Customs Legal Official <https://www.customslegaloffice.com/global/what-is-value-added-criterion/>

criterion called the **specific process rule** that requires a product to undergo certain stipulated processes. Usually, these rules can be seen in sectors where there is some technical requirement such as chemicals or textiles. Box 4 provides some examples of specific process rules under different agreements.

Box 4: Examples of Specific Process Rule

For HS 5208-5212, i.e., woven fabrics of cotton: The rule under the EU-Vietnam FTA is as follows:

Spinning of natural or man-made staple fibres or extrusion of man-made filament yarn, in each case accompanied by weaving;
weaving accompanied by dyeing or by coating;
yarn dyeing accompanied by weaving; or
printing accompanied by at least two preparatory or finishing operations (such as scouring, bleaching, mercerising, heat setting, raising, calendering, shrink resistance processing, permanent finishing, decatizing, impregnating, mending and burling),
provided that the value of the unprinted fabric used does not exceed 47.5% of the ex-works price of the product

For HS 7206-7229, i.e., Iron and Steel: The rule under the India-Australia ECTA is as follows:

“Melt and Pour”, melt and pour in one or both of the parties means that the product must have been melted and poured in one or both of the parties wherein the raw material is first produced in an iron or steel-making furnace in a liquid state, and then poured into its first solid shape.

Source: Retrieved from, Official texts of the EU-Vietnam FTA and the India-Australia ECTA

These two criteria of wholly obtained and substantial transformation are found in all agreements in order to prove the origin of the product; however, there is yet another origin criterion known as the “**produced exclusively**” criterion. This rule states that a product is considered as originating in a country if it is made entirely from materials that have already been given originating status because they are wholly obtained or have fulfilled requisite product specific rules or have acquired originating status through the concept of cumulation (Glossary, Access2markets, European Commission⁵).

This is different from the “wholly obtained and produced” provision because, when using this provision, none of the materials can originate outside one of the FTA parties. This rule also focuses on the materials that go into the production of the product and is different from the substantial transformation rule as the latter focuses on the product. Box 5 provides an illustrative example of the concept of produced exclusively.

⁵ Access2Markets <https://trade.ec.europa.eu/access-to-markets/en/glossary?page=14&criteria=>

Box 5: An Illustrative Example of “Produced Exclusively”

As an example, to explain this provision, suppose there is a wooden trolley manufactured in an FTA party. The raw materials of this manufacture are the wooden trolley frame and wheels.



In this example, the wood comes from a country outside the FTA parties, but it is substantially transformed into a trolley frame making the frame an “originating material.” If the wooden trolley manufacturer uses this wood frame and no other non-originating materials, the trolley would qualify based on using goods produced exclusively from the originating materials provision.

However, say this manufacturer also imports the trolley’s wheels from a country outside the FTA parties, the manufacturer will no longer be able to use this provision – it would have to try to qualify the trolley itself since the wheels are not an “originating material”.

Apart from these three, there are other provisions to supplement the origin criteria; these together comprise the general regime of rules of origin in any FTA. This general regime is broadly similar across trade agreements; however, the nuances of the provisions may vary across FTAs depending on how these are negotiated and this will determine how stringent or flexible these provisions in a particular FTA are relative to other FTAs.

Within these rules, there are certain flexibilities offered to ensure that these rules are trade facilitative and not a barrier for exporters and importers (*Estevadeordal, A., & Suominen, K. (2004)*). One of the flexibilities is the provision of **cumulation/accumulation** that allows for goods originating in one party to a trade agreement and further processed or added to products originating in the other party to be considered as originating from the country where the last working or processing has taken place. This is an integral part of the rules of origin under any FTA, which enables production sharing within FTA territories; it can also be considered as a provision that facilitates the development of value chains.

A study conducted by World Customs Organisation (WCO) in June 2024 has enumerated the opinions of both proponents and critics of this cumulation provision. Proponents of the provisions on cumulation stipulate that such provisions could potentially reduce trade barriers

and facilitate trade among countries to a trading agreement providing preferential market access. Critics of these provisions claim that they may contribute negatively by extending preferences offered under individual trade agreements to non-participating countries without any sound legal backing and may exacerbate the extent of discrimination. Cumulation can provide countries with additional sources of input materials through greater integration of manufacturing processes, thus, fostering stronger economic relations. The higher the degree of accumulation/cumulation, i.e., the greater the number of potential trading partners whose inputs can count towards satisfying the origin rules, the more liberal the rules are and the easier it is to satisfy them. The study also focussed on highlighting the possible pros and cons of including cumulation provisions for both scenarios – the more liberalised version of these rules and the stricter version of these rules. If a trading agreement includes a very liberalised version of cumulation rules, it will, no doubt, make a country more competitive and hence, promote foreign direct investments. However, it is also possible that such broad rules may increase the possibility of a trading agreement being used by non-participating countries, who may enjoy preferences meant solely for participating countries.

A relatively stringent version of these rules may increase production costs resulting in a high number of unutilised preferences as stringent rules of cumulation may not be able to provide the desired benefits of increased integration (World Customs Organisation, 2024).

Box 6 summarises the different types of cumulations that can and are included in different types of trading agreements.

Box 6: Types of Cumulations

Bilateral cumulation: The idea of bilateral cumulation is used in bilateral trade agreements and allows each party to the agreement to use products originating in the other party without affecting the originating status of the final good. Goods produced from originating materials in one FTA country and processed in the other can then be exported back to the first country under preferential treatment. Without cumulation, only inputs originating in the exporting country would be counted towards the originating status.

Diagonal cumulation (also sometimes referred to as regional cumulation): The idea of diagonal cumulation works in the same way as bilateral cumulation but is applied in agreements with more than two members. As is the case with bilateral cumulation, diagonal cumulation can only be applied to goods originating in an FTA member country and further processed in another member country.

Full cumulation: The idea of full cumulation allows cumulation to be applied between any number of countries to goods not originating in the FTA member country and processed in the FTA territory. Full cumulation allows cumulating origin-counting processing added across the FTA territory even when the initial input is not originating. Full cumulation is the most flexible type of cumulation.

Third party cumulation (also referred to as 3rd party, cross or extended cumulation):

The idea of third party cumulation allows for any of the previous types of cumulation (most commonly bilateral and diagonal) between countries that are not linked by a trade agreement or are linked by a trade agreement with different rules of origin. It allows the use of inputs from a third-party country, which is not a member of the applicable FTA, and consider these originating, provided that they meet the rules of origin under the relevant trade agreement. Cross cumulation is the most flexible type of cumulation of originating inputs and is often limited to certain tariff headings, sub-headings and codes or to certain types of products only.

Source: Rules of Origin facilitator

Another flexibility in rules of origin is the provision of **de minimis or tolerance** whereby a product containing non-originating materials that do not satisfy the stipulated origin criterion for the product is still considered originating if the amount of the non-originating materials is within a specified limitation. These limitations are referred to as tolerances/de minimis. These tolerances are set out in terms of a percentage of the value or weight of the product. Further, these tolerances could differ from sector to sector; however, it depends on the FTA, as some might have a single de minimis for all products while some might have specific de minimis for different sectors and even no de minimis for some sectors/products. Usually, this provision is applicable on the CTC rule under which a product would be considered originating even if a certain percentage of non-originating material does not meet the specified CTC criteria. Box 7 below explains how the concept of de minimis/tolerance is applicable in a real life, simple production process, using an illustrative example.

Box 7: An Illustrative Example of De Minimis/Tolerance

Take the case of an RCEP where the PSR for a baby carriage, classified in HS 871500, is “CTH or RVC40” and the de minimis criteria under the RCEP is that the value of non-originating materials that have been used in the production of the good and did not undergo the applicable change in tariff classification does not exceed 10 per cent of the value of that product.

Handle grip classified under
HS 871500

Non-originating raw material
sourced from a non- party

Aluminium bar classified
under HS 760410

Domestically sourced raw
material

FINAL PRODUCT

Baby carriage classified
under HS 871500

PSR – CTH or 40% value
addition

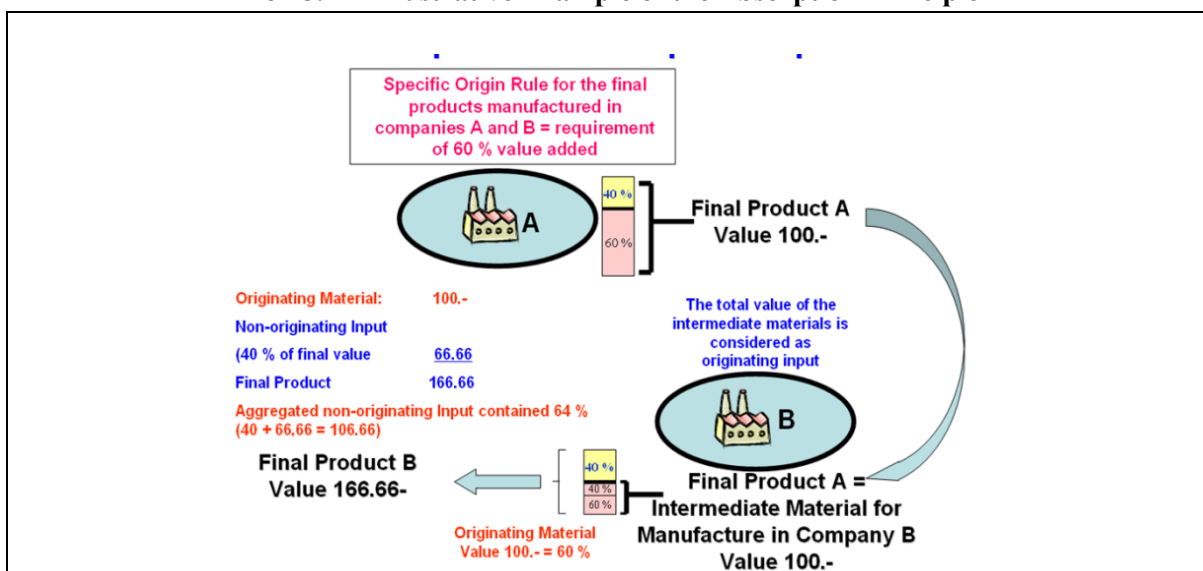
As we can see, the production process of a baby carriage mainly includes two raw materials – handle grip classified under the same HS as a baby carriage (HS 871500), which is sourced as a non-originating input from a non-party and aluminium bar (classified under HS 760410), which is sourced domestically.

In this case, the exporter/producer has the choice to fulfil either of the PSRs given for a baby carriage. If the trader chooses the value addition rule, then there will be no application of the de minimis provision, which would only be required if the CTC rule is chosen by the exporter/producer.

While the aluminium bar undergoes a change in tariff classification at the 4-digit level, and there is no change in the tariff classification from any other sub-heading or heading of the handle grip, the baby carriage does not satisfy the CTC-based rule. But, as long as the value of the handle grip does not exceed 10 per cent of the value of the baby carriage, the baby carriage is considered as an originating good of the exporting party.

Apart from these, there is another provision called **absorption/roll-up principle**, which is quite flexible in nature. This principle allows intermediate products to maintain their originating status when they are used for subsequent manufacturing operations. Non-originating inputs contained in the intermediate product are disregarded when assessing the origin of the final good. Given the complex nature of a production process that involves multiple stages of production, this provision allows the flexibility of foregoing the tracking of the origin status of non-originating materials that goes into the production of some intermediates. Box 8 provides an illustrative example of the absorption principle in a hypothetical scenario.

Box 8: An Illustrative Example of the Absorption Principle



The above figure illustrates how the absorption principle/roll-up principle works. Say, a product produced in Company A fulfils the origin criterion of an FTA X, which requires that 60 per cent of the value of the good be added in the free trade area (i.e., 40 per cent of the value of the final product may be non-originating). The product is further used as an intermediate material for the subsequent manufacturing of another good in company B. The absorption or roll-up principle allows that the entire good (from Company A) is considered originating when assessing the originating status of the final product. Let us assume that the

product specific rule for the product manufactured in company B also requires that 60 per cent of the value of the product be added in the free trade area. The intermediate material is considered to be 100 per cent originating and it is, therefore, possible to use 40 per cent of non-originating materials in the manufacturing of the final product. In this way, the final product may, in practice, contain non-originating inputs of 64 per cent of the value of the final product, although the origin rule limits non-originating inputs to 40 per cent of the value of the final product.

Source: Comparative Study on Preferential Rules of Origin

Now that the flexibilities have been discussed, it is important to highlight the provision that imposes restriction under the rules of origin. This particular provision is called **insufficient working/processing or minimal operations**. According to the Revised Kyoto Convention, Specific Annex K, Chapter 1 6. 'Recommended Practice',⁶ operations that do not contribute or contribute to only a small extent to the essential characteristics or properties of the goods, and, in particular, operations confined to one or more of those listed below, should not be regarded as constituting substantial manufacturing or processing:

- a) operations necessary for the preservation of goods during transportation or storage
- b) operations to improve the packaging or the marketable quality of the goods or to prepare them for shipment, such as breaking bulk, grouping of packages, sorting and grading, repacking
- c) simple assembly operations
- d) mixing of goods of different origin, provided that the characteristics of the resulting product are not essentially different from the characteristics of the goods which have been mixed.

Apart from these, there are other provisions in the general regime such as indirect materials, accessories, spare parts and tools, treatment of packing and packaging materials, sets, exhibitions, prohibition of duty drawback, etc. However, for this analysis, only select provisions have been discussed at length.

There are two other elements of rules of origin that also form a part of the general regime, i.e., the consignment criterion and the section on operational certification procedures or origin procedures.

As the name suggests, the **consignment criterion** refers to provisions that lay down the process to be followed when different consignments of products are shipped between different partner and non-partner countries under a preferential trade agreement. Such provisions are usually included in the general RoO text of the agreements under different titles like the consignment criterion, the direct transport or consignment rule, prohibitions on transshipment as well as non-manipulation or alternation rule. Most preferential trade agreements call for a direct shipment

⁶ Specific Annex K of revised Kyoto Convention: https://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/conventions/pf_revised_kyoto_conv/kyoto_new/spank.aspx

of the consignment of products between the exporting and the importing parties. However, there may be situations when the consignment of products may need to be transported through non-parties that are not part of the FTA and, in such cases, the texts usually stipulate that such consignments should remain under customs control in the transit non-FTA partner country. There is a possibility under which some trade agreements might require the importer/trader to show documentary evidence of transportation/consignment through relevant shipping or transportation documentation, customs control documentation (the type of such documents may be specified in the text itself) as well as the proof of origin document at the time of claiming preferential tariff treatment applicable as part of the trade agreement.

The sole purpose of such a direct transportation requirement is driven by the principle that there should be no further processing activities taking place on the goods in the consignment in any non-FTA partner country under transit once the consignment has left the exporting country. Further, sometimes, a slightly diluted version, which is the non-manipulation principle, of this provision is included in the text that just entails that the consignment should not be tampered with during transportation from the exporting to the importing country. Documentary evidence of non-manipulation, if required, may be mentioned in the text itself. Additionally, some agreements may allow consignments to be subjected to certain types of operations during the transit process, which again would be mentioned in the text directly.

Now, we extend our focus to understand the next element under the general regime of rules of origin, which includes the **operational certification procedures or origin procedures**, which basically lists out the provisions that enable and facilitate the implementation of the rules laid down in the section on rules of origin. This section includes obligations on exporters, importers, producers/manufacturers and even suppliers in some cases, and describes the role of customs authorities of the exporting and importing parties in facilitating the implementation of the rules of origin. This section on procedures includes two main concepts – certification and verification, apart from certain other provisions.

Certification is the process by which traders obtain documentation that certifies/proves the originating status of their product, based on which a claim for preferential tariff is made under an FTA. Certificates of origin or the origin declaration (types of proof of origin) are the official documents that are used to prove the originating status of a product based on the requirements detailed in the specific FTA. These documents also specify certain details about the product that facilitate their identification by the customs authority of the importing country. The two main types of certification systems prevalent across countries today are the following.

- i. Certification by a Competent Authority: Under this system of certification, the paper copy (or electronic copy, if feasible) of the certificate of origin or proof of origin is issued by the designated competent authority (which may be the customs authority or the government body overlooking trade and commerce or any other designated authority) to an exporter upon his request. The nuances and obligations (including characteristics of the certificates, etc.) related to the system of certification adopted in different agreements is usually mentioned in the text of a trade agreement itself; a trade agreement may even

contain a sample format of the certificate of origin issued by the relevant authorities. Countries that have multiple designated competent authorities allowed to issue certificates of origin may share the list of those authorities with their FTA partners either by mentioning them directly in the text of the agreement or through other official channels. The exporter is usually required to produce adequate supporting documentation and evidence when requesting a certificate or proof of origin. Sometimes, certain countries may exempt the certification requirement for a product if certain conditions are met. Such exemptions, if allowed under a country's domestic legal system, would also be specified clearly in the text of the agreement.

- ii. Self-Certification: Under the system of self-certification, the trader, who may be the exporter, importer or even the producer/manufacturer, is allowed to issue the certificate or proof of origin on a commercial document like the commercial invoice or the bill of lading. The idea of importer self-certification is still not incorporated very commonly in trade agreements and countries are still warming up to the idea. Under this system too, the sample template of a certificate or proof of origin may be provided in the text of the agreement to make it easier for traders from countries under that specific FTA.

The next important component of origin procedures is the system of verification. The system of verification assumes importance because it comes in handy when the customs authority or the competent authority of the importing party has reasonable doubt regarding the authenticity of the certificate of origin or regarding the originating status of the products imported into their country under preference. Most countries rely on the verification system to ensure that tariff preference benefits are extended to goods that fulfil the origin requirements of an FTA and to make sure that the information shared with authorities is accurate. The customs authority or the competent authority of the importing party usually initiates the verification process by reaching out either to the customs authority or the competent authority of the exporting party as stipulated in the text of the agreement or by reaching out directly to the trader for the required information. There is usually a detailed article (or articles) in the text of the agreement itself that lays down the conditions under which the verification process will be carried out. According to World Bank's Deep Trade Database, verification can be categorised under the following three systems.

- i. Direct system of verification: Under the system of direct verification, the customs authority or the competent authority of the importing party directly reaches out to the trader (importer/exporter/producer) requesting information needed to conduct a verification exercise. If the customs or the competent authority is not satisfied with the additional information received, it may carry out a physical verification visit to the premises of the exporter/producer to understand their production activities and assuage their doubts. Box 9 shows the steps that will be carried out in a verification exercise under the direct system of verification.

Box 9: An Example of Direct Verification

CPTPP can be considered as a trade agreement that includes a direct system of verification. Only the steps adopted under this system of verification, as enumerated in the text of the agreement, have been included below to facilitate better understanding.

Steps stipulated under CPTPP's verification article

1. For the purpose of determining whether a good imported into its territory is originating, the importing Party may conduct a verification of any claim for preferential tariff treatment by one or more of the following:

- (a) a written request for information from the importer of the good
- (b) a written request for information from the exporter or producer of the good
- (c) a verification visit to the premises of the exporter or producer of the good;
- (d) for a textile or apparel good, the procedures set out in Article 4.6 (Verification) or
- (e) other procedures as may be decided by the importing Party and the Party where an exporter or producer of the good is located.

ii. Indirect system of verification: Under the system of indirect verification, the customs or competent authority of the exporting party undertakes the verification exercise and provides the necessary information regarding the originating status of the product in question upon the request of their counterparts from the importing country. Box 10 lists out the steps involved in the indirect system of verification, as agreed to in the EU-Vietnam FTA.

Box 10: An example of Indirect Verification

The EU-Vietnam FTA is a trade agreement that includes an indirect system of verification. The verification steps as enumerated in the text of the agreement are presented below to facilitate better understanding.

Steps stipulated under EU-Vietnam's Verification article

1. Subsequent verifications of proofs of origin shall be carried out at random or whenever the competent authorities of the importing Party have reasonable doubts as to the authenticity of such documents, the originating status of the products concerned or the fulfilment of the other requirements of this Protocol.
2. For the purpose of implementing the provisions of paragraph 1, the competent authorities of the importing Party shall return the certificate of origin and the invoice, if it has been submitted, or the origin declaration, or a copy of these documents, to the competent authorities of the exporting Party giving, where appropriate, the reasons for the enquiry. Any documents and information obtained suggesting that the information given on the proof of origin is incorrect shall be forwarded in support of the request for verification.
3. The verification shall be carried out by the competent authorities of the exporting Party. For that purpose, they shall have the right to request any evidence and to carry out any inspection of the exporter's accounts or any other check considered appropriate.

- iii. Combination system of Verification: Under the combination system of verification, the process followed to carry out the verification exercise involves steps from both the direct and indirect systems of verification. Box 11 lists the steps involved under the combination system of verification, as agreed in the India-Australia FTA.

Box 11: An example of Combination Verification

The India-Australia ECTA has adopted a combination system of verification. The verification steps as enumerated in the text of the agreement are presented below to facilitate better understanding.

Steps stipulated under India-Australia ECTA's Verification article

1. For the purposes of determining whether goods imported into the territory of a Party from the territory of the other Party qualify as originating goods, the customs administration of the importing Party may conduct a verification process by proceeding in sequence, when required, with:

- (a) a written request or written requests for information from the importer of the good;
- (b) a written request or written requests for information from the competent authority and issuing body or authority, as appropriate, of the exporting Party where the customs administration of the importing Party considers the information obtained under subparagraph (a) is not sufficient to make a determination and requires additional information including the breakup of costs and any other relevant elements such as profits;
- (c) a written request or written requests for information from the exporter or producer of the goods, where the customs administration of the importing Party considers the information obtained under subparagraphs (a) and (b) is not sufficient to make a determination and requires additional information including the breakup of costs and any other relevant elements such as profits for the determination of origin of the good under Article 4.2 (Originating Goods) and Article 4.3 (Goods not Wholly Produced or Obtained) irrespective of the method adopted under Article 4.6 (Calculation of Qualifying Value Content);
- (d) visits to the premises of an exporter or a producer in the territory of another Party; or
- (e) any other procedures to which the Parties may agree.

Additionally, the section on origin procedures contains many other provisions enumerating the different types of obligations that facilitate the implementation of the rules of origin section in an effective manner. These articles may include information on the nature of documentation that needs to be maintained as records by exporters, importers, producers/manufacturers and even suppliers in some cases, the timeline for which these records are to be maintained, the conditions under which preferential tariff treatment may be denied to traders, etc.

1.2. Heterogeneity in Rules of Origin

As highlighted before, the major objective of this paper is to assess patterns of heterogeneity by examining India's approach to regime-wide rules of origin as well as PSRs relative to the approach of countries like Indonesia, Vietnam and the Republic of Korea in their trade agreements

The concept of "heterogeneity in rules of origin" refers to variations in specific criteria, requirements and procedures to determine origin across different trade agreements and regions. The study of heterogeneity in RoO and PSRs is very important for several reasons, especially in the context of trade agreements and international trade policy.

One of the factors driving the idea of heterogeneity in regime wide rules and PSRs could be the varying domestic regulations and nature of industries prevailing in a particular country. While, in regime wide rules, there appears to be a more consistent approach across FTAs of a country and even across regions with fewer deviations, the PSR approach could differ across the FTAs of a particular country or across regions based on trade dynamics and domestic industries.

This heterogeneity may cause adverse effects like increasing compliance costs for small and medium enterprises when regime wide rules and PSRs are heterogeneous for the same product across different agreements. Smaller sized businesses are likely to struggle with compliance issues more than larger firms when the PSRs for a particular product are highly specific, more complex and detail-oriented. This calls for an extended analysis into how small firms are likely to be affected by such heterogeneity to throw light on how countries can attempt to negotiate more inclusive trade deals that allow greater access to global markets to all firms, irrespective of their size.

The assessment and analysis of heterogeneity in regime wide rules and PSRs are also needed to identify industries or sectors that may be adversely affected by rising compliance costs, especially for industries that source their raw materials from multiple countries.

An easy way to identify heterogeneity in rules of origin across FTAs is to understand the stringency of these rules in relative terms. The idea of homogeneity/heterogeneity in the approach to rules of origin assumes significance because the higher the degree of consistency in the approach of countries, the lesser will be the extent of variations or heterogeneity. If the degree of variations/heterogeneity in the approach to rules of origin or PSRs is high, it is likely to reduce the cost effectiveness of trade agreements and may subsequently impact the utilisation rates of an FTA. This is because an exporter/producer will have to adhere to a variety of rules, as per different trade agreements, and that is likely to have a significant impact on a trader's production and processing activities in the form of increased administrative burden and possibly, even information asymmetries (as the trader will have to ensure access to a huge amount of information based on the requirements of different FTAs) (*Mattoo, A., Rocha, N., & Ruta, M. (Eds.). (2020)*).

The level of stringency of rules of origin also affects the ways these act – if these rules are restrictive, they might have a protectionist effect and be understood to act as a trade barrier considering their likely impact on the effective utilisation of the preferences offered in a trade agreement. In other words, if the rules are too strict or stringent in nature, they can provide a blanket of security against unusual import surges as a result of tariff preferences provided under

an agreement. However, they are also likely to curtail the exports of a country because stringent rules of origin will increase the cost of compliance and offset the benefits received from preferences.

However, if the RoOs are too liberal or flexible, they are likely to cause problems of circumvention or transshipment, which will ultimately defy the purpose of a trade agreement (Comparative Study on Preferential Rules of Origin (Ver, 2017)). While very liberal or flexible rules of origin may make it easy for a country's exporters to tap into the new FTA market, there is also the possibility that the importing country may see a huge influx of products, both where they were already import dependent and in the case of products where their respective partner countries have a competitive edge that they were not able to exploit because of either high tariffs or other types of trade barriers.

Therefore, due consideration needs to be accorded to the kind of rules being framed in trade agreements as they are likely to have an explicit impact on both the import and export prospects of a country. Policymakers of all negotiating countries need to ensure that trade negotiations result in a balanced outcome that focuses on maintaining consistency and harmonisation across FTAs to ensure that these support export sectors while ensuring a certain degree of protection or security against imports. Countries negotiating trade deals need to carefully understand and examine the concept of heterogeneity in regime wide rules and PSRs to ensure that their trade deals exude a balance between protecting domestic interests and providing them access to global markets.

Literature also highlights a similar understanding, emphasising the influence of rules of origin on both import and export prospects of countries engaged in trade negotiations. Highly stringent rules can provide import protection but may have adverse effects on export prospects at the same time; for too liberal rules of origin, the converse may be true. Thus, a combination of different modalities can give the policy space to balance a country's objectives of export promotion and efficient imports originating from partner countries (*Das, 2004*).

When policymakers understand and recognise the possible impacts of heterogeneity in rules and PSRs on their overall economic structure in general and on specific industries or sectors, it can help them design trade and development policies tailored to maximise their gains and enhance their competitiveness in the global market. A study on heterogeneity is also important from the futuristic perspective in today's world, driven by emerging technologies. Traditional PSRs may not always be best suited for industries characterised by rapid technological advances and might need to be updated with newer and more specific rules of origin.

The study of heterogeneity in rules of origin and product-specific rules is essential to enhance understanding and improving international trade systems. It ensures that trade agreements are designed efficiently, enabling the trading community to benefit from them while addressing the challenges posed by complex, varied rules. This understanding can drive economic integration, reduce trade barriers, enhance compliance and support more inclusive global trade policies.

1.3. General Methodology

This paper analyses two aspects of RoOs, i.e., regime-wide rules of origin and product specific rules of origin (PSRs) in India's FTAs to understand India's approach to RoO. Apart from looking at RoOs negotiated by India in its trade agreements, this paper also compares India's approach to that of Indonesia, Vietnam, and the Republic of Korea to understand the pattern and extent of heterogeneity in the approaches of these countries across their respective FTAs and how similar or dissimilar India's approach to RoOs is in comparison.

Indonesia and Vietnam have been chosen because the economic structures of these countries are similar to that of the Indian economy while the Republic of Korea has also been selected as it is relatively more advanced than India. In addition, the Republic of Korea has a large number of trade agreements and its partner nations are widely spread across the world. Considering India's FTAs along with those of the other three countries will give a broad picture of the FTAs of Asian economies with rest of the world.

Selection of trade agreements of India and the other selected countries

To carry out the analysis, select FTAs of India and the other countries have been chosen based on the two time periods in which India negotiated and signed several FTAs, i.e., 2005 to 2012 (referred to as Phase I from here on) and 2019 to 2024 (referred to as Phase II from here on). The FTAs of the other three countries have also been selected considering these time periods to facilitate a comparative understanding on the approach towards rules of origin adopted by these countries.

India's FTAs selected for Phase I include the India-Singapore Comprehensive Economic Cooperation Agreement (CECA), India-Association South East Asian Nations (ASEAN) FTA, India-Malaysia CECA, India-Japan Comprehensive Economic Partnership Agreement (CEPA) and India-Korea CEPA and for Phase II, the India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA), India-UAE CEPA, India-Australia Economic Cooperation and Trade Agreement (ECTA), and India-European Free Trade Association (EFTA) Trade and Economic Partnership Agreement (TEPA).

A conscious effort has been made to select both bilateral as well as regional FTAs of the other three countries. Both Indonesia and Vietnam have a large majority of their FTAs as part of the ASEAN bloc and, therefore, a majority of ASEAN's FTAs have been included in the analysis below. The ASEAN bloc's FTAs selected to represent FTAs signed during Phase I include the ASEAN-Japan CEP, ASEAN-Korea FTA, ASEAN-New Zealand and Australia FTA; the FTAs selected to represent Phase II include the ASEAN-Hong Kong FTA, Regional Comprehensive Economic Partnership (RCEP) and ASEAN-China FTA (even though it is an old agreement, the updated version of the chapter on rules of origin was released in 2019).

Some of ASEAN's FTAs can also be counted as agreements of other chosen countries like the Republic of Korea. For both Indonesia and Vietnam, some of their relatively recent FTAs like

Indonesia-Chile CEPA, Indonesia-EFTA CEPA, CPTPP, EU-Vietnam FTA and RCEP have also been included while Vietnam's FTA with Chile has been considered in Phase I.

Korea's FTAs selected for Phase I include the US-Korea FTA, Korea-Peru FTA, India-Korea CEPA and the ASEAN-Korea FTA; for Phase II, the analysis includes the RCEP, the Korea-Israel FTA and the UK-Korea FTA.

Thus, a total of 24 trade agreements have been included for the analysis of regime-wide RoOs and PSRs. Table 1 below shows the FTAs selected for both the phases.

Table 1: List of FTAs Analysed for Tracing Heterogeneity

Countries	Phase I (2005-2012)	Phase II (2019-2024)
India	India-Malaysia CECA India-Singapore CECA India-ASEAN FTA India-Japan CEPA India-Korea CEPA	India-Australia ECTA India-EFTA TEPA India-Mauritius CECPA India-UAE CEPA
Indonesia and Vietnam	ASEAN-Japan CEP (AJCEP) ASEAN-Korea FTA (AKFTA) ASEAN-New Zealand-Australia FTA (AANZFTA) Vietnam-Chile FTA	RCEP ASEAN-Hong Kong FTA (AHKFTA) ASEAN-China FTA (ACFTA) Indonesia-EFTA CEPA Indonesia-Chile CEPA CPTPP EU-Vietnam FTA
Republic of Korea	US-Korea FTA Korea-Peru FTA ASEAN-Korea FTA India-Korea FTA	RCEP Korea-Israel FTA UK-Korea FTA

Source: Author's compilation based on the official texts of the FTAs

Selection of different sectors for the analysis

The pattern and depth of heterogeneity in PSRs has been assessed for four sectors namely – agriculture and processed agricultural products, textiles and clothing, machinery, and automobiles. The purpose of selecting these sectors is to cover a wide range of products with different degrees of processing since PSRs are essentially governed by substantial processing. While agricultural products could be considered as the least processed ones, machinery and automobiles could be considered as some of the most processed ones. Further, these sectors account for almost half of the total HS 6-digit products under the HS classification.

The agriculture sector has been chosen because it is usually a sensitive issue in major countries. The sensitivity arises because, in many countries, agriculture is often the main source of livelihood for a significant section of the population. Consequently, securing farmers' income by providing a degree of protection against imports prompts many governments to push for a

higher level of stringency in providing preferential market access for these products to its trade and FTA partners. At the same time, analysing the agricultural sector offers us the opportunity to look into variations in PSRs for relatively simple products that may not require complex processing.

The machinery and automobile sectors have been included because these two sectors are export offensive sectors for many countries today and import defensive for others; besides, they cover a wide variety of products. These sectors serve to highlight the difference in approach likely to be adopted by countries with export and import interest to strike a healthy balance between maintaining policy space on their domestic sensitivities, catering to their individual export interests and yet, ensuring outcomes of mutual gain under a preferential trade agreement.

The selection of the textiles sector for the analysis in this paper is because there is no clear common pattern of offensive or defensive interest in this sector, leading to widely different approaches to PSRs by different countries because of a significant focus on the level and detailing of processing and production activities. This means that there are countries for whom this sector holds substantial export potential due to their productive strength and competitiveness while for others, it assumes a huge level of sensitivity, possibly driven by their lack of clear competitive advantage in textiles. Again, this calls for the right balance to be maintained during negotiations of trade agreements.

Preparation of the database

In order to carry out the analysis, a database with two components was prepared from the FTAs selected – one containing a set of questions related to regime-wide rules of origin and the second component mapping PSRs from each agreement for ease of analysing patterns and the extent of heterogeneity.

The PSR schedules under the official texts of selected FTAs were examined and the PSRs compiled at the HS 6-digit level for each sector under consideration. Since different FTAs were signed at different times, and the HS nomenclature has changed over time, this paper has used the most recent HS nomenclature, i.e., HS 2022, for the mapping exercise of these PSRs and thus, the PSRs under all selected FTAs have been transposed on this nomenclature.

The rules of origin facilitator⁷ has been used to bridge gaps that arose due to concordance issues and for cases where there were interpretation issues with respect to PSRs. Since different FTAs have different ways of presenting the PSRs, almost all the PSRs in the database have been categorised into commonly used PSR terminology/abbreviations to facilitate comparison (the categories of PSRs have been explained in the section on PSRs).

Analysis carried out under two broad sections

The paper has been divided into separate sections on regime-wide rules of origin and product specific rules of origin. Under the section on regime wide rules, the paper analyses the approach

⁷ Rules of Origin Facilitator <https://findrulesoforigin.org/>

adopted by India in its FTAs with respect to regime wide RoOs, including, apart from concepts specific to the domain of origin criteria and related provisions, important aspects of origin certification procedures primarily related to the concepts of certification and verification. India's approach to regime wide rules of origin has also been compared to the approaches of Indonesia, Vietnam and the Republic of Korea to understand the nature of similarities and dissimilarities in their approaches.

A similar approach has been adopted for the analysis of PSRs. The analysis also focuses on drawing a comparison between the general rule and PSRs, wherever applicable. Apart from capturing heterogeneity in the PSR approach as reflected in the comparative analysis for the FTAs of India and the three comparator countries, there is also focus on the level of stringency of the PSRs as well the drafting pattern of the PSRs. As mentioned before, an attempt has been made by the authors to prepare a database of PSRs for all the selected FTAs at the HS 6-digit level of the HS 2022 nomenclature to conduct this analysis.

For the PSR analysis, Indonesia and Vietnam have been considered together as they are a part of the ASEAN grouping while the comparison of India with the Republic of Korea has been done separately. Since all of ASEAN's agreements have been selected for this analysis along with some of the bilateral agreements of Indonesia and Vietnam, clubbing the two countries together will ensure that a repetition of analysis with ASEAN's agreements is avoided.

2. Heterogeneity in Regime-Wide Rules of Origin

This section focuses on the provision wise heterogeneity under the regime-wide rules of origin across India's FTAs and relative to the approach of other selected countries to understand the patterns of similarities and dissimilarities across FTAs. Only select provisions that are specifically relevant from India's point of view have been considered for this analysis.

2.1. Origin criteria

As explained above, the origin criteria under any free trade agreement lays down the conditions to be met by a product for it to be considered as originating in a party to the FTA or all parties to an FTA, as the case maybe, in order to get preferential treatment. Each FTA provides alternative ways to prove that the product has been conferred origin, which include the wholly obtained criterion, produced exclusively provision or substantial transformation. The alternatives prescribed may vary from agreement to agreement; however, it can be stated that each agreement has wholly obtained criteria and substantial transformation as alternatives while produced exclusively might not be present in all agreements.

Further, the nuances might vary within those alternatives although the broad criteria might be the same in various FTAs. For example, the products categorised under the wholly obtained criteria might slightly vary across FTAs – in the case of products obtained from live animals, for instance, some agreements would require the products to be obtained from 'animals born and raised in a party' while others might simply require them to be obtained from 'animals raised in a party'. Similarly, in the case of the substantial transformation requirement, some agreements might stipulate a single rule for all products called a 'general rule' while some would lay down 'product specific rules'; there could also be FTAs using a combination of general and product specific rules (these cases are explained in greater details in Section 3).

In India's FTAs, the broad origin criteria remain the same across all FTAs, i.e., the criteria of wholly obtained and substantial transformation specified as alternatives, including the most recent ones with EFTA and Australia. However, it does appear that there is a divergence in terms of how the substantial transformation requirement is specified in each of India's FTAs. This is discussed below.

In comparison to India's FTAs, most of the Indonesian, Vietnamese and Korean FTAs under consideration have the "produced exclusively" clause as an alternative to the wholly obtained and substantial transformation requirement. This indicates that the approach adopted by these countries has been more flexible than India's.

Table 2 outlines the origin criteria used in each of the FTAs under consideration.

Wholly obtained and substantial transformation are the common origin criteria in all the FTAs under consideration. Heterogeneity only appears when considering the conditions for substantial transformation in each FTA, which will be discussed in Section 3 and while going

into the nuances of wholly obtained products. At a broader level, the produced exclusively criteria is a case of striking heterogeneity when comparing India's FTAs with Indonesian, Vietnamese and the Republic of Korea's FTAs as most of them adopt this criterion as an alternative to the other two criteria, reflecting a more flexible approach.

Table 2: Origin Criteria under FTAs of India, Indonesia, Republic of Korea and Vietnam

Country	FTAs	Origin criteria
India	India-Malaysia CECA, India-Singapore CECA, India-ASEAN FTA, India-Japan CEPA and India-Korea CEPA, India-Australia ECTA, India-EFTA TEPA, India-Mauritius CECPA, and India-UAE CEPA.	WO or Substantial Transformation
Indonesia and Vietnam	ASEAN-Korea FTA, EU-Vietnam FTA, Vietnam-Chile FTA	WO or Substantial Transformation
	RCEP, ASEAN-Japan CEP, ASEAN-New Zealand-Australia FTA, ASEAN-China FTA, ASEAN-Hong Kong FTA, Indonesia-EFTA CEPA, Indonesia-Chile CEPA, CPTPP	WO or Produced Exclusively or Substantial Transformation
Republic of Korea	India-Korea CEPA, ASEAN-Korea FTA	WO or Substantial Transformation
	RCEP, Peru-Korea FTA, UK-Korea FTA, US-Korea FTA and Korea-Israel FTA	WO or Produced Exclusively or Substantial Transformation

Source: Author's Compilation based on the official texts of the FTAs

As discussed above, one of the criteria for proving the origin of the product is substantial transformation. To highlight the heterogeneity in detail, it is important to compare the rules present under each agreement, which will be covered in Section 3. However, a broader aspect is whether, in a particular agreement, the transformation takes place based on a) a general rule for all products b) product specific rules or c) a combination of both.

India's FTAs in Phase I have a combination of a general rule and PSRs except in the India-ASEAN FTA, where it is only the general rule, although there is a provision for including PSRs that has not been exercised so far. On the other hand, in Phase II, a majority of the FTAs only have the PSR approach with the exception of the India-Australia ECTA, where again it is a combination of a general rule and PSRs but with a provision to negotiate PSRs for all products.

Indonesia and Vietnam also have a similar approach as that of India with a majority of their FTAs in Phase I having a combination of a general rule and PSRs while in Phase II, it is the PSR approach in a majority of their FTAs.

In the case of Korea, however, a majority of the FTAs across the two phases have only the PSR approach.

Table 3 summarises the general rule vs. PSR approach across all the FTAs under consideration.

Although there is heterogeneity in the approach across the FTAs of each of the four countries, it can be observed that all four countries have adopted the PSR approach, a reflection perhaps of the realisation that a general rule might not fit in the case of all products.

Table 3: General Rule vs. PSR approach under FTAs of India, Indonesia, Republic of Korea, and Vietnam

Country	FTAs	Origin criteria
India	India-ASEAN FTA	General Rule
	India-EFTA TEPA, India-Mauritius CECPA, and India-UAE CEPA	PSRs
	India-Malaysia CECA, India-Singapore CECA, India-Japan CEPA and India-Korea CEPA, India-Australia ECTA	General Rule + PSRs
Indonesia and Vietnam	RCEP, Indonesia-EFTA CEPA, Indonesia-Chile CEPA, CPTPP, EU-Vietnam FTA	PSRs
	ASEAN-Japan FTA, ASEAN-New Zealand-Australia FTA, ASEAN-Hong Kong FTA, ASEAN-Korea FTA, ASEAN-China FTA, Chile-Vietnam FTA	General Rules + PSRs
Republic of Korea	RCEP, Peru-Korea FTA, UK-Korea FTA, US-Korea FTA, Israel-Korea FTA	PSRs
	ASEAN-Korea FTA, India-Korea FTA	General Rules + PSRs

Source: Author's Compilation based on the official texts of the FTAs

As mentioned earlier, there are different criteria used to ensure that there is substantial transformation both under the general and product specific rules. These basically include the 'change in tariff classification rule' or the 'value addition rule' or 'specific processes', which are discussed in greater detail in Section 3.

However, specific to the value addition criteria, it is important to highlight that each FTA either sets threshold percentages for local/domestic value addition taking place in a partner country or the imported value content requirements. How these thresholds are calculated, thus, becomes an important aspect to be analysed. There are different methods used for calculating local/domestic value content or the imported value content. Usually, there are three broad methods: 'build-up method' in which all domestic production costs and profit are added up to determine the domestic value content, the 'build down method', which entails deducting the value of non-originating materials from the value of the final product to reach the domestic value content, and the 'imported value content requirement', which is basically the proportion of value of non-originating material to the value of final product. There could be variation in the elements included in each of the three methods.

India under most of its FTAs provides an option to use either the build-up method or the build-down method, except in the India-Korea CEPA, which has specified only the build-down method. Although most FTAs have the option of using either the build-up or a build-down method, it can be observed that there is heterogeneity across FTAs in the elements of the formulae, specifically in the case of build-up method. In its most recent agreement with EFTA, however, India has deviated from its conventional practice and adopted the EFTA's approach of using the imported value content requirement.

Unlike India, none of these is dominant in the approach of Indonesia and Vietnam across FTAs as some have both build-up and build-down as alternatives while some have only included the build-down method and some have only included import content requirements. So, no single pattern can be observed in their case and thus, there is evidence of clear heterogeneity. Moreover, in the case of Vietnam, CPTPP has two other formulae as alternatives to the build-up and build-down method, i.e., the focused value method and net cost method.

The same is the case with the Republic of Korea, as there is a different approach across different agreements. In addition, the US-Korea FTA has a third formula, i.e., the net cost method as an alternative to the build-up and build-down method.

Table 4 gives the different formulae used to calculate value addition or import content requirements across the FTAs under consideration

Table 4: Types of methods used for calculating domestic value addition under FTAs of India, Indonesia, the Republic of Korea and Vietnam

FTA	Build-Up/Direct Method	Build-Down/indirect method	Other methods
India-EFTA TEPA	NA	NA	Import content requirement (No formula)
India-Australia ECTA	$RVC/QVC = \frac{VOM}{FOB} \times 100$	$RVC/QVC = \frac{FOB - VNM}{FOB} \times 100$ (In case of UAE in the same formula there is an option of using either FOB or EXW)	NA
India-UAE CEPA	$\frac{\text{Cost of originating material} + \text{labour cost} + \text{overhead cost}}{FOB/EXW} \times 100$		
India-Mauritius CECPA	$QVC = \frac{VOM + \text{labour cost} + \text{overhead cost} + \text{Profit}}{FOB} \times 100$		
India-Japan CEPA			
India-Korea CEPA	NA		
India-Malaysia CECA	$QVC = \frac{VOM + \text{labour cost} + \text{overhead cost} + \text{other costs} + \text{Profit}}{FOB} \times 100$		

FTA	Build-Up/Direct Method	Build-Down/indirect method	Other methods
India-ASEAN FTA	$QVC = \frac{VOM + labour\ cost + overhead\ cost + Profit}{FOB} \times 100$	$\frac{VNM}{FOB} \times 100 \leq$	
India-Singapore CECA			
Indonesia and Vietnam			
RCEP	$\frac{RVC}{\times 100} = \frac{Material\ cost + VOM + Labour\ cost + overhead\ cost + profit + other\ costs}{FOB}$	$RVC/VCC = \frac{FOB - VNM}{FOB} \times 100$	NA
ASEAN-New Zealand-Australia FTA			
ASEAN-Hong Kong FTA			
ASEAN-Korea FTA	$RVC = \frac{VOM}{FOB} \times 100$		
ASEAN-Japan CEP	NA		
ASEAN-China FTA			
Indonesia-Chile CEPA			
Chile-Vietnam FTA			
CPTPP	$RVC = \frac{VOM}{Value\ of\ the\ good} \times 100$	$\frac{RVC}{\times 100} = \frac{Value\ of\ the\ good - VNM}{Value\ of\ the\ good}$	<p><i>Focused Value Method</i></p> $\frac{RVC}{\times 100} = \frac{Value\ of\ the\ good - FVN}{Value\ of\ the\ good}$ <p><i>Net Cost Method (for Automotive Goods Only)</i></p> $\frac{RVC}{\times 100} = \frac{NC - VNM}{NC}$
Indonesia-EFTA CEPA, EU-Vietnam FTA	NA	NA	Import Content requirement (No formula)
ASEAN-India FTA	Covered under above agreements		
Republic of Korea			

FTA	Build-Up/Direct Method	Build-Down/indirect method	Other methods
US-Korea FTA	$RVC = \frac{VOM}{AV} \times 100$	$RVC = \frac{AV - VNM}{AV} \times 100$	Net Cost Method (for Automotive Goods) $RVC = \frac{NC - VNM}{NC} \times 100$
Peru-Korea FTA	$RVC = \frac{VOM}{FOB} \times 100$	$RVC = \frac{FOB - VNM}{FOB} \times 100$	
UK-Korea FTA, Israel-Korea FTA	NA	NA	Import Content requirement (No formula)
India-Korea CEPA, ASEAN-Korea CEPA and RCEP	Covered under above agreements		

Source: Author's compilation based on the official texts of the FTAs

Note: RVC: regional value content; QVC: qualifying value content; VOM: value of originating materials; FOB: free on board; VNM: value of non-originating materials; NC: net cost; AV: average value; EXW: ex-works price; VCC: value content criterion

It can be observed that the price basis for the export valuation of the final product is different across the FTAs. In the case of India's FTAs, free on board (FOB) is the prominent one with the exceptions of the India-UAE CEPA and the India-EFTA TEPA, where there is an alternative price basis of ex-works price (EXW) along with FOB.

The price basis for export value of the final good to be used for the value addition formula in the case of Indonesia is FOB for all agreements under consideration except Indonesia-EFTA CEPA where it is EXW. For Vietnam too, it is FOB in most agreements except the EU-Vietnam FTA where it is EXW and CPTPP where it is transactions value or net cost.

The Republic of Korea has FOB under the ASEAN-Korea FTA, the RCEP and the Peru-Korea FTA while in the case of US-Korea FTA, net cost and average value has been used. In the case of the UK-Korea FTA and Israel-Korea FTA, it is only EXW. Table 5 lists the price basis under different agreements under consideration.

There is variation in the value addition approach within the FTAs of all the countries under consideration as well as across countries. A broad observation here is that European FTAs of

EU, EFTA and the UK follow the import content requirement approach and use EXW as the price basis; there is consistency in their approach as reflected in the comparison above.

Table 5: Price basis used for value addition formulae under FTAs of India, Indonesia, Republic of Korea and Vietnam

Country	FTAs	Price Basis
India	India-Malaysia CECA, India-Singapore CECA, India-ASEAN FTA, India-Japan CEPA and India-Korea CEPA, India-Australia ECTA, India-Mauritius CECPA,	FOB
	India-EFTA TEPA, India-UAE CEPA.	FOB/EXW
Indonesia and Vietnam	ASEAN-Korea FTA, RCEP, ASEAN-Japan CEP, ASEAN-New Zealand-Australia FTA, ASEAN-China FTA, ASEAN-Hong Kong FTA, Indonesia-Chile CEPA, Vietnam-Chile FTA	FOB
	Indonesia-EFTA CEPA, EU-Vietnam FTA	EXW
	CPTPP	Value of the good and NC
Republic of Korea	India-Korea CEPA, ASEAN Korea FTA, RCEP, Peru-Korea FTA	FOB
	US-Korea FTA	Net Cost/Average Value
	UK-Korea FTA, Korea-Israel FTA	EXW

Source: Author's Compilation based on the Official texts of the FTAs

2.2. Absorption/Roll up principle

The absorption principle, as a concept, has always remained a point of contention for India due to the understanding that such a provision leaves scope for incorporation or use of more non-originating materials in the final product than the stipulated limit. Therefore, until recently, India's FTAs did not include this provision. However, in India's most recent FTA with EFTA countries, India has finally deviated from its conventional position and has adopted this principle, converging with global practices.

Indonesia and Vietnam reflect a mixed approach as some of their agreements include this principle while some of them do not, irrespective of the phase these FTAs belong to.

Most of Korea's agreements, whether signed in Phase I or Phase II, have included the absorption principle; the exceptions are the India-Korea CEPA, US-Korea FTA and the ASEAN-Korea FTA. Table 6 gives the FTAs in which the absorption principle has been incorporated.

Although there appears heterogeneity across the FTAs under consideration, there is increasing adoption of the absorption principle in FTAs, arising partly from the engagement of countries in global value chains and the complex nature of production processes.

Table 6: Absorption/Roll- up principle under FTAs of India, Indonesia, the Republic of Korea and Vietnam

Country	FTAs	Absorption principle
India	India-ASEAN FTA, India-Mauritius CECPA, India-UAE CEPA, India-Malaysia CECA, India-Singapore CECA, India-Japan CEPA, India-Australia India- Korea CEPA	Not Present
	India-EFTA TEPA	Present
Indonesia and Vietnam	RCEP, ASEAN-Japan CEP, Indonesia-EFTA CEPA, CPTPP, EU-Vietnam FTA, ASEAN- China FTA	Present
	ASEAN-Korea FTA, ASEAN-New Zealand-Australia FTA, ASEAN-Hong Kong FTA, Indonesia-Chile CEPA, Chile-Vietnam FTA	Not Present
Republic of Korea	Israel-Korea FTA, RCEP, Peru-Korea FTA, UK-Korea FTA	Present
	India-Korea CEPA, ASEAN-Korea FTA, USA-Korea FTA	Not Present

Source: Author's Compilation based on the official texts of the FTAs

2.3. Cumulation

Cumulation/accumulation is a provision that provides flexibility in rules of origin; however, the degree of flexibility varies, depending on the type of cumulation used in an FTA. A lot of modern-day FTAs are adopting cumulation with a greater degree of flexibility as countries are becoming more value chain facilitative and a cumulation provision offering higher flexibility can help such facilitation.

India has a homogeneous approach under its FTAs as so far; only bilateral cumulation has been adopted across its FTAs, except for the India-ASEAN FTA, where it can be interpreted to be diagonal cumulation (refer to Box 6 for definition) given there are more than two members to this agreement.

In the case of Indonesia and Vietnam, since most of the agreements are regional in nature, they have diagonal cumulation in such agreements. With Chile, the two countries have included provisions on bilateral cumulation. However, Vietnam's agreements with EU and CPTPP have included full cumulation and third party cumulation respectively, highlighting the heterogeneous approach across their agreements in recent years.

In the case of the Republic of Korea, heterogeneity is visible across different agreements with provisions ranging from bilateral cumulation to full cumulation. These are spread across the two phases. Table 7 summarises the type of cumulation under the different agreements under consideration

India has a consistent approach across a majority of its FTAs of adopting bilateral cumulation but the other three countries have a more heterogeneous approach across FTAs, indicating a more flexible approach in some FTAs. Thus, it can be said that India has a relatively conservative approach compared to the other three countries.

Table 7: Type of cumulation under the FTAs of India, Indonesia, Republic of Korea, and Vietnam

Country	FTAs	Type of cumulation
India	India-Mauritius CECPA, India-UAE CEPA, India-Malaysia CECA, India-Singapore CECA, India-Japan CEPA, India-Australia India-Korea CEPA and India-EFTA TEPA	Bilateral Cumulation
	India-ASEAN FTA	Diagonal Cumulation
Indonesia and Vietnam	ASEAN-Korea FTA, ASEAN-New Zealand-Australia FTA, ASEAN-China FTA, ASEAN-Hong Kong FTA, ASEAN-Japan CEPA, RCEP, Indonesia-EFTA CEPA,	Diagonal Cumulation
	Indonesia-Chile CEPA, Vietnam-Chile FTA	Bilateral cumulation
	CPTTP	Full Cumulation
	EU-Vietnam FTA	Bilateral Cumulation and Third party Cumulation ⁸
Republic of Korea	India-Korea CEPA, Korea-Israel FTA	Bilateral Cumulation
	RCEP, ASEAN-Korea FTA	Diagonal
	Peru-Korea FTA, USA-Korea FTA	Bilateral and Full Cumulation
	UK-Korea FTA	Bilateral Cumulation and Third party Cumulation

Source: Author's assessment

2.4. De Minimis/Tolerance

As discussed above, de minimis is a flexibility under rules of origin and it can vary from chapter to chapter in terms of the percentages as well as the unit, i.e., weight or value. This flexibility is provided under the CTC rule, which stipulates that the final product would be considered originating even if a certain percentage of the non-originating material does not meet the required CTC rule, provided it meets all the other requirements stipulated to confer origin.

⁸Access2Markets: <https://trade.ec.europa.eu/access-to-markets/en/content/eu-vietnam-free-trade-agreement#:~:text=The%20EU%2DVietnam%20Free%20Trade,given%20it%20their%20formal%20consent.&text=opens%20up%20Vietnam's%20market%20for,example%20in%20transport%20and%20telecoms.>

India takes different approaches to the de minimis provision in its free trade agreements (FTAs). The India-ASEAN FTA and India-Singapore CECA do not include any de minimis provisions, while the India-Mauritius CECPA allows the highest level – 12.5 per cent – for all chapters, including wholly obtained products. However, for textile products, the de minimis is consistently set at 7 per cent by weight, in line with other agreements. The exceptions to this are the India-Malaysia CECA (where it is 8 per cent) and the India-Mauritius CECPA and the India-Australis ECTA (where it is 10 per cent). Apart from this, the India-UAE introduced a new provision where a de minimis of 1 per cent is applicable on WO products. Details on the de minimis thresholds are provided in Table 8.

Table 8: De minimis criteria under India's FTAs

India's FTAs	De Minimis Criterion
India-EFTA TEPA	For all chapters – 10% FOB/EXW
India-Australia ECTA	For all chapters (except 50-63) where CTC rule applies – 10% of FOB Ch. 50-63 – 10% of the weight of the product
India-UAE CEPA	For all chapters (except 50-63) – 10% of FOB/EXW Ch. 50-63 – 7% of weight of the product/10% of FOB/EXW 1% for WO products
India-Mauritius CECPA	For all chapters (except 50-63) – 12.5% of FOB Ch. 50-63 – 7% of total weight of the materials
India-Japan CEPA	For chapters 15-24 (except 1604.20, 1605.20, 1605.90, 2101.11, 2101.20, 2106.10, 2106.90, 2207.10 and 2207.20), 2501.00, 2906.11, 2918.14, 2918.15, 2940.00, 3505.10, 3505.20, 3809.10 and 3824.60) – 7% of FOB For chapters 28 through 49 (except 2905.44, 2906.11, 2918.14, 2918.15, 2940.00, 3502.11, 3502.19, 3505.10, 3505.20, 3809.10, 3824.60, 4601.29, 4601.94 and 4602.19) and 64 through 97 – 10% of FOB chapters 50 through 63 (except 5001.00, 5003.00, heading 51.02, 51.03, 52.01 through 52.03, 53.01 and 53.02) – 7% in weight of the product
India-Korea CEPA	For all chapters (except 1-14 & 50-63) – 10% of FOB Chapters 50-63 – 7% of the total weight of the basic textile materials
India-Singapore CECA	No Provision on de minimis
India-ASEAN FTA	No Provision on de minimis
India-Malaysia CECA	For all chapters (except 1-14 & 50-63) – 10% of FOB Ch. 50-63 – 8% of the total weight of the basic textile materials

Source: Author's compilation based on the official texts of the FTAs

Indonesia and Vietnam taken together have a consistent approach of 10 per cent de minimis for a majority of the products. The exception is the Indonesia-EFTA CEPA in which the de minimis

requirement is 20 per cent, the highest among all the FTAs under consideration. However, there is a heterogeneous approach across their FTAs in the textile and clothing sector in terms of percentage as well as the unit. Table 9 contains details on the de minimis criteria in the FTAs of Indonesia and Vietnam.

Table 9: De Minimis criteria under FTAs of Indonesia and Vietnam

Indonesia and Vietnam's FTA	De Minimis criteria
AANZFTA, ACFTA	For all Ch. (except Ch. 50-63) – 10% of FOB For Ch. 50-63 – 10% by weight of the good/FOB
AJFTA	For Ch. 16,19, 20, 22, 23, 28- 49, and 64-97 – 10% of FOB 1803.10, 1803.20 and 1805.00 – 10% of FOB 2103.90 – 7% of FOB For Ch. 50-63 – 10% be weight of the good
Chile-Vietnam FTA, AHKFTA	For all Ch. – 10% of FOB
Indonesia-Chile CEPA, AKFTA, RCEP	For all Ch. (except Ch. 50-63) – 10% of FOB For Ch. 50-63 – 10% by weight of the good
CPTPP	For all Ch. (except Ch. 50-63 and some products under Ch 1-24) – 10% of FOB For Ch. 50-60 – 10% by weight of the product For Ch. 61-63 – goods that contain non-originating fibres or yarns in the component that determine the tariff classification of the good- – total weight of fibre and yarn does not exceed 10% of the weight of the component of the good.
EU-Vietnam FTA	For Ch. 2, 4-24 (except processed fish products under Ch. 16) – 10% by net weight/ EXW For Ch. 25-97 (except Ch. 50-63) – 10% of EXW No de minimis for WO products For Ch. 50-63 – 10 % or less of the total weight of all the basic textile material. For products incorporating "yarn made of polyurethane segmented with flexible segments of polyether, whether or not gimped" – 20 % or less of the total weight of all the basic textile material. products incorporating "strip consisting of a core of aluminium foil or of a core of plastic film, whether or not coated with aluminium powder, of a width not exceeding 5 mm, sandwiched by means of a transparent or coloured adhesive between two layers of plastic film" – 30% or less of the total weight of all the basic textile material. For made-ups – 8% of EXW
Indonesia- EFTA FTA	For all Ch. – 20% of the EXW

Source: Author's compilation based on the official texts of the FTAs

The case of the Republic of Korea is similar – all agreements have a homogeneous approach of a de minimis of 10 per cent by the value of the product for all chapters (excluding chapters 50-63) while a heterogeneous approach is observed in the case of the textile and clothing sector. Table 10 contains details on the de minimis criteria in Korea's FTAs.

Table 10: De minimis criteria under Korea's FTAs

Korea's FTAs	De Minimis criteria
Korea-Peru FTA	For all Ch. (except Ch. 1-14 and Ch. 50-63) – 10% of FOB For Ch. 50-63 - 10% by weight of the good
Israel-Korea FTA	For all Ch. (except Ch. 1-14 and Ch. 50-63) – 10% of FOB For Ch.50-63 – 10% by weight of the component
UK-Korea FTA	For all Ch. (except Ch. 50-63) – 10% of EXW For Ch. 50-63) – 10 % or less of the total weight of all the basic textile material. For products incorporating "yarn made of polyurethane segmented with flexible segments of polyether, whether or not gimped" – 20 % or less of the total weight of all the basic textile material. products incorporating "strip consisting of a core of aluminium foil or of a core of plastic film whether or not coated with aluminium powder, of a width not exceeding 5 mm, sandwiched by means of a transparent or coloured adhesive between two layers of plastic film" – 30 % or less of the total weight of all the basic textile material. For made-ups – 8% of EXW
US-Korea FTA	For all Ch. (except Ch. 50-63 and some products under Ch. 1-24) – 10% of adjusted value For Ch. 50-63 – 7% by weight of the component

Source: Authors' compilation based on the official texts of the FTAs

It can be observed in most of India's FTAs as well as those of the other three countries that the de minimis is 10 per cent by weight or value. However, the coverage of chapters may differ across FTAs. Further, this de minimis is as low as 1 per cent and as high as 20 per cent across the FTAs

2.5. Minimal Operations

Until now, the rules that have been discussed stipulate the conditions to be met for a product to be conferred origin. However, there is yet another rule that lays down various operations, which will not be considered sufficient or will not lead to a substantial transformation to confer origin if performed as standalone operations or as a combination of multiple operations during the production of a product. These operations are referred to as minimal operation or insufficient working or processing or non-qualifying operations and is found across a majority of FTAs, although the coverage and scope of operations may vary across FTAs. These operations are broadly general in nature, applying to a wide range of products such as preservation operations

during transportation and storage or packaging operations or simple activities that need neither special skills nor machines, apparatus or equipment specially produced or installed for carrying out the activity. However, some operations might be specific to particular products like agricultural products or textile products.⁹

India, across its FTAs has adopted an all-encompassing list of minimal operations covering processes related to preservation, packaging, simple operations, simple activities requiring no skill or machinery, textile related operations and agriculture related operations.

The FTAs of Indonesia and Vietnam also include a majority of the operations found in India's FTAs except the CPTPP and the ASEAN-China FTA in which the list is comparatively shorter than in others. In fact, in the case of the CPTPP, this list is not placed in the rules of origin chapter but under trade in goods chapter. Further, it can be observed that there is a specific operation, "facilitating shipment and transportation", that is found only in the Australia-New Zealand-ASEAN FTA and the ASEAN-China FTA.

The US-Korea FTA have no minimal operations specified in the text. While the other FTAs under consideration have listed operations similar to that under India's FTAs, the coverage varies in each.

Table 11 provides a list of the operations in the FTAs of India and the three comparator countries.

There is limited heterogeneity in minimal operations across the FTAs of India. The Indonesian and Vietnamese agreements have an approach similar to India's; however, there are a few exceptions like the CPTPP and the ASEAN-China FTA where the scope of this provision is limited to only a few operations. The Republic of Korea's agreements are similar as well, with the exception of US-Korea FTA, where the operations listed are more limited.

Table 11: Minimal Operations under the FTAs of India, Indonesia, Vietnam and Republic of Korea

Minimal Operations	India	Indonesia and Vietnam	Republic of Korea
Preserving operations to ensure that a product remains in good condition during transport and storage	India-EFTATEPA, AIECTA, IMCECPA, India-UAE CEPA, IJCEPA, IKCEPA, IMCECA, ISCECA, AIFTA	AJCEP, AANZFTA, AKFTA, ACFTA, AHKFTA, RCEP, Chile-Vietnam FTA, Indonesia-EFTA CEPA, EU-Vietnam	Korea-Israel FTA, Korea-Peru FTA, UK-Korea FTA

⁹ In order to capture the similarities or dissimilarities across the FTAs of India and the other three countries, minimal operations under the India-EFTA TEPA (being India's latest approach) has been taken as the base and a comparison has been drawn if those operations are present in other FTAs of India and the other three countries. However, additional operations in FTAs other than the India-EFTA TEPA have also been considered. Further, there is a possibility, that certain operations might not exactly be the same in scope in other FTAs as in the India-EFTA TEPA. The endeavour here is to capture the broad categories of operations present in different FTAs and not the exact coverage of each operation.

Minimal Operations	India	Indonesia and Vietnam	Republic of Korea
		FTA, Indonesia-Chile CEPA, CPTPP	
Freezing or thawing	India-EFTATEPA, IMCECPA, India-UAE CEPA, IJCEPA, IKCEPA, ISCECA, AIFTA	AJCEP, Chile-Vietnam FTA, Indonesia-EFTA CEPA, Indonesia-Chile CEPA	
Facilitating shipment and transportation		AANZFTA, ACFTA	
Packaging and re- packaging/simple changing of packaging or breaking-up and assembly of packages	India-EFTATEPA, AIECTA, IMCECPA, India-UAE CEPA, IJCEPA, IKCEPA, IMCECA, ISCECA, AIFTA	AJCEP, AANZFTA, AKFTA, ACFTA, AHKFTA, RCEP, Chile- Vietnam FTA, Indonesia- EFTA CEPA, EU-Vietnam FTA, Indonesia-Chile CEPA, CPTPP	Korea-Israel FTA, Korea-Peru FTA, UK- Korea FTA
Simple placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations	India-EFTATEPA, IMCECPA, India-UAE CEPA, IJCEPA, IJCEPA, IKCEPA, IMCECA, ISCECA, AIFTA	AJCEP, AKFTA, AHKFTA, Chile- Vietnam FTA, Indonesia- EFTA CEPA, EU-Vietnam FTA, Indonesia-Chile CEPA, CPTPP	Korea-Israel FTA, Korea-Peru FTA, UK- Korea FTA
Washing, cleaning, removal of dust, oxide, oil, paint or other coverings	India-EFTATEPA, IMCECPA, India-UAE CEPA, IJCEPA, IKCEPA, IMCECA, ISCECA, AIFTA	AANZFT, AKFTA A, AHKFTA, Chile- Vietnam FTA, Indonesia-EFTA CEPA, EU-Vietnam FTA, Indonesia-Chile CEPA	Korea-Israel FTA, Korea-Peru FTA
Simple painting and polishing	India-EFTATEPA, AIECTA, IMCECPA, India-UAE CEPA, IKCEPA, IMCECA, ISCECA	AKFTA, AHKFTA, RCEP, Chile-Vietnam FTA, Indonesia-EFTA CEPA, EU-Vietnam FTA, Indonesia-Chile CEPA	Korea-Israel FTA, Korea-Peru FTA, UK- Korea FTA
Sharpening, simple grinding or simple cutting	India-EFTATEPA, AIECTA, IMCECPA, India-UAE CEPA, IJCEPA, IKCEPA, IMCECA, ISCECA, AIFTA	AKFTA, AHKFTA, RCEP, Chile-Vietnam FTA, Indonesia-EFTA CEPA, EU-Vietnam FTA, Indonesia-Chile CEPA	Korea-Israel FTA, UK-Korea FTA
Sifting, screening, sorting, classifying, grading, matching	India-EFTATEPA, AIECTA, IMCECPA, India-UAE CEPA, IJCEPA, IKCEPA,	AANZFTA, AHKFTA, RCEP, Chile-Vietnam FTA, Indonesia-EFTA	Korea-Israel FTA, UK-Korea FTA

Minimal Operations	India	Indonesia and Vietnam	Republic of Korea
	IMCECA, ISCECA, AIFTA	CEPA, EU-Vietnam FTA, Indonesia-Chile CEPA	
Ironing or pressing of textiles/other textile related operations such as dyeing, bleaching, trimming, dry cleaning, attaching of accessories, etc.	India-EFTATEPA, AIECTA, IMCECPA, India-UAE CEPA, IKCEPA, IMCECA, AIFTA	Indonesia-EFTA CEPA, EU-Vietnam FTA	Korea-Israel FTA, Korea-Peru FTA, UK-Korea FTA
Affixing or printing marks, labels, logos and other similar distinguishing signs on products or their packaging	India-EFTATEPA, AIECTA, IMCECPA, India-UAE CEPA, IJCEPA, IKCEPA, IMCECA, ISCECA, AIFTA	AANZFTA, AKFTA, AHKFTA, RCEP, Chile-Vietnam FTA, Indonesia-EFTA CEPA, EU-Vietnam FTA, Indonesia-Chile CEPA	Korea-Israel FTA, UK-Korea FTA
Operations to colour sugar or form sugar lumps	India-EFTATEPA, IMCECPA, India-UAE CEPA, IKCEPA	AKFTA, AHKFTA, Indonesia-EFTA CEPA, EU-Vietnam FTA	Korea-Israel FTA, UK-Korea FTA
Husking, partial or total bleaching, polishing and glazing of cereals and rice	India-EFTATEPA, IMCECPA, India-UAE CEPA, IKCEPA	AKFTA, AHKFTA, Chile-Vietnam FTA, Indonesia-EFTA CEPA, EU-Vietnam FTA, Indonesia-Chile CEPA	Korea-Israel FTA, Korea-Peru FTA, UK-Korea FTA
Peeling and removal of stones and shells from fruits, nuts and vegetables	India-EFTATEPA, AIECTA, IMCECPA, India-UAE CEPA, IKCEPA	AKFTA, AHKFTA, RCEP, Indonesia-EFTA CEPA, EU-Vietnam FTA	Korea-Israel FTA, UK-Korea FTA
Simple dilution in water or other substances, providing that the characteristics of the goods remain unchanged	AIECTA, IJCEPA, IKCEPA, IMCECA, ISCECA, AIFTA	AANZFTA, RCEP, Chile-Vietnam FTA, EU-Vietnam FTA, Indonesia-Chile CEPA, CPTPP	Korea-Israel FTA
Simple mixing of products, whether or not of different kinds	India-EFTATEPA, AIECTA, IMCECPA, India-UAE CEPA, IJCEPA, IKCEPA, IMCECA, ISCECA, AIFTA	AJCEP, AKFTA, AHKFTA, RCEP, Chile-Vietnam FTA, Indonesia-EFTA CEPA, EU-Vietnam FTA, Indonesia-Chile CEPA	Korea-Israel FTA, Korea-Peru FTA, UK-Korea FTA
Simple testing and calibrations	MCECPA, India-UAE CEPA, IKCEPA	AKFTA, AHKFTA, Chile-Vietnam FTA, Indonesia-Chile CEPA	Korea- Israel FTA, UK-Korea FTA
Simple assembly of parts of articles to constitute a complete article or disassembly of products into parts	India-EFTATEPA, AIECTA, IMCECPA, India-UAE CEPA, IJCEPA, IKCEPA,	AKFTA, AHKFTA, RCEP, Chile-Vietnam FTA, Indonesia-EFTA	Korea-Israel FTA, Korea- Peru FTA, UK-Korea FTA

Minimal Operations	India	Indonesia and Vietnam	Republic of Korea
	IMCECA, ISCECA, AIFTA	CEPA, EU- Vietnam FTA, Indonesia-Chile CEPA	
A combination of two or more operations	India-EFTATEPA, AIECTA, IMCECPA, India-UAE CEPA, IJCEPA, IKCEPA, IMCECA, ISCECA, AIFTA	AJCEP, AKFTA, AHKFTA, RCEP, Indonesia-EFTA CEPA, EU-Vietnam FTA, Indonesia-Chile CEPA, CPTPP	Korea-Israel FTA, Korea-Peru FTA, UK-Korea FTA
Slaughter of animals	India-EFTATEPA, AIECTA, IMCECPA, India-UAE CEPA, IJCEPA, IKCEPA, IMCECA, ISCECA, AIFTA	AKFTA, AHKFTA, RCEP, Indonesia-EFTA CEPA, EU-Vietnam FTA	Korea-Israel FTA, Korea-Peru FTA, UK-Korea FTA

Source: Author's compilation based on the official texts of the FTAs

2.6. Certification

The next issue is the origin certification/ proof of origin of products for preferential treatment under an FTA based on the rules stipulated in it. Such proof of origin can either be issued by a designated authority in the form of a certificate or it can be a self-declaration/self-certification or both.

Although it has not shifted completely from an authority-based scheme of certification, India is gradually moving towards a self-certification scheme as is evident from recent agreements such as the India-EFTA TEPA, which offers the options of self-certification, authority-based certification and approved exporter scheme. Similarly, the India-UAE CEPA and the India-Mauritius CECPA provide for approved exporter certification (based on the review of the agreement) and authority-based certification. All the remaining trade agreements provide only for authority-based certification. Table 12 gives the system of certification adopted under India's FTAs.

Table 12: Types/systems of certification in India's FTAs

Agreements	System of Certification		
	Self-Certification by trader	Certification by Authority	Self-Certification by Approved Exporter
India-EFTA TEPA	Yes	Yes	Yes
India-Mauritius CECPA and India-UAE CEPA	No	Yes	Yes
India-Australia ECTA, India-Japan CEPA, India-Korea	No	Yes	No

Agreements	System of Certification		
	Self-Certification by trader	Certification by Authority	Self-Certification by Approved Exporter
CEPA, India-ASEAN FTA, India-Malaysia CECA and India-Singapore CECA			

Source: Author's assessment

In the case of Indonesia and Vietnam taken together, a similar pattern can be observed with a majority of the selected FTAs having provision only for authority-based certification. In Phase II, Indonesia-EFTA CEPA provides a choice between self-certification by an approved exporter and authority-based certificates while the CPTPP, RCEP and EU-Vietnam FTA provide for all three options, i.e., authority-based, self-certification by the trader and self-certification by an approved exporter. Table 13 highlights the system of certification adopted in the different agreements of Indonesia and Vietnam.

Table 13: Types/systems of certification in the FTAs of Indonesia and Vietnam

Agreements	System of Certification		
	Certification by Authority	Self-Certification by trader	Self-Certification by Approved Exporter
Indonesia-EFTA CEPA	No	Yes	Yes
ASEAN-Japan CEP, ASEAN-Korea FTA, ASEAN-Hong Kong FTA, ASEAN-China FTA and ASEAN-Australia & New Zealand FTA, Indonesia-Chile CEPA, Vietnam-Chile FTA	Yes	No	No
RCEP, EU-Vietnam FTA, CPTPP	Yes	Yes	Yes

Source: Author's assessment

There is no pattern in the Korean FTAs. In fact, out of all the countries under consideration, Korea is the only one where there are certain FTAs in which authority-based certification is not present while the other two systems are. The US-Korea FTA has only self-certification by the trader while the UK-Korea FTA has the option of approved exporter certification as well as self-certification by the trader. Table 14 highlights the system of certification adopted in Korea's FTAs.

Table 14: Types/systems of certification in Korea's FTAs

Agreements	System of Certification		
	Self-Certification by trader	Certification by Authority	Self-Certification by Approved Exporter
UK-Korea FTA	Yes	No	Yes
US-Korea FTA	Yes	No	No
Israel-Korea FTA ¹⁰ and RCEP	Yes	Yes	Yes
India-Korea CEPA and ASEAN-Korea FTA	No	Yes	No
Peru- Korea FTA	Yes	Yes	Yes

Source: Author's assessment

In cases where an FTA allows multiple certification methods as alternatives, it may reflect different preferences among the parties to the FTA.

Clearly, the approach to certification in the case of all four countries depends on their trading partners. FTAs with EU, EFTA and USA necessarily include self-certification. It is also apparent that India, Indonesia and Vietnam are gradually moving towards self-certification while authority-based certification still prevails as an option. The Republic of Korea has a more advanced approach with self-certification being the most prevalent option.

2.7. Verification

As discussed in the previous section, another important provision in the origin procedures is verification. The customs authority of an importing party under an FTA might carry out verification of proof of origin at random or whenever the importing party has reasonable doubts regarding the authenticity of documents submitted as proof or the originating status of the goods concerned or the fulfilment of the other requirements of rules of origin. Different FTAs involve different verification steps.

Except for the India-Singapore CECA, all the remaining Indian FTAs have a combination of both direct and indirect verification; the India-Singapore CECA provides for an indirect verification process.

In the case of Indonesia and Vietnam, while the ASEAN FTAs, the RCEP, the Chile-Vietnam FTA and the Indonesia-Chile CEPA have a combination of verification processes, the CPTPP has direct verification, and the Indonesia-EFTA CEPA and the EU-Vietnam FTA have indirect verification.

¹⁰ In case of Israel- Korea FTA, one option for proof of origin is self- declaration by any exporter, where the value of the originating good does not exceed USD 1000.

The Republic of Korea has a combination of verification processes under most of its FTAs except for the US-Korea FTA, where it is direct verification, and the UK- Korea FTA where it is indirect verification. The details of the types of verification procedures under the selected FTAs have been provided in Table 15.

Although there exists heterogeneity in the verification provision, there is no clear pattern of heterogeneity. India has a combination of verification processes under most of its FTAs and so do Indonesia, Vietnam and the Republic of Korea. However, for each these countries, a few FTAs follow either direct verification or indirect verification.

Table 15: Types/systems of verification in FTAs of India, Indonesia, Vietnam and Korea

Country	FTAs	Type of verification
India	India-EFTA TEPA, India-Australia ECTA, India-UAE CEPA, India-Mauritius CECPA, India-Japan CEPA, India-Korea CEPA, India-ASEAN FTA, India-Malaysia CECA	Combination
	India-Singapore CECA	Indirect
Indonesia and Vietnam	RCEP, ASEAN-Japan CEP, AKFTA, AANFTA, AHKFTA, ACFTA, Indonesia-Chile CEPA, Vietnam-Chile FTA	Combination
	CPTPP	Direct
	Indonesia-EFTA CEPA, EU-Vietnam FTA	Indirect
Republic of Korea	AKFTA, India-Korea CEPA, Peru-Korea FTA and Israel- Korea FTA	Combination
	US-Korea FTA	Direct
	UK-Korea FTA	Indirect

Source: Author's assessment

While the provisions discussed above are invariably a part of the rules of origin chapter in an FTA, provisions that are not common across FTAs or which are consistent across FTAs have been left out of the analysis in this paper. *For the provisions that have been discussed above, it can be said that some level of consistency can be observed across India's FTAs in regime wide provisions; however, compared to the other three countries, there is heterogeneity across the provisions.*

2.8. Key findings on heterogeneity in regime-wide rules of origin

Regime wide rules are the overarching regulations applicable on all products being traded under a trade agreement. The sections above have focussed on the approach followed by India in different provisions of the regime-wide rules across its FTAs and vis-à-vis the other countries.

Based on the analysis above, India's approach has been broadly consistent, although there are patterns of heterogeneity visible within these provisions vis-à-vis the other three countries.

The most important aspect of regime-wide rules of origin pertains to the criteria to determine origin. While India's FTAs mainly contain the typical alternatives of wholly obtained or substantial transformation, there exists a third alternative that is a practice followed globally called produced exclusively, that is present in a majority of the FTAs of the other three countries. This particular provision is not really a modern-day criterion for determining origin as it existed in older agreements as well and appears to be a criterion that fulfils one of the major reasons why countries engage in trade agreements, i.e., to stimulate integration into global value chains in a seamless fashion through enhanced fair and free trade practices.

One of the origin criteria is substantial transformation and the different criteria that indicate substantial transformation are usually specified as a change in tariff classification rules, value addition rules and specific production processing requirements, usually mentioned in the form of a general rule of origin or as PSRs. These different criteria may be mentioned as standalone, as a combination of rules or even as alternatives. Although these details are covered in the next section, it is apparent that India is gradually moving from a hybrid approach of incorporating both general rules and PSRs to a comprehensive PSR approach. This shift is somewhat aligned with the approach of the other three countries, except for the period of transition.

It has been observed that there is heterogeneity in the formulae used for calculating the value addition threshold. This sort of heterogeneity is not only limited to the type of formulae used but extends even to the components of the same formulae. This, in fact, has been observed across India's FTAs.

There is a need to examine the reasons as to why the components of the same formula have varied over time across India's FTAs and if the variations have actually benefitted industry in any manner or just made it more cumbersome for them to trade with different FTA partners because they are required to look into the specific components of the same formula based on the FTA partner they are exporting to. There is a possibility that standardisation of the value addition formulas and their components could prove beneficial for traders but this is a result that can only be conclusively understood after discussions with stakeholders, who are best equipped to throw greater light on how their trade practices have been affected by such heterogeneity. Further, in some FTAs, including the India-Australia ECTA and the CPTPP, there is a difference in the percentage of value addition thresholds based on the kind of formula being applied.

Another important aspect related to origin criteria is the absorption principle. Production processes are becoming complex and involve multiple stages of processing and, with the significance of global value chains increasing, this provision could be considered to be a trade and value chain facilitative measure. Global trends are clearly indicative of a greater proliferation of this principle in trade agreements across the world. While this provision is prevalent across certain FTAs of the other three countries under consideration, India has also joined the global trend by adopting this principle in its recent FTA, i.e., India-EFTA TEPA.

As far as provisions on cumulation are concerned, India's FTAs have always been on the conservative end of the spectrum and have included only bilateral cumulation except in the case of India-ASEAN FTA, where it may be interpreted to be a case of diagonal cumulation due to the nature of the FTA. On the other hand, Indonesia, Vietnam and Republic of Korea have included different types of cumulation that are more liberal like full cumulation and third party cumulation across their FTAs.

The provision on de minimis/tolerance allows for the use of a certain percentage of non-originating materials without impacting the originating status of the product. Now, there exists a broad pattern of heterogeneity across India's FTAs vis-à-vis the FTAs of the other three countries when it comes to the coverage of chapters and different percentages of tolerance have been mentioned for different chapters. However, broadly, the de minimis threshold is 10 per cent either by weight or value of the product under a majority of the FTAs.

There is limited heterogeneity in the provisions on minimal operations/insufficient working or processing across the FTAs of the countries considered. Indonesia, Vietnam and the Republic of Korea all have an approach similar to India's; there are a few exceptions like the CPTPP, the ASEAN-China FTA and the US-Korea FTA where the scope of this provision is limited to only a few operations.

In the case of proof of origin certification, India has relied mainly on authority-based certification; it has accepted self-certification only in its most recent FTA with the EFTA countries, albeit as an alternative to authority-based certificates. It has also agreed to explore self-certification during the review of the agreements with the UAE and Mauritius. Like India, Indonesia and Vietnam provided for authority-based certification in their FTAs in Phase I but have provided for self-certification or self-certification by approved exporters in their recent FTAs. Korea, on the other hand, has self-certification in a majority of its FTAs, either as a standalone provision or as an alternative to authority-based certification.

Self- certification can be considered to be a trade facilitative measure in the current global trade scenario as the idea of self-certification is fast emerging as an all-encompassing aspect that countries are relying on to achieve sustainably higher degree of trade facilitation and that can help reduce the burden on the authorities, provided there is a robust risk management system to signal any major or minor defaults.

For verification of proof of origin, all four countries have opted for a combination of verification processes. Largely, these verifications processes are governed by the domestic legislations of a country and the robustness of the risk management systems.

3. Heterogeneity in Product Specific Rules of Origin (PSRs)

This section focuses on product specific rules and the pattern and level of heterogeneity that exists across the FTAs of India vis-à-vis Indonesia, Vietnam, and the Republic of Korea.

3.1. Explaining Product Specific Rules of Origin

PSRs essentially outline the substantial transformation criteria on a product-by-product basis. In Section 1.1, it was mentioned that this criterion can be based on three sub-criteria, namely, the change in tariff classification requirement, the value addition requirement, and/or the specific process requirement. These rules are defined at either HS 2-digit/4-digit/6-digit levels of the HS classification and, in some cases, on national tariff lines based on the description of the products. Unlike the tariff schedules in an FTA, which are laid down on the national tariff lines of each country, these PSRs are defined on a harmonised base of HS classification, i.e., up to HS 6- digit level because these rules are common to all parties to an FTA.

Framing these rules is a dynamic process and requires deep understanding of the production process, domestic policies related to these products and trade analysis, which can help in understanding the strengths and sensitivities of the member countries of a particular FTA. Additionally, fixing the value addition percentage is not a standard exercise and varies for different products as it depends on prevailing labour costs and the product-specific import dependence of the country in terms of intermediates (*Das, 2004*).

According to a study conducted by the Asian Development Bank (ADB) of PSRs in the RCEP (2022), the disaggregation at which PSRs are defined depends on the sensitivity associated with different products such that the higher the degree of sensitivity of a product, the higher the level of detailing that is likely to be specified to ensure that specific trade interests are safeguarded.

Product specific rules have always held an important role when it comes to preferential trade agreements because they function as a tool that helps secure effective market access; however, these rules might also be used as a protectionist instrument in cases where there is a threat of circumvention from a non-party. Negotiating PSRs requires countries to strike a balance between ensuring that PSRs support and facilitate trade flows and ensuring that there are no trade diversions and misuse of preferential benefits granted under a specific FTA by non-parties to the agreement.

Across a majority of trade agreements, there is an annex/appendix on product specific rules to the chapter or protocol on rules of origin. This annex contains the introductory notes to the PSRs and the list of PSRs. The introductory notes usually include definitions used in the PSRs, the processes such as chemicals processes used for some sectors and, in some cases, the formula to calculate the value content. This is followed by a list of PSRs.

The presentation of these PSRs differ across FTAs but the EU, and countries like the USA, Japan, etc., try to maintain a consistency in the presentation of PSRs across their FTAs. In some trade agreements, especially the agreements that came into force decades ago, the approach could be one of the following: a general rule, i.e., a common rule within the text of the rules of origin chapter for all products or a hybrid approach with a general rule for a majority of products and PSRs for some specific products. However, over time, most countries have moved towards a comprehensive PSR approach across their FTAs where a PSR is laid down for all products covered in an FTA, as countries are realising that there is no one rule that fits all products.

Besides the presentation, the drafting of these PSRs also needs to be considered. Some agreements predominantly define PSRs at an aggregated chapter level, i.e. for each chapter, there will be a separate rule with some exceptions at the heading or sub-heading level or even beyond that (i.e., description based PSRs). The India-UAE CEPA is an example of this trend. At the same time, other agreements could have rules defined at the sub-heading level for all products – an example is the RCEP. There could also be trade agreements where the rules could be defined at all levels of product disaggregation.

Further, there is also a possibility of including a chapter note, section note, heading note or even a sub-heading note, i.e., basically a specific condition that needs to be met either along with the specific PSR or as an alternative to the PSRs. These types of notes can be found in agreements such as the CPTPP, the EU-Vietnam FTA, the Israel-Korea FTA, etc.

Figure 3 illustrates the example of a section note for the machinery sector, which specifies a condition to be applied on products from Chapters 84 and 85. The condition is likely to prove cumbersome for traders as they are required to identify the explicit and accurate HS codes of the parts used; if the codes fall under the same heading as that of the product, then the section rule will apply.

Figure 3: An illustrative example of “Section Note” under Korea-Israel FTA

<p>Section XVI MACHINERY AND MECHANICAL APPLIANCES; ELECTRICAL EQUIPMENT; PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, AND TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES (Chapter 84-85)</p> <p>Note: When a heading includes both subheadings for goods and subheadings for “parts” and/or “accessories”, the rule applied to such subheading, except to subheadings for “parts” and/or “accessories”, shall be “Manufacture from materials of any other subheading; or Manufacture in which the value of non-originating materials used does not exceed 60% of the ex-works prices of the product”, instead of the rules set out as follows.</p> <p>Chapter 84 Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof</p> <p>8401 – 8487 Manufacture from materials of any other heading; or Manufacture in which the value of non-originating materials used does not exceed 60% of the ex-works price of the good</p> <p>Chapter 85 Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts and Accessories of Such Articles</p> <p>8501 – 8548 Manufacture from materials of any other heading; or Manufacture in which the value of non-originating materials used does not exceed 60% of the ex-works price of the good</p>

Source: Official text of Korea-Israel FTA

The figure below provides an illustrative example of a sub-heading note as applicable to certain products of Chapter 62 under the US-Korea FTA that are in addition to the PSRs mentioned for those sub-headings. Figure 4 also provides an example of a sub-heading note under the US-Korea FTA for sub-headings HS 620520 and HS 620530.

Figure 4: An illustrative example of “Sub-heading Note” under US-Korea FTA

<p>6205.20-6205.30</p> <p>Subheading Rule: Men’s or boys’ shirts of cotton or man-made fibers shall be considered to originate if they are both cut and assembled in the territory of one or both of the Parties and if the fabric of the outer shell, exclusive of collars or cuffs, is wholly of one or more of the following:</p> <p>(a) Fabrics of subheading 5208.21, 5208.22, 5208.29, 5208.31, 5208.32, 5208.39, 5208.41, 5208.42, 5208.49, 5208.51, 5208.52 or 5208.59, of average yarn number exceeding 135 metric;</p> <p>(b) Fabrics of subheading 5513.11 or 5513.21, not of square construction, containing more than 70 warp ends and filling picks per square centimetre, of average yarn number exceeding 70 metric;</p> <p>(c) Fabrics of subheading 5210.21 or 5210.31, not of square construction, containing more than 70 warp ends and filling picks per square centimetre, of average yarn number exceeding 70 metric;</p> <p>(d) Fabrics of subheading 5208.22 or 5208.32, not of square construction, containing more than 75 warp ends and filling picks per square centimetre, of average yarn number exceeding 65 metric;</p> <p>(e) Fabrics of subheading 5407.81, 5407.82 or 5407.83, weighing less than 170 grams per square meter, having a dobby weave created by a dobby attachment;</p> <p>(f) Fabrics of subheading 5208.42 or 5208.49, not of square construction, containing more than 85 warp ends and filling picks per square centimetre, of average yarn number exceeding 85 metric;</p> <p>(g) Fabrics of subheading 5208.51, of square construction, containing more than 75 warp ends and filling picks per square centimetre, made with single yarns, of average yarn number 95 or greater metric;</p> <p>(h) Fabrics of subheading 5208.41, of square construction, with a gingham pattern, containing more than 85 warp ends and filling picks per square centimetre, made with single yarns, of average yarn number 95 or greater metric, and characterized by a check effect produced by the variation in color of the yarns in the warp and filling; or</p> <p>(i) Fabrics of subheading 5208.41, with the warp colored 4-24 with vegetable dyes, and the filling yarns white or colored with vegetable dyes, of average yarn number greater than 65 metric.</p> <p>PSR for 6205.20-6205.30</p> <p>A change to subheading 6205.20 through 6205.30 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.09, 55.11 through 55.16, 58.01 through 58.02, or 60.01 through 60.06, provided that the good is both cut and sewn or otherwise assembled in the territory of one or both of the Parties.</p>
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Source: Official text of US-Korea FTA

Another style of drafting PSRs is visible in FTAs like the India-Japan CEPA, the CPTPP or the US-Korea FTA, where some PSRs are prescribed for a group of products at the HS 4-digit level or at the HS 6-digit level (Box 12).

Box 12: Examples of PSRs prescribed for a group of products

0904.21-0904.22

A change to sub-heading 0904.21 through 0904.22 from any other chapter.

8411.11-8411.82

A change to sub-heading 8411.11 through 8411.82 from any other sub-heading outside that group.

And in the general interpretative notes of the PSR Annex of US -FTA, it is explained that:

“When a single rule of origin is applicable to a group of headings or sub-headings and that rule of origin specifies a change of heading or sub-heading, it shall be understood that the change in heading or sub-heading may occur from any other heading or sub-heading, as the case may be, including from any other heading or sub-heading within a designated group. When, however, a rule refers to a change in heading or sub-heading “outside that group” this shall be understood to require that the change in heading or sub-heading must occur from a heading or sub-heading that is outside the group of headings or sub-headings set out in the rule”

The drafting of PSRs is not limited to the level of HS classification at which they are stipulated but also refers to the way they are stipulated. There are a variety of PSR drafting styles – some countries may prefer to draft PSRs in a more explanatory or long style, which basically entails writing the rule in a long sentence-based formulation, while some other countries may prefer to draft their PSRs in a short and precise style of drafting, which basically entails writing the rule in a more abbreviated manner. Table 16 provides select examples of the long and short style of drafting PSRs adopted across some of the trade agreements.

Table 16: Illustrative examples of long and short style of drafting PSRs adopted in different agreements

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)	Style of drafting PSRs
08	080410	Dates	US-Korea FTA	A change to heading 08.01 through 08.14 from any other chapter.	Long style
15	151530	Castor oil and its fractions	India-UAE CEPA	CTSH +VA 40%	Short style
50	500200	Raw silk (not thrown)	EFTA-Indonesia FTA	Manufacture from non-originating materials of any heading	Long style
84	847960	Evaporative air coolers	Israel-Korea FTA	Manufacture from materials of any other sub-heading; or Manufacture in which the value of non-originating materials used does not exceed 60% of the ex-works price of the good	Long style
87	870530	Fire fighting vehicles	RCEP	RVC40	Short style

Source: Author's assessment

Since a wide variety of PSRs can be found across different trade agreements, it becomes imperative to understand the level of stringency and the flexibility associated with these rules. Generally, there are four broad types of PSRs, i.e., wholly obtained (WO), change in tariff classifications (CC, CTH and CTSH), value content requirements and specific processes. The PSRs in any FTA could be one of these types or a combination or be presented as alternatives. The most restrictive or stringent of these rules are WO and specific processes, followed by CC and value addition/CTH respectively, whereas CTSH is the least restrictive (*Kohpaiboon, A., & Jongwanich, J. (2022)*).

It is very likely that some types of PSRs may be stringent in nature in their individual capacity but at a relative level, certain other factors may affect whether a rule would be considered stringent or liberal in nature. To begin with, there is the possibility that a product's nature and production process may be such that only a specific type of PSR is possible for such a product even though that PSR is considerably stringent in nature, and therefore, may not be suited for comparison with PSRs of other products. For example, a product X might have a rule of "CC" in a free trade agreement, which appears to be a stringent rule. However, the nature of the product is such that all the raw materials of product X are coming from different chapters. Therefore, "CC" is the preferred PSR for such a product.

A study conducted by the ADB on PSRs in the RCEP corroborates the stance explained above. As explained in the study, a PSR like 'CC' would be considered highly stringent when specified for products of Chapter 87 since cars and parts of cars are classified in the same chapter and, therefore, traders would not be able to satisfy the requirements of a PSR like 'CC' for products of Chapter 87. At the same time, for flour from Chapter 11 made by grinding cereals of chapter 10, a PSR like 'CC' is certainly possible and a simple rule to follow. Therefore, categorising a PSR as stringent or liberal involves looking into the rules and the manufacturing processes of the products in tandem as the degree of stringency of a PSR is driven by a product's manufacturing requirements (Asian Development Bank, 2022).

Hence, it can be argued that stringency of PSRs is subjective in nature. However, PSRs can broadly be categorised as stringent or liberal in a relative sense, as the following examples show. A clear classification of PSRs as liberal or stringent is possible in cases where the PSR is defined as a combination of change in the tariff classification criterion and a value addition criterion. Such compound rules, which include two or more criteria, are considered stringent in their individual capacity but can be compared in most situations. For instance, when the PSR for two products is defined as a combination of "CTH" and a domestic value addition threshold, the PSR of the product that has a higher RVC threshold will be more stringent. Similarly, if the change in tariff classification criterion is either "CC" or "CTSH" in both products and the RVC threshold differs, PSR with higher RVC will be considered stringent. In these types of PSRs where the change in tariff classification criterion is the same, a higher RVC threshold indicates that the producer of that product will have to show a higher degree of processing in their

product to claim originating status. Therefore, such a PSR will be more stringent than the PSR with a lower RVC threshold.

Similarly, when the compound rules for different products have the same RVC threshold but the CTC criteria are different, the stringency of the PSR would be based on the stringency of the CTC criteria. In such cases, PSRs where the CTC criteria is “CC” are the most stringent while the PSRs with “CTSH” criteria are the liberal ones.

So far, the cases considered are those where the compound rules under comparison have one common criterion while the other differs and becomes the deciding factor to determine the stringency of a rule. However, it is not possible to compare all sorts of compound rules. This is applicable to the cases where both the CTC and the RVC criteria of the compound rules being compared are different. (Let us suppose two products X and Y where the PSR for product X is CTH + RVC 40% and PSR for product Y is CTSH + RVC 50%. Here, the change in tariff classification component of product X is stringent than in the PSR of product Y while the RVC threshold of product Y is stringent than in PSR of product X. Therefore, it is not possible to comment on which PSR would be liberal or stringent.)

Further, the cases discussed above could also arise in a situation where the product is the same, but the PSR differs across FTAs. It is possible that a product may be eligible for the same CTC criteria of a compound rule under different FTAs but the RVC threshold may vary. It is also possible that for the same product, while country A may consider only a change in tariff classification to be adequately indicative of substantial transformation, country B might require the PSR to be a relatively stringent rule and this becomes the foundation for heterogeneity in rules of origin across different products.

This paper has examined PSRs for select sectors to understand the relative stringency or flexibility across the FTAs of India and that of the other three countries. The analysis is confined to the sectoral level, i.e., at the HS 2-digit level, where each sector might contain multiple chapters with a wide range of products within those chapters.

Before analysing the stringency or otherwise of PSRs, the paper examines the broad categories into which PSRs are classified.

3.2. Categories of PSRs

PSRs have been categorised into nine broad categories that are discussed below.

- i. Wholly Obtained (WO): Wholly obtained is a category of products that are entirely sourced or obtained or produced in one country without the use of any non-originating inputs/raw materials. This rule applies mostly to the agricultural and mineral sectors but it might also apply to some industrial products like textiles, metals or waste and scraps associated with chemicals or machinery. In fact, according to Kohpaiboon & Jongwanich (2022), WO might not be a binding constraint in agricultural products, for which the entire production process from beginning to end often takes place within a given country.

The production of manufactured products, on the other hand, could be fragmented and spread across borders. Therefore, it would be more appropriate to treat the WO criterion differently between agricultural and manufacturing products.

As stated earlier, different drafting styles in different FTAs can affect the meaning and interpretation of a particular rule. The table below highlights certain examples of the different types of WO formulations across various FTAs. However, not all may be strictly interpreted as wholly obtained provisions. Different countries may interpret these rules differently. All possible formulations of wholly obtained are provided in Table 17.

While wholly obtained could be interpreted as requiring that no imported or non-originating material is used in the production process, the table below shows that there are certain formulations of this PSR under which only specific inputs used in the production process would have to be wholly obtained in nature. For instance, consider a language formulation like ‘manufacture in which all the materials of Chapter 2 used are wholly obtained’ or a formulation like ‘WO for all vegetable materials’. All countries may not interpret such rules to be a strict wholly obtained rule as there is the possibility of making use of the relaxation provided through the tolerance/de minimis provision for materials that do not belong to Chapter 2 or for materials other than vegetable materials used in the production process. Such types of PSRs have been clubbed together in this category as these neither fall in the category of a simple change in tariff classification nor do they classify as a processing rule or any type of value addition requirement.

Table 17: Some Examples of Wholly Obtained rule in different FTAs

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
2	021020	Meat of bovine animals	Israel-Korea FTA	Manufacture in which all the materials of Chapter 2 used are wholly obtained
7	070953	Mushrooms of the genus <i>Cantharellus</i>	Peru-Korea FTA	All the materials of chapter 7 used to be wholly obtained.
10	100810	Buckwheat	India-Australia ECTA	WO
11	110900	Wheat gluten, whether or not dried	India-EFTA TEPA	WO for all materials of Chapters 7 and 10
15	150920	Extra virgin olive oil	India-EFTA TEPA	WO for all the vegetable materials
19	190110	Preparations suitable for infants or young children, put up for retail sale	India-Japan CEPA	Manufacture in which all the materials used are wholly obtained.

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
23	230330	Brewing or distilling dregs and waste	India-EFTA TEPA	WO for all the maize used
23	230641	Of low erucic acid rape or colza seeds	India-EFTA TEPA	WO for all the olives used are wholly obtained
51	510320	Other waste of wool or of fine animal hair	ASEAN-Australia-New Zealand FTA	Origin shall be conferred to a good of this sub-heading that is derived from production or consumption in a Party
51	510320	Other waste of wool or of fine animal hair	ASEAN-Hong Kong FTA	Obtained from sheep, lambs or other animals raised by either Party under AHKFTA

Source: Author's Assessment

ii. Single change in tariff classification rule or single CTC rule: This broad category includes a standalone change in chapter rule (CC), or a tariff heading rule (CTH) or a tariff sub-heading rule (CTSH). In common parlance, a CC rule (change in tariff at the HS 2-digit level) is the most stringent of these and a CTSH rule (change at the HS 6-digit level) the most liberal. Having explained the degree of stringency within the CTC rules at different levels of disaggregation, it is important to also highlight that a standalone CTC rule is usually considered to be a relatively liberal rule of origin. Table 18 highlights some examples of a standalone change in tariff classification rule.

Table 18: Examples of a single CTC rule present under different FTAs

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
15	151550	Sesame oil and its fractions	India-EFTA TEPA	CC
51	510220	Coarse animal hair	EU-Vietnam FTA	Manufacture from materials of any heading, except that of the product.
84	842420	Spray guns and similar appliances	Peru-Korea FTA	A change from any other sub-heading

Source: Author's assessment

iii. Single value addition rule/single weight rule: This broad category includes standalone value addition PSRs, such as RVC/QVC X per cent. In most FTAs, the domestic value addition requirement is around 40 per cent, but this threshold varies. Different countries determine what level of substantial transformation qualifies a product as originating.

Since value addition requirements differ across agreements, the stringency of a standalone value addition rule depends on the specified threshold. These rules can be defined in two ways:

- By setting a maximum limit on non-originating materials used in production
- By directly specifying the required percentage of domestic processing

If the value addition threshold is expressed as a percentage of domestic processing, a higher requirement increases the rule's stringency. Thus, there is a direct relationship between the domestic value addition threshold and the rule's strictness. Sometimes, the standalone value rule is in terms of maximum threshold of non-originating materials allowed to be used in the production process. In this case, a higher threshold decreases the rule's stringency if the value addition threshold is expressed as the maximum percentage of non-originating inputs used in production. Some FTAs provide multiple value addition thresholds based on different methods of calculation, which are usually in the form of a choice to the trader.

Besides, there are certain rules based on the weight of materials used in the production process (usually in the case of processed agricultural products) that are also included in this broad category of PSRs. A standalone value rule is usually considered to be a relatively liberal rule of origin. Table 19 attempts to provide a glimpse into the different styles of standalone value addition and weight-based rules.

Table 19: Examples of Single Value addition/weight rule in different FTAs

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
9	090112	Decaffeinated	RCEP	RVC 40
24	240290	Other	UK- Korea FTA	Manufacture in which at least 70 % by weight of the unmanufactured tobacco or tobacco refuse of heading 2401 used is originating
84	840810	Marine propulsion engines	EU- Vietnam FTA	Manufacture in which the value of all the materials used does not exceed 50 % of the ex-works price of the product.
87	870130	Track-laying tractors	CPTPP	No change in tariff classification required for a good of sub-heading 8701.10 through 8701.30, provided there is a regional value content of not less than: (a) 45 per cent under the net cost method; or (b) 55 per cent under the build-down method.

Source: Author's assessment

iv. Single change in tariff classification with exception(s) rule with or single CTC rule with exception: This category refers to PSRs that are an extension of the CTC rule. It is comparatively stricter in the sense that if a chapter, heading or a sub-heading is excluded from a particular CTC rule, it means that all materials mentioned in that chapter, heading or sub-heading must originate in the country of manufacture to produce the final product if the CTC requirement is to be met. Table 20 provides some examples of PSRs under this category.

Table 20: Examples of Single CTC rule with exceptions in different FTAs

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
18	180610	Cocoa powder, containing added sugar or other sweetening matter	India-EFTA TEPA	CTH except heading 18.05
58	5801 - 5803	--	CPTPP	A change to a good of heading 58.01 through 58.03 from any other chapter, except from heading 51.11 through 51.13, 52.04 through 52.12 or 54.01 through 54.02, sub-heading 5403.33 through 5403.39 or 5403.42 through 5403.49, or heading 54.04 through 54.08, or chapter 55.
85	850423	Having a power handling capacity exceeding 10,000 kVA	US-Korea FTA	A change to sub-heading 8504.10 through 8504.23 from any sub-heading outside sub-heading 8504.10 through 8504.50.

Source: Author's assessment

v. Specific process rules: Process rules of origin are rules that specify the type of production process or the specific type of processing that needs to be undertaken by the trader to ensure that originating status is conferred on their product under a particular preferential trade agreement. For some products, a country may prefer not to define substantial transformation using a CTC or value addition rule due to the nature of production and processing. In such cases, the requirement can be defined by specifying the exact production process. Process rules of origin usually apply to sectors such as textiles, chemicals and allied industries, gems and jewellery and some types of base metals. Process rules and specific process requirements are usually considered to be relatively stringent in nature. Some examples on the different types of process rules are provided in Section 3.5.2.

- vi. Compound Rules: A compound rule is a combination of two or more of the types of standalone rules described above. These rules are usually recognised by conjunctions such as ‘and’, ‘+’, ‘provided’, etc. Compound rules are usually considered to be relatively stringent rules of origin as they place multiple conditions in the rule that traders are required to fulfil to achieve originating status for their products. Some examples of different types of compound rules are provided for reference in Table 21.

Table 21: Some examples of compound rules under different FTAs

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
09	090121	Not decaffeinated	CPTPP	A change to a good of sub-heading 0901.21 through 0901.90 from any other sub-heading, provided that the dry weight of non-originating materials of sub-heading 0901.11 and 0901.12 does not exceed 60 per cent by dry weight of the materials of sub-heading 0901.11 and 0901.12 used in the preparation of the good.
21	210690	Other	ASEAN-Korea FTA	A regional value content of not less than 40 per cent of the FOB value of the good, provided that materials of sub-heading 1211.20, 1212.21, 1302.14 and 1302.19 are wholly-obtained or produced in the territory of any Party
22	220820	Spirits obtained by distilling grape wine or grape marc	EU-Vietnam FTA	"Manufacture from materials of any heading, except that of the product and headings 2207 and 2208, in which: — all the materials of sub-headings 0806 10, 2009 61, 2009 69 used are wholly obtained; and — the individual weight of sugar and of the materials of Chapter 4 used does not exceed 20 % of the weight of the final product."
24	240210	Cigars, cheroots, and cigarillos, containing tobacco	USA-Korea FTA	A change to heading 24.02 from any other chapter or from wrapper tobacco not threshed or similarly processed of heading 24.01, or from homogenized or reconstituted tobacco suitable for use as wrapper tobacco of heading 24.03.

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
50	500200	Raw silk (not thrown)	India-UAE CEPA	CTSH + VA 40%

Source: Author's assessment

- vii. Co-equal Rules: Co-equal rules or alternative rules are those rules where a trader has a choice to satisfy one of several conditions provided in the rule. This rule is also composed of the categories of rules discussed above. This is a comparatively flexible/liberal rule. This rule is usually recognised by the conjunction 'or'. Some examples of different types of co-equal rules are provided for reference in Table 22.

Table 22: Some examples of co-equal rules under different FTAs

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
3	030611	Rock lobster and other sea crawfish (Palinurus spp., Panulirus spp., Jasus spp.)	CPTPP	"A change to a good of sub-heading 0306.11 through 0306.14 from any other chapter; or No change in tariff classification required for a good of sub-heading 0306.11 through 0306.14, provided that the good is smoked from a good that is not smoked."
11	110320	Pellets	AKFTA	Change to Sub-heading 1103.20 from any other Chapter, provided that the materials of Headings 10.03 and 10.06 are Wholly-Obtained or Produced in the territory of any Party; or A regional value content of not less than 40 percent of the FOB value of the good, provided that the materials of Headings 10.03 and 10.06 are Wholly-Obtained or Produced in the territory of any Party
21	210112	Preparations with a basis of extracts, essences or concentrates or with a basis of coffee	India-EFTA TEPA	"CC except of Chapter 04 or VNM 60% "

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
58	5801-5811	--	Indonesia-Chile CEPA	A change to heading 58.01 through 58.11 from any other heading or 58.11 does not require a change in tariff classification provided there is a qualifying value content of not less than 40 percent.
62	620459	Of other textile materials	US-Korea FTA	<p>A change to tariff item 6204.59.40 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, sub-heading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, 58.01 through 58.02, or 60.01 through 60.06, provided that the good is both cut and sewn or otherwise assembled in the territory of one or both of the Parties;</p> <p>or</p> <p>A change to any other good of sub-heading 6204.59 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, sub-heading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, 58.01 through 58.02, or 60.01 through 60.06, provided that:</p> <p>(a) the good is both cut and sewn or otherwise assembled in the territory of one or both of the Parties, and</p> <p>(b) any visible lining material used in the apparel article satisfies the requirements of Chapter Rule 1 for Chapter 62.</p>

Source: Author's assessment

viii. General Rule: A general rule, as discussed earlier, is not a type of PSR; it is another approach for specifying the substantial transformation requirement for products. However, since the general rule is also in the form of one of the categories described above, this analysis has considered inclusion of general rule as a separate category of PSRs. The general rule can be in the form of a single rule (whether a single CTC rule or

a single value addition rule), a co-equal rule or even a compound rule, which is likely to vary from agreement to agreement. Tables 24 and 25 provides details of general rules in FTAs under consideration for this analysis.

ix. *Other Rules*: Others is a category of PSRs that includes all those unusual PSRs that could not be mapped against the above categories in a seamless fashion. There have been cases across selected trade agreements that do not really conform to the above broad categories of PSRs. This includes description-based PSRs. While they can be interpreted, they fall into this category because a product may have multiple PSRs based on descriptions in specific categories. This makes it difficult to place them in any of the previous categories. The table below provides examples of description-based rules as well as other types of unique rules. Another category of rules included here is “manufacture from non-originating materials of any heading”¹¹, which is difficult to interpret, and, hence, categorised as others. Another category of PSRs includes cases where, in addition to the CTC rule, certain products have an allowance condition. This means they can gain originating status despite using non-originating inputs from specific HS codes. As a result, they do not fit into any of the previous broad categories. Some examples of different types of PSRs categorised as ‘Others’ are provided for reference in Table 23.

Table 23: Some examples of PSRs in the category of ‘others’ under different FTAs

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
21	210310	Soya sauce	EU-Vietnam FTA	Manufacture from materials of any heading, except that of the product. However, mustard flour or meal or prepared mustard may be used.
20	200599	Other	ASEAN-Korea FTA	For Korea's HS Code 2005.90.1000: A regional value content of not less than 60 percent of the FOB value; For Others: A regional value content of not less than 40 percent of the FOB value of the good
50	500710	Fabrics of noil silk:	UK-Korea FTA	Incorporating from Rubber thread – Manufacture from single yarn (8) Others - Manufacture from (9): – coir yarn, – natural fibres,

¹¹ For this rule, the interpretative notes under India-EFTA TEPA says: “Where a rule uses the expression “Manufacture from non-originating materials of any heading”, then materials of any heading, even materials of the same description and heading as the product, may be used, subject, however, to any specific limitations which may also be contained in the rule.” A similar explanation is found in other trade agreements as well.

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
				<p>– man-made staple fibres, not carded or combed or otherwise prepared for spinning,</p> <p>– chemical materials or textile pulp, or</p> <p>– paper</p> <p>or</p> <p>Printing accompanied by at least two preparatory or finishing operations (such as scouring, bleaching, mercerising, heat setting, raising, calendering, shrink resistance processing, permanent finishing, decatizing, impregnating, mending and burling), provided that the value of the unprinted fabric used does not exceed 47.5 % of the ex-works price of the product</p>
63	630800	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale	EU-Vietnam FTA	Each item in the set must satisfy the rule which would apply to it if it were not included in the set. However, non-originating articles may be incorporated, provided that their total value does not exceed 15 % of the ex-works price of the set.
84-85	84-85	Mechanical and Electrical machinery	Indonesia-EFTA TEPA	Manufacture from non-originating materials of any heading

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
85	854141	Light-emitting diodes (LED)	US-Korea FTA	<p>A change to assembled semiconductor devices, integrated circuits or micro assemblies of sub-heading 8541.10 through 8542.90 from unmounted chips, wafers or dice of sub-heading 8541.10 through 8542.90 or from any other sub-heading; or</p> <p>A change to any other good of sub-heading 8541.10 through 8542.90 from any other sub-heading; or</p> <p>No change in tariff classification is required, provided that there is a regional value content of not less than:</p> <p>(a) 30 percent under the build-up method, or</p> <p>(b) 35 percent under the build-down method.</p>
87	870892	Silencers (mufflers) and exhaust pipes; parts thereof	ASEAN-Korea FTA	<p>A. Change to silencers (mufflers) and exhaust pipes from any other Heading; or</p> <p>A regional value content of not less than 40 percent of the FOB value of the good</p> <p>B. Change to parts, provided that a regional value content of not less than 45 percent of the FOB value of the good</p>
87	871410	Of motorcycles (including mopeds)	US-Korea FTA	<p>A change to sub-heading 8714.10 through 8714.96 from any other heading; or</p> <p>A change to sub-heading 8714.10 through 8714.96 from sub-heading 8714.99, whether or not there is also a change from any other heading, provided that there is a regional value content of not less than:</p> <p>(a) 40 percent under the build-up method, or</p> <p>(b) 50 percent under the build-down method.</p>

Source: Author's assessment

The next section focuses on the PSR approach of India and other select countries.

3.3. Broad approach to PSRs and the level of Heterogeneity

3.3.1. India

India's approach has changed over time. As stated before, India's trade agreements have been signed gradually over two decades – a group of FTAs signed during the period from 2005-2012 (Phase I) and the more recent ones signed from 2019 onwards (Phase II).

In FTAs that were signed during 2005-2012, India has adopted a hybrid approach to PSRs, i.e., a general rule applicable to a majority of products and PSRs for some specific HS 6-digit products. In the more recent FTAs with the UAE, Mauritius and the EFTA countries, PSRs have been used for all products either at the HS 2-digit, 4-digit or at 6-digit level; the general rule has not been included in these FTAs. The only exception is the India-Australia ECTA, which has adopted a hybrid approach, with a provision that PSRs would be negotiated for all products whenever a full-fledged FTA is negotiated. Thus, there has been a gradual shift in India's approach towards rules of origin and product specific rules.¹² The only exception to this approach can be found in India-ASEAN FTA, which contained only the general rule. This shift reflects the adoption of a global approach to PSRs by most countries, including India.

Table 24 gives the approach that India has adopted in its different trade agreements. The general rule agreed to in agreements in which India has followed the hybrid approach have also been mentioned.

Table 24: Broad approach adopted by India towards rules of origin in different agreements based on the time period

India's Agreements	Time Period when the FTA was signed/came into force	Type of Rule	Nature of the General Rule, if specified
India-EFTA TEPA	2019 onwards	Only PSRs	NA
India-Australia ECTA		Hybrid approach - General rule and PSRs	CTSH + QVC 35 per cent as per the Build-up formula

¹² For the following analysis, eight out of nine of India's agreements have been considered for analysing the PSR approach. Therefore, four of India's agreements from Phase I, i.e., those signed during 2005-2012, namely, the India-Singapore CECA, the India-Japan CEPA, the India-Korea CEPA, and the India-ASEAN FTA have been analysed. For Phase II, all four of India's latest agreements have been included. These are the India-Mauritius CECPA, the India-UAE CEPA, the India-Australia ECTA, and the India-EFTA TEPA. The India-Malaysia CECA, which was signed during Phase I, has been excluded from the PSR analysis because it appears, for the most part, to be identical to the India-ASEAN FTA, except for a limited number of products that are not covered by the analysis.

India's Agreements	Time Period when the FTA was signed/came into force	Type of Rule	Nature of the General Rule, if specified
			CTSH + QVC 45 per cent as per the Build-down formula
India-UAE CEPA		Only PSRs	NA
India-Mauritius CECPA		Only PSRs	NA
India-ASEAN FTA	2005-2012	Only general rule of origin	CTSH + RVC per cent
India-Japan CEPA		Hybrid approach - General rule and PSRs	
India-Korea CEPA			
India-Singapore CECA			
India-Malaysia CECA			

Source: Author's assessment

It needs to be noted that the general rule across India's FTAs, wherever applicable, is a compound rule – CTSH+RVC 35 per cent. India, thus, has included relatively stringent standards for substantial transformation.

In the India-Australia ECTA, the domestic value addition threshold is based on the formula used to calculate value addition. The general rule of CTSH + QVC 35 per cent is applicable when the trader makes use of the build-up formula to calculate domestic value addition and CTSH + QVC 45 per cent when the build-down formula is used. The minor difference in the terminology used ("QVC" instead of "RVC") is immaterial.

3.3.2. Indonesia, Vietnam and Republic of Korea

For the PSR analysis of the three comparator countries, a total of eleven agreements of Indonesia and Vietnam, including the FTAs of the ASEAN grouping, and seven agreements of the Republic of Korea have been selected.

As can be seen in Table 25 below, a majority ASEAN's agreements include a hybrid approach to PSRs in both phases. Out of six of ASEAN's agreements, only the RCEP follows the PSR approach; the remaining agreements follows the hybrid approach. Other agreements of

Indonesia and Vietnam, however, include the PSR approach. The only exception is the Vietnam-Chile FTA, where the hybrid approach has been adopted.

A comparison of the approaches adopted by India, Indonesia and Vietnam shows a similarity in pattern – the first phase was characterised by the adoption of the hybrid approach while during the second phase, there was a shift to relying on PSRs; the only exceptions are the ASEAN-Hong Kong and ASEAN-China FTAs, which have adopted a hybrid approach.

In the case of Korea, only two of the seven agreements selected followed the hybrid approach – the India-Korea CEPA and the ASEAN-Korea FTA. The remaining five contain PSRs for all products. Of these, two agreements signed during the first phase, i.e., the US-Korea FTA and the Korea-Peru FTA, have PSRs for all products, indicating that Korea's FTAs followed both the hybrid and PSR approaches in Phase I, while India followed either the hybrid approach or a general rule approach in Phase I.

In Phase II, all three agreements of Korea, namely, the RCEP, UK-Korea FTA and the Israel-Korea FTA have PSRs for all products. This is similar to India's approach although India is yet to move towards a complete PSR approach.

Thus, it can be concluded that all the countries under consideration began predominantly with a hybrid approach. The Republic of Korea transitioned to a full PSR approach in Phase I itself while the shift in the case of India, Indonesia and Vietnam has been more gradual over time.

Table 25: Broad type of rules of origin in different agreements of Indonesia, Vietnam, and Republic of Korea

Agreements	Time Period when the FTA was signed/came into force	Type of Rule	Nature of the General Rule, if specified
Indonesia and Vietnam's agreements as part of the ASEAN grouping			
RCEP	2019 onwards	Only product specific rules of origin (PSRs)	NA
ASEAN-Hong Kong FTA		Hybrid approach – General rule of origin + product specific rules of origin (PSRs)	RVC 40 per cent
ASEAN-China FTA		Hybrid approach – General rule of origin + product specific rules of origin (PSRs)	RVC 40 per cent/ CTH (for select chapters)
ASEAN-Japan CEP	2005-2012	Hybrid approach – General rule of origin + product specific rules of origin (PSRs)	CTH or RVC 40 per cent

Agreements	Time Period when the FTA was signed/came into force	Type of Rule	Nature of the General Rule, if specified
ASEAN-Korea FTA		Hybrid approach – General rule of origin + product specific rules of origin (PSRs)	CTH or RVC 40 per cent
ASEAN-Australia & New Zealand FTA		Hybrid approach – General rule of origin + product specific rules of origin (PSRs)	CTH or RVC 40 per cent
Indonesia and Vietnam’s other bilateral and multilateral agreements			
Indonesia-EFTA	2019 onwards	Only product specific rules of origin (PSRs)	NA
Indonesia-Chile		Only product specific rules of origin (PSRs)	NA
CPTPP		Only product specific rules of origin (PSRs)	NA
EU-Vietnam FTA		Only product specific rules of origin (PSRs)	NA
Chile-Vietnam FTA	2005-2012	Hybrid approach -- General rule of origin + product specific rules of origin (PSRs)	CTH or RVC 40 per cent
Republic of Korea’s* bilateral and multilateral agreements			
Korea-Israel FTA	2019 onwards	Only product specific rules of origin (PSRs)	NA
UK-Korea FTA		Only product specific rules of origin (PSRs)	NA
RCEP		Only product specific rules of origin (PSRs)	NA
US-Korea FTA	2005-2012	Only product specific rules of origin (PSRs)	NA
Peru-Korea FTA		Only product specific rules of origin (PSRs)	NA

**Broad approach in three of Korea's agreements namely RCEP, India-Korea CEPA and ASEAN-Korea FTA have already been mentioned before.*

Source: Author's assessment

A close examination into the application of the general rule under Indian and three of ASEAN's FTAs indicates that the general rule in India's agreements is more stringent than those in

ASEAN's agreements. The ASEAN agreements referenced are the ASEAN-Japan CEP, the ASEAN-Korea FTA, and the ASEAN-Australia-New Zealand FTA.

What makes ASEAN's application of the general rule more liberal as compared to India's is that the general rule provides a choice to the trader to fulfil one of the two components specified to satisfy RoO requirements as ASEAN's agreements have included a co-equal rule. In India's case, both the tariff classification and domestic value addition requirements have to be met. The Chile-Vietnam FTA follows a similar general rule.

However, the general rule applicable in two of ASEAN's agreements – the ASEAN-Hong Kong FTA and ASEAN-China FTA – are slightly different. The general rule in ASEAN-Hong Kong FTA is a standalone RVC of 40 per cent while the general rule of origin in ASEAN-China FTA is RVC of 40 per cent for products not specified in the PSR Annex of the agreement and, for products of certain specified chapters, CTH. Even these rules are more liberal than the rule in India's FTAs.

As stated earlier, there is very little similarity in the approaches of India and Korea.

Thus, it can be said that India has similarity with Indonesia and Vietnam to the point that both are transitioning from a hybrid approach to a comprehensive PSR approach; however, the nature of the general rule drastically differs with India being comparatively more stringent when it comes to rules for conferring origin for a majority of products, as compared to Indonesia and Vietnam. The Republic of Korea has been way ahead of India, Indonesia, and Vietnam; its FTAs have had a comprehensive PSR approach since Phase I, implying a more detail-oriented approach or a more product specific approach over the past two decades.

The next section looks at the different drafting patterns adopted by India and comparator countries in the case of PSRs.

3.4. Heterogeneity in drafting pattern of PSRs across FTAs India relative to FTAs Indonesia, Vietnam, and Republic of Korea

It is observed that the PSRs across the FTAs are defined or scripted in different ways. Some FTAs use the common terminology of rules of origin to prescribe the PSRs in an FTA while giving some explanatory notes along with it to elaborate on those terminologies. On the other hand, some FTAs give more detailed or elaborated PSRs for the products which can be considered more interpretive in nature. Again, the way these PSRs are elongated in each FTA may vary. Some examples have been provided in Section 3.1 above.

Given the detailed specifications that the modern-day FTAs lay down under PSRs, a long style approach makes sense. Another point of drafting is at what level of HS classification these rules are presented, i.e., there could be FTAs with rules defined at HS 2-digit implying the same rule applies to all the products falling within a particular chapter; another approach could be to

define the rules at the chapter level but with ex-outs¹³ at HS 4/6-digit; yet another approach could be presenting the rule at HS4/6-digit implying a detail-oriented approach.

The presentation and drafting style of PSRs are relevant points of analysis because sometimes, these can be a source of divergence in the approach of countries negotiating a trade agreement. For instance, country X prefers to specify PSRs at all HS 6-digit sub-headings while country Y prefers to specify PSRs at HS 2-digit chapter specification, with relevant ex-outs wherever required. Similarly, the style in which PSRs have been drafted can also contribute to heterogeneity as a short form and a long form might not necessarily be equivalent. This underlines the need to bring about convergence in the overall approach to the presentation and drafting of PSRs at the time of negotiations in a particular FTA.

India has a ‘short style’ of prescribing PSRs in a majority of its FTAs; the exceptions are the India-Japan CEPA and India-Korea CEPA where the ‘long style’ of PSRs has been used. Vietnam and Indonesia, on the other hand, do not have any set pattern of drafting as there is a mixed approach across its FTAs, while Korea consistently uses the long and elaborate style of drafting PSRs across all its FTAs.

All FTAs have adopted a mixed approach as far as the level of HS classification is concerned with sector wise variations; hence, no fixed pattern can be observed. A detailed table is provided in *Annex I* specifying the drafting styles of each FTA considered in this paper.

So far, the overall approach to PSRs in the FTAs of India and comparator countries and their similarities and dissimilarities have been analysed. It is also important to analyse the PSRs in different FTAs, the categories they fall into and their level of stringency. This will contribute to understanding the level of heterogeneity in India’s FTAs – both across different FTAs as well as vis-à-vis the other three countries.

3.5. Sectoral Heterogeneity in India’s PSR approach across its FTAs and vis-à-vis other countries

For each of the four sectors considered in the analysis, i.e., agriculture and processed agricultural products, textiles and clothing, machinery and automobiles, Indian FTAs have been analysed first with an outline of the broad approach within a particular sector followed by a detailed analysis of the PSRs and a comparison across India’s FTAs to highlight the pattern as well as heterogeneity in India’s approach. Subsequently, details of the PSRs for the sector have been provided for the other three countries and a comparison of the heterogeneity pattern between India’s FTAs and that of the other three countries has been made.

¹³ The ex-outs refer to those HS codes that are appearing in the PSR schedule of various free trade agreements where a different PSR may be specified for certain products within a broad category of products. These codes usually appear with a prefix of ‘ex’ specified before a HS 2/4/6-digit code. For instance, if a trade agreement contains a common PSR for an entire 2-digit chapter and mentions the prefix “EX” before it then it means that there will be some 4 or 6-digit HS codes within that chapter where the applicable PSR will be different from the common PSR applicable on the entire chapter.

3.5.1. Agriculture Sector

The agriculture and processed agricultural sector comprise a wide range of products including live animals, fish, plants, fruits, vegetables, spices, cereals, edible oils, confectioneries, food preparations, beverages and tobacco. In terms of the production process, these are the least complex products. In the harmonised system of product classification, these products are covered under HS 1-24, broadly accounting for 17.14 per cent of HS 6-digit codes, i.e., 963 out of a total of 5612 sub-headings. All these sub-headings have been considered to assess the extent of heterogeneity in product specific rules of origin (PSRs) in the case of the FTAs of India and other selected countries.

India

As discussed in Section 3.2.1, India has so far followed a hybrid approach in a majority of its trade agreements, which means that India's agreements have a combination of a general rule as well as PSRs on specific sub-headings. India later shifted to a comprehensive PSR approach. The same approach is observed in the agriculture sector. Details are given below.

- i. *India's approach in Phase I:* The India-ASEAN FTA has included only a general rule for all agricultural products. But in the other three FTAs, there was a progressive move towards a hybrid approach. The India-Singapore CECA has 49.33 per cent of the agricultural sub-headings covered under PSRs and the remaining 50.67 per cent covered under the general rule. The percentage coverage under PSRs increased to 87.44 per cent under the India-Korea CEPA and further to 96.78 per cent under the India-Japan CEPA.
- ii. *India's approach in Phase II:* India's agreements with the EFTA, the UAE and Mauritius have a comprehensive PSR approach, i.e., 100 per cent coverage of agriculture products under PSRs. The India-Australia ECTA has a PSR coverage of only 66.67 per cent for products in the agricultural sector but it is an early harvest agreement and it is expected that a full-fledged PSR approach will be taken in the India-Australia CECA, which is under negotiation.
- iii. India has made a shift to a comprehensive PSR approach for agricultural and processed agricultural products over time.

Table 26 shows the percentage distribution of sub-headings under the general rule and PSRs for this sector across India's FTAs.

Table 26: Percentage distribution of PSRs and general rule in India's FTAs for the agriculture sector

India's Agreements	General Rule	Product Specific Rules
India-EFTA TEPA	-	100%
India-Australia ECTA	33.33%	66.67%
India-UAE CEPA	-	100%
India-Mauritius CECPA	-	100%

India's Agreements	General Rule	Product Specific Rules
India-ASEAN FTA	100%	-
India-Japan CEPA	3.22%	96.78%
India-Korea CEPA	12.56%	87.44%
India-Singapore CECA	50.67%	49.33%

Source: Author's assessment

The different categories of PSRs for agricultural products found in India's trade agreements are examined in detail.¹⁴

i. Details on the types of PSRs in India's Phase I FTAs:

- The India-ASEAN FTA has a general rule on all 963 HS 6- digit codes of the agricultural sector, which is CTSH + RVC 35 per cent. This is a compound rule that requires that both conditions have to be met for origin to be conferred, making this a relatively stringent PSR.
- In the India-Singapore CECA, 47.87 per cent of the sub-headings under agriculture are covered through the PSR of wholly obtained materials (or a type of PSR where the manufacturing process contains WO materials). The remaining 52.13 per cent of the sub-headings are covered under the compound rule of Csth+RVC 35 per cent (50.67 per cent) and a minute proportion is covered under the co-equal, single value addition and single CTC rules.
- PSRs of wholly obtained material (or a PSR where the manufacturing contains WO materials) cover 70.61 per cent of the total 963 sub-headings under the India-Korea CEPA. The remaining sub-headings are covered through PSR categories like the compound rule including the general rule, the single CT rule, etc.
- In the India-Japan CEPA, 95.74 per cent of the HS sub-headings out of the total 963 involve the PSR of wholly obtained material (or a type of PSR where the manufacturing process contains WO materials). The remaining 4.26 per cent of the sub-headings have different rules (compound rules including the general rule, single CTC rule and the co-equal rules).
- Notably, the percentage of products covered by the stringent rule of wholly obtained and its variants, as the PSR, has increased steadily from 47 per cent to more than 95 per cent in India's Phase I FTAs.

ii. Details of the types of PSRs in India's FTAs in Phase II:

- In the India-Mauritius CECPA, 92.83 per cent of the HS 6-digit sub-headings are covered under the PSR of wholly obtained materials while the remaining sub-headings are covered under the single CTC rule and co-equal rules with negligible coverage under compound and other rules.
- In contrast to the approach in the India-Mauritius CECPA, 66.67 per cent of the 963 sub-headings are covered under PSR of wholly obtained materials and 33.23 per

¹⁴ For this analysis, categories across HS 1 to HS 24 have been cumulatively considered instead of chapter-by-chapter.

cent are covered under the compound rule in the India-UAE CEPA; only 0.10 per cent of the sub-headings are under the single CTC rule.

- Almost 51 per cent of the HS 6-digit sub-headings in the India-Australia ECTA are covered by the PSR for wholly obtained material (or PSR where the manufacturing process contains WO materials) while 33.33 per cent of the HS 6-digit codes are covered under the general rule (CTSH+RVC); the remaining are covered under the single CTC, single CTC rule with exceptions, co-equal and compound rules.
- In its latest FTA with the EFTA, 73.52 per cent of the sub-heading are covered under PSR for wholly obtained materials, followed by the single CTC rule (13.91 per cent), single CTC rule with exceptions (5.19 per cent), the compound rule (4.36 per cent) and a minor percentage under the co-equal rules (0.73%). Slightly over 2 per cent of the sub-headings could not be categorised in the broad classification and can be included in the category of other PSRs.
- India has included more than 50 per cent of its agricultural products under the PSR category of wholly obtained and its variants in its Phase II agreements.

Overall, it can be said that India follows a conservative approach of relatively stringent PSRs across a majority of agricultural products in its FTAs. Further, heterogeneity can be noticed in India's FTAs across the two time periods in terms of the categories of PSRs covered under different agreements.

Table 27 provides a summary of the number of sub-headings from the agriculture sector categorised under broad categories of PSRs under different trade agreements.

Table 27: Number of HS 6-digit product under the agriculture sector categorised into different types of PSRs across India's FTAs

Type of Product Specific Rule (PSR)	Number of agriculture sector sub-headings						
	India-EFTA TEPA	India - Australia ECTA	India-UAE CEPA	India-Mauritius CECPA	India-Japan CEPA	India-Korea CEPA	India-Singapore CECA
WO	708	491	642	894	922	680	461
Single CTC rule	134	137	1	29	6	2	1
Single value addition/weight rule	0	0	0	0	0	0	5
Single CTC rule with exceptions	50	8	0	0	0	0	0
Compound rule	42	1	320	15	2	160	0
Co-equal rule	7	5	0	24	2		8
General rule	0	321	0	0	31	121	488
Other rules	22	0	0	1	0	0	0

Blanks (sub-headings where PSRs could not be mapped)	0	0	0	0	0	0	0
Total HS 6-digit products under the Agriculture Sector (HS 1-24)	963	963	963	963	963	963	963

Source: Author's assessment

Assessment of chapter level homogeneity/heterogeneity in India's approach to PSRs for Agriculture Sector

We now turn to an assessment of the extent of homogeneity/heterogeneity across India's FTAs under each chapter of the agriculture sector at the HS 2-digit level of disaggregation.

The most harmonised approach across the agriculture sector chapters have been under the India-ASEAN FTA, in which the CTSH+RVC rule has been applied for all 963 HS 6-digit products. This is followed by the India-Japan CEPA, where a single PSR for wholly obtained materials has been specified for almost the entire agricultural sector. The approach in other FTAs has been more varied.

Across India's FTAs, except in the India-ASEAN FTA, there is homogeneity in only three out of the 24 chapters, namely, Chapter 1 (live animals), Chapter 2 (meat and edible meat offal) and Chapter 5 (products of animal origin, not elsewhere specified or included). The rule for these chapters under all of India's FTAs is a PSR of wholly obtained, although the drafting style varies across the FTAs.

In Chapter 4 (dairy produce, birds' eggs, natural honey, etc.), the PSR is wholly obtained under all FTAs except in the India-Australia ECTA, where the general rule is applicable.

In Chapter 6 (live trees and other plants), Chapter 10 (cereals), Chapter 14 (vegetable plaiting materials, vegetable products not elsewhere specified or included), the PSR is wholly obtained in all trade agreements, except in the India-Singapore CECA, where the general rule is applicable.

Beyond the chapters mentioned above, there is heterogeneity in the types of PSRs in the remaining chapters of the agriculture sector across India's trade agreements.

For instance, in Chapter 23 (residues and waste from food industries), there are 11 different types of PSRs applicable across India's FTAs. These include different types of compound rules, namely, CTH and VNM 60 per cent (which is equivalent to CTH + VA 40 per cent), CC + VA 40 per cent and the general rule under the India-Australia ECTA (which is CTSH + QVC 35 per cent or CTSH + QVC 45 per cent depending on the formula used for calculation of the value addition threshold) as well as general rules under the India-Japan and India-Korea

CEPAs. The remaining varieties of PSRs within Chapter 23 are WO and some of its variations such as WO for all the maize used or WO for all materials of Chapter 2 and 3 or WO for all the olives used, CC, CTH, CC or VA 35 per cent, etc.

The different PSRs applied to each chapter of the agriculture sector across India's FTAs have been tabulated in Annex 2 (Table 59).

Agriculture sector under trade agreements of other countries

This sub-section looks at the FTAs of the three comparator countries to see whether their approach to PSRs in agriculture is more consistent across their FTAs and how much their approach diverges from India's.

Indonesia and Vietnam

Like India, Indonesia and Vietnam have a hybrid approach, i.e., general rule as well as PSRs for selected products but this pattern is more prevalent across their FTAs as part of the ASEAN grouping. However, the similarity ends there, as the scope of the general rule differs in terms of stringency when compared to India's application of the rule.

The coverage of products at the HS 6-digit level under the general rule ranges from 0.3 per cent to 80 per cent of the total products across ASEAN's FTAs, with this coverage being the least under the ASEAN-Japan CEP and the maximum under the ASEAN-Hong Kong FTA. The ASEAN grouping has adopted 100 per cent coverage of products through PSRs in the RCEP agreement. Similarly, other Indonesian and Vietnamese agreements spread across Phase II also have 100 per cent coverage of products through PSRs while the Vietnam-Chile FTA (covered under Phase I) has approximately 11 per cent of the products covered under the general rule and the remaining under the PSR approach.

Broadly, therefore, India, Indonesia and Vietnam have a similar trajectory of moving towards a comprehensive PSR approach over the two decades with some recent FTAs still following a hybrid approach. Table 28 provides the percentage distribution of agricultural products under the general rule and PSRs across the FTAs of Indonesia and Vietnam.

Table 28: Percentage distribution of PSRs and general rule in FTAs of Indonesia and Vietnam for Agriculture Sector

Indonesia and Vietnam's 's Agreements	General Rule	Product Specific Rules
RCEP	-	100%
AHKFTA	80%	20%
ACFTA	21%	79%
AANZFTA	20%	80%
AJCEP	0.31%	99.69%
AKFTA	19%	81%

Indonesia and Vietnam's Agreements	General Rule	Product Specific Rules
RCEP	-	100%
AHKFTA	80%	20%
ACFTA	21%	79%
AANZFTA	20%	80%
Indonesia-EFTA CEPA	-	100%
EU-Vietnam FTA	-	100%
CPTPP	-	100%
Indonesia-Chile CEPA	-	100%
Vietnam-Chile	11%	89%

Source: Author's assessment

When compared for the types of PSRs in the agricultural sector and the divergence in approach between India and the three comparator countries, the first point to note is that India's FTAs have a stricter general rule in the form of a compound rule for the agricultural sector. The ASEAN FTAs, of which Indonesia and Vietnam are signatories as members of the grouping, have either a single rule or a co-equal rule as the general rule.

The ASEAN-Japan CEP, ASEAN-Korea FTA, the ASEAN-Australia-New Zealand FTA and the Chile-Vietnam FTA have CTH or RVC 40 per cent as the general rule while ASEAN-China FTA and ASEAN-Hong Kong FTA have only RVC 40 per cent as the general rule. In the ASEAN-China FTA, there is another general rule of CTH for certain specified products. These FTAs, therefore, have more liberal PSRs.

The bilateral agreements of Indonesia and Vietnam show a fairly high degree of heterogeneity when one analyses the types of PSRs for agricultural products. In India's case, WO/manufacture from WO materials is the predominant category, covering 48 per cent to 96 per cent of the total sub-headings. In the case of the ASEAN grouping, the ASEAN-Korea agreement has the highest coverage of about 67 per cent of the total under the WO/manufacture from WO materials rule while the ASEAN-Japan CEP has no products under this rule; for the other three ASEAN agreements, the percentage lies in between the above two.

The most common type of PSR of the ASEAN grouping is the co-equal rule, which covers 0.6 per cent to 41 per cent of the total sub-headings at the HS 6-digit level. The ASEAN-Australia-New Zealand FTA has the highest number of sub-headings under the co-equal rule, in addition to the general rule, which again is a co-equal rule.

Unlike the Indian approach where the general rule is also a compound rule, a compound rule is only found in the ASEAN-Korea FTA covering approximately 1.25 per cent of the total agriculture products. The single CTC rule category in ASEAN's FTAs range from 0.21 per cent to 82 per cent, except in the case of the ASEAN- Hong Kong FTA, which does not contain the

single CTC rule. The single CTC rule appears in all of India's FTAs but the coverage of sub-headings is relatively low, ranging between 0.1 per cent and 13 per cent across the FTAs. Single CTC rule with exceptions and single value addition rules are not common either in the ASEAN or Indian FTAs.

It may also be highlighted that for 2 sub-headings out of the total 963 sub-headings of the agriculture sector, PSRs could not be mapped in the case of the ASEAN-Korea FTA. In addition, for this sector, the ASEAN-Japan CEP, ASEAN-Korea FTA, ASEAN-Australia-New Zealand FTA and RCEP have a few PSRs that are either description based, i.e., for the same code, two separate PSRs are devised based on certain descriptions or are country specific, i.e., for the same product, different rules apply to each partner country. However, the number of such PSRs is miniscule and these have been categorised under the 'other rules' category. The number of sub-headings in the agriculture sector covered under different PSR criteria across ASEAN FTAs are tabulated below (Table 29).

Table 29: Number of HS 6-digit product under the agriculture sector categorised into different types of PSRs across ASEAN's FTAs

PSR Criteria	Number of sub-headings of Agriculture Sector					
	RCEP	AHKFTA	ACFTA	AANZ FTA	AKFTA	AJCEP
WO	148	189	231	294	648	0
Single CTC rule	577	0	348	80	2	792
Single value addition/weight rule	4	0	0	0	29	9
Single CTC rule with exceptions	84	0	25	0	0	152
Compound rule	0	0	0	0	12	0
Co-equal rule	149	3	159	399	80	6
General rule	0	771	200	188	187	3
Other rules	1	0	0	2	3	1
Blanks (sub-headings where PSRs could not be mapped)	0	0	0	0	2	0
Total HS 6-digit products under the Agriculture Sector (HS 1-24)	963	963	963	963	963	963

Source: Author's assessment

In the Vietnamese and Indonesian FTAs, the general rule is present only under the Vietnam-Chile FTA – approximately 11 per cent of the total agriculture sub-headings. However, the general rule used, as in most ASEAN FTAs, is the co-equal criterion, i.e., CTH or RVC 40 per cent). It is, therefore, an approach that is different from India's.

WO/manufacture from WO materials criteria, which is the most common PSR among Indian FTAs for the agriculture sector, is found in the EU-Vietnam FTA (54 per cent) and the Indonesia-EFTA CEPA (57 per cent). Further, in contrast to ASEAN's and India's FTAs, the FTAs of Indonesia and Vietnam other than as part of the ASEAN grouping have the single CTC rule, covering sub-headings ranging from 12 per cent to 18 per cent for agricultural products. The compound rule, which is a common feature of Indian FTAs, whether in the form of PSR or a general rule, is found only in the EU-Vietnam FTA – it covers approximately 26 per cent of the total sub-headings. The single CTC rule with exceptions and the single value addition rule are not significant categories across the FTAs of this group.

There are description-based PSRs in the CPTPP, the EU-Vietnam and the Indonesia-EFTA CEPAs. Table 30 provides details of the number of sub-headings under the agriculture sector categorised under each PSR criteria in the FTAs of Indonesia and Vietnam.

Table 30: Number of HS 6-digit products under the agriculture sector categorised into different types of PSRs across the FTAs of Indonesia and Vietnam

PSR Criteria	Number of sub-headings of Agriculture Sector				
	Indonesia-EFTA CEPA	EU-Vietnam FTA	CPTPP	Indonesia-Chile CEPA	Vietnam-Chile FTA
WO	550	523	0	0	0
Single CTC rule	279	117	752	730	768
Single value addition/weight rule	0	11	0	0	0
Single CTC rule with exceptions	47	0	62	0	0
Compound rule	0	248	3	0	0
Co-equal rule	0	0	78	225	91
General rule	0	0	0	0	104
Other rules	87	64	68	0	0
Blanks (sub-headings where PSRs could not be mapped)	0	0	0	8	0
Total HS 6-digit products under the Agriculture Sector (HS 1-24)	963	963	963	963	963

Source: Author's assessment

Republic of Korea

The FTAs of the Republic of Korea, unlike those of India, Indonesia and Vietnam, relies on a comprehensive PSR approach. The exceptions are the ASEAN-Korea FTA and India-Korea CEPA, which have a hybrid approach that covers approximately 19 per cent and 13 per cent of the total HS 6-digit products under this sector. Unlike India, the Republic of Korea has adopted a standalone PSR approach for all sub-headings even in Phase I.

All of Korea's four FTAs considered have the single CTC rule (covering between 6 per cent and 7 per cent of the total agricultural sector sub-headings) and the single CTC rule with exceptions (covering sub-headings ranging from 0.1 per cent to 22 per cent). This is similar to the bilateral FTAs of Vietnam and Indonesia and different from the approach taken by India and ASEAN.

The WO/manufacture from WO materials criterion appears in three of Korea's four trade agreements, covering 15 per cent to 67 per cent of sub-headings across four of its FTAs. This is similar to India's approach for the agricultural sector and reflects a high level of stringency. Among Korea's four agreements, the UK-Korea FTA covers about 65 per cent of HS 6-digit codes under the compound rule. The US-Korea FTA covers only 0.83 per cent under the compound rule, a common approach in Indian FTAs, while the other two Korean FTAs do not cover any sub-headings under the compound rule.

Additionally, the single value addition rule and other rules apply to only a small number of sub-headings. The US-Korea and UK-Korea FTAs include description-based PSRs and CTC with allowance (PSRs classified under "other rules") for certain products.

The PSR criteria under the Republic of Korea's different FTAs are tabulated below (Table 31).

Table 31: Number of HS 6-digit product under the agriculture sector categorised into different types of PSRs across Korea's FTAs

PSR Criteria	Number of sub-headings of Agriculture Sector			
	UK- Korea FTA	Israel-Korea FTA	US- Korea FTA	Peru-Korea FTA
WO	217	644	0	203
Single CTC rule	65	208	758	501
Single value addition/weight rule	17	0	0	0
Single CTC rule with exceptions	10	1	173	215
Compound rule	0	110	0	44
Co-equal rule	621	0	8	0
General rule	0	0	0	0
Other rules	33	0	24	0
Total HS 6-digit products under the Agriculture Sector (HS 1-24)	963	963	963	963

Source: Author's assessment

Highlighting the patterns of chapter wise heterogeneity in the case of Indonesia, Vietnam and the Republic of Korea is slightly difficult because several types of PSRs have been used across

most of the chapters under the agricultural sector. These have been tabulated in Annex 2 under Tables 60, 61 and 62.

Inferences on heterogeneity in PSRs under the Agriculture Sector

A summary of the nature of the PSRs adopted by India and the other countries for the agricultural sector is given in Table 32 below. India has followed a hybrid approach for agricultural products, using both PSRs and general rules of origin. However, there has been a shift to a PSR-dominated approach over time with FTAs covered under the second phase adopting an entirely PSR approach.

It is important to note that trade agreements in Indonesia, Vietnam, and Korea commonly apply single CTC or single value addition rules to a majority of agricultural products. In contrast, India's agreements cover only a maximum of 14.23 per cent of the products under these rules, indicating significant variation. The share of products covered by single CTC or value addition rules in Indonesia, Vietnam, and Korea ranges from 79 per cent to 83 per cent, a stark contrast to India's much lower percentage.

A similar pattern is seen with co-equal PSRs. In India's agreements, only 2.49 per cent of products are covered under these rules, while in Indonesia, Vietnam, and Korea, the share exceeds 10 per cent. The highest coverage is in ASEAN's agreements, where 41.43 per cent of products fall under co-equal rules. In case of India and trade agreements of Indonesia and Vietnam (other than the ASEAN bloc FTAs), less than 10 per cent of agricultural products are covered by single tariff classification rules with exceptions. In ASEAN's agreements, the coverage increases to approximately 16 per cent and an even higher coverage is seen in case of Korea's agreements.

This comparison makes it apparent that under India's agreements, only a small proportion of products come under RoOs that can be considered liberal. This is reflected in the percentage of products covered under the compound rule in India's FTAs and those of the comparator countries. As part of the ASEAN grouping, Indonesia and Vietnam have a negligible proportion of products covered under a compound rule, and only a quarter of the products under bilateral and other regional agreements. The Korean FTAs include compound rules with the maximum percentage of products covered under these being approximately 65 per cent.

It also needs to be noted that the value addition thresholds under the different agreements of Indonesia and Vietnam vary widely. In their agreements as part of the ASEAN grouping, the proportion ranges between 35 and 60 per cent while in bilateral and other regional agreements, it ranges between 40 and 80 per cent. The value addition thresholds in Korea's agreements lie between 35 and 70 per cent, showing similarity with the value addition thresholds in ASEAN's agreements. However, the value addition thresholds in Indian agreements hovers between 25 and 50 per cent, wherein both the minimum and maximum components are less than those in the agreements of the comparator countries.

Table 32: Proportion of products under the different major PSR categories in the FTAs of India, Indonesia, Vietnam and Korea

Broad Categories	India	Indonesia & Vietnam		Republic of Korea
		ASEAN	Other agreements	
	Range of HS 6-digit Products			
Wholly Obtained rule	47.87% - 95.74%	0% - 67.29%	0% - 57.11%	0% - 70.61%
Single rules whether single CTC rules or single value addition rules	0.10% - 14.23%	0% - 82.24%	0% - 79.75%	0.21% - 78.71%
Single CTC rule with exceptions	0% - 5.19%	0% - 15.78%	0% - 6.44%	0% - 22.32%
Process rules	0%	0%	0%	0%
Compound rules	0% - 33.23%	0% - 1.25%	0% - 25.75%	0% - 64.49%
Co-equal rules	0% - 2.49%	0.31% - 41.43%	0% - 23.36%	0% - 11.42%
Range of Value addition thresholds (Under different types of PSRs discussed above)				
	25% - 50%	35% - 60%	40% - 80%	35% - 70%

Source: Author's assessment

3.5.2. Textiles Sector

The textiles sector is a highly complex sector and includes an entire range from raw materials to fibres and yarns, fabrics, readymade garments and apparels. Products categorised in the textiles sector are covered by Chapters 50-63 of the harmonised system of product classification and covers approximately 14 per cent of the HS 6-digit sub-headings.

The PSRs in the textiles sector are highly varied in nature across different agreements as countries use different types of rules. A key feature of this sector is the use of processing rules, which vary by product. Additionally, textile products are subject to various conditions or rules.

While process rules are common across this sector, various FTAs stipulate the CTC and value addition rules for this sector. Thus, it is important for policy makers to have a thorough understanding of the relatively stringency of process rules over other rules or the possible equivalence among them through industry interactions. Details of certain process rules are provided in the following tables across FTAs.

The kinds of processing rules in different agreements for yarn are given in Table 33 below.

Table 33: Types of process rules found in different agreements for yarn

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
50	500400	Silk yarn (other than yarn spun from silk waste) not put up for retail sale	UK-Korea FTA	Manufacture from: – raw silk or silk waste, carded or combed or otherwise prepared for spinning, – other natural fibres, not carded or combed or otherwise prepared for spinning, – chemical materials or textile pulp, or – paper-making materials
50	500600	Silk yarn and yarn spun from silk waste, put up for retail sale; silk-worm gut	EU-Vietnam FTA	Spinning of natural fibres or extrusion of man-made fibres accompanied by spinning or twisting
51	510610	Containing 85% or more by weight of wool	India-Japan CEPA	Manufacture from fibres, provided that necessary process stipulated in the Appendix is undertaken
54	540220	High tenacity yarn of polyesters, whether or not textured	EU-Vietnam FTA	Extrusion of man-made fibres accompanied by spinning or spinning of natural fibres
54	540310	High tenacity yarn of viscose rayon	India-Japan FTA	Manufacture from chemical materials or textile pulps, provided that necessary process stipulated in the Appendix is undertaken.
56	560500	Metallised yarn, whether or not gimped, being textile yarn, or strip or the like of 54.04 or 54.05, combined with metal in the form of thread, strip or powder	UK-Korea FTA	Manufacture from: – natural fibres, – man-made staple fibres, not carded or combed or otherwise processed for spinning, – chemical materials or textile pulp, or – paper-making materials

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
		or covered with metal		
56	560600	Gimped yarn, and strip and the like of heading 54.04 or 54.05, gimped (other than those of heading 56.05 and gimped horsehair yarn); chenille yarn (including flock chenille yarn); loop wale-yarn.	India-Japan CEPA	Manufacture from yarns, provided that necessary process stipulated in the Appendix is undertaken.

Source: Author's assessment

The types of process rules found in different agreements for fabrics have been given in Table 34.

Table 34: Types of process rules found in different agreements for fabrics

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
50	500710	Fabrics of noil silk	EU-Vietnam FTA	Spinning of natural or man-made staple fibres or extrusion of man-made filament yarn or twisting, in each case accompanied by weaving; weaving accompanied by dyeing; yarn dyeing accompanied by weaving; or printing accompanied by at least two preparatory or finishing operations (such as scouring, bleaching, mercerising, heat setting, raising, calendering, shrink resistance processing, permanent finishing, decatizing, impregnating, mending and burling), provided that the value of the unprinted fabric used does not exceed 47.5 % of the ex-works price of the product

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
51	511300	Woven fabrics of coarse animal hair or of horsehair	UK-Korea FTA	Change to Heading 51.13 from any other heading; or printing or dyeing accompanied by at least two preparatory or finishing operations; or a regional value content of not less than 40 per cent of the FOB value of the good
53	531100	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn	US-Korea FTA	Incorporating rubber thread - Manufacture from single yarn Others - Manufacture from: – coir yarn, – jute yarn, – natural fibres, – man-made staple fibres, not carded or combed or otherwise prepared for spinning, – chemical materials or textile pulp, or – paper or Printing accompanied by at least two preparatory or finishing operations (such as scouring, bleaching, mercerising, heat setting, raising, calendering, shrink resistance processing, permanent finishing, decatizing, impregnating, mending and burling), provided that the value of the unprinted fabric used does not exceed 47.5 % of the ex-works price of the product
54	540720	Woven fabrics obtained from strip or the like	India-Mauritius CECPA	woven and dyed or printed
54	540810	Woven fabrics obtained from high tenacity yarn of viscose rayon	India-Japan CEPA	Manufacture from yarns, provided that necessary process stipulated in the Appendix is undertaken.
58	580136	Chenille fabrics	India-Mauritius CECPA	Spun, woven and dyed or printed

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
59	590110	Textile fabrics coated with gum or amylaceous substances, of a kind used for the outer covers of books or the like	EU-Vietnam FTA	Weaving accompanied by dyeing or by flocking or by coating; or flocking accompanied by dyeing or by printing
59	591110	Textile fabrics, felt and felt-lined woven fabrics, coated, covered or laminated with rubber, leather or other material, of a kind used for card clothing, and similar fabrics of a kind used for other technical purposes, including narrow fabrics made of velvet impregnated with rubber, for covering weaving spindles (weaving beams)	UK-Korea FTA	<p>Polishing discs or rings other than of felt of heading 5911 - Manufacture from yarn or waste fabrics or rags of heading 6310</p> <p>Woven fabrics, of a kind commonly used in papermaking or other technical uses, felted or not, whether or not impregnated or coated, tubular or endless with single or multiple warp and/or weft, or flat woven with multiple warp and/or weft of heading 5911 - Manufacture from:</p> <ul style="list-style-type: none"> – coir yarn, – the following materials: – – yarn of polytetrafluoroethylene, – – yarn, multiple, of polyamide, coated, impregnated or covered with a phenolic resin, – – yarn of synthetic textile fibres of aromatic polyamides, obtained by polycondensation of mphenylenediamine and isophthalic acid, – – monofil of polytetrafluoroethylene, – – yarn of synthetic textile fibres of poly (p-phenylene terephthalamide), – – glass fibre yarn, coated with phenol resin and gimped with acrylic yarn, – – copolyester monofilaments of a polyester and a resin of terephthalic acid and 1,4-cyclohexanediethanol and isophthalic acid, – – natural fibres,

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
				<ul style="list-style-type: none"> – man-made staple fibres not carded or combed or otherwise processed for spinning, or – chemical materials or textile pulp <p>Other - Manufacture from:</p> <ul style="list-style-type: none"> – coir yarn, – natural fibres, – man-made staple fibres, not carded or combed or otherwise processed for spinning, or – chemical materials or textile pulp
60	600310	Of wool or fine animal hair	Indonesia-EFTA TEPA	Manufacture from non-originating natural fibres, man-made staple fibres, or chemical materials or textile pulp, provided that the manufacturing processes have been conducted entirely in a Party.
60	600110	"Long pile" fabrics	UK-Korea FTA	<p>Manufacture from:</p> <ul style="list-style-type: none"> – natural fibres, – man-made staple fibres, not carded or combed or otherwise processed for spinning, or – chemical materials or textile pulp

Source: Author's assessment

The types of process rules found in different agreements for fibres have been given in Table 35.

Table 35: Types of process rules found in different agreements for fibres

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
53	530810	Coir yarn	UK-Korea FTA	<p>Manufacture from:</p> <ul style="list-style-type: none"> – raw silk or silk waste, carded or combed or otherwise prepared for spinning, – natural fibres, not carded or combed or otherwise prepared for spinning, – chemical materials or textile pulp, or – paper-making materials

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
53	530820	True hemp yarn	India-Japan CEPA	Manufacture from fibres, provided that necessary process stipulated in the Appendix is undertaken.
55	550700	Artificial staple fibres, carded, combed or otherwise processed for spinning	India-Japan CEPA	Manufacture from chemical materials or textile pulps
55	550810	Of synthetic staple fibres	EU-Vietnam FTA	Spinning of natural fibres or extrusion of man-made fibres accompanied by spinning
57	570220	Floor coverings of coconut fibres (coir)	UK-Korea FTA	<p>Of needle loom felt - Manufacture from:</p> <ul style="list-style-type: none"> – natural fibres, or – chemical materials or textile pulp <p>However:</p> <ul style="list-style-type: none"> – polypropylene filament of heading 5402, – polypropylene fibres of heading 5503 or 5506, or – polypropylene filament tow of heading 5501, of which the denomination in all cases of a single filament or fibre is less than 9 decitex, may be used, provided that their total value does not exceed 40 % of the ex-works price of the product <p>Jute fabric may be used as a backing</p> <p>– Of other felt - Manufacture from:</p> <ul style="list-style-type: none"> – natural fibres, not carded or combed or otherwise processed for spinning, or – chemical materials or textile pulp <p>Others - Manufacture from:</p> <ul style="list-style-type: none"> – coir yarn or jute yarn, – synthetic or artificial filament yarn, – natural fibres, or – man-made staple fibres, not carded or combed or otherwise processed for spinning <p>Jute fabric may be used as a backing</p>

Source: Author's assessment

The types of process rules found in different agreements for apparels and readymade garments have been given in Table 36.

Table 36: Types of process rules found in different agreements for apparels and readymade garments

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
61	610190	Of other textile materials	US-Korea FTA	<p>A change to goods of wool or fine animal hair of sub-heading 6101.90 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, sub-heading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that:</p> <p>(a) the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties, and</p> <p>(b) any visible lining material used in the apparel article satisfies the requirements of Chapter Rule 1 for Chapter 61; or</p> <p>A change to any other good of sub-heading 6101.90 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, sub-heading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties.</p>
61	610310	Suits	EU-Vietnam FTA	— obtained by sewing together or otherwise

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
				<p>assembling, two or more pieces of knitted or crocheted fabric which have been either cut to form or obtained directly to form; and: Knitting and making-up (including cutting)</p> <p>— other: Spinning of natural or man-made staple fibres or extrusion of man-made filament yarn, in each case accompanied by knitting (knitted to shape products); or dyeing of yarn of natural fibres accompanied by knitting (knitted to shape products)</p>
61	610422	Of cotton	Indonesia-EFTA TEPA	Manufacture from non-originating materials of any chapter except that of the product, provided that these materials have been knitted or crocheted entirely in a Party.
61	611220	Ski suits	India-Japan CEPA	Manufacture from fabrics, provided that necessary process stipulated in the Appendix is undertaken.
61	611510	Graduated compression hosiery (for example, stockings for varicose veins)	UK-Korea FTA	<p>Spinning of natural and/or man-made staple fibres, or extrusion of manmade filament yarn, accompanied by knitting (knitted to shape products)</p> <p>or</p> <p>Knitting and making up including cutting (assembling, two or more pieces of knitted or crocheted fabric which have been either cut to form or obtained directly to form)</p>
61	611710	Shawls, scarves, mufflers, mantillas, veils and the like	India-Korea CEPA	Manufacture from non-originating yarn

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
62	620220	Of wool or fine animal hair	EU-Vietnam FTA	women's, girls' and babies' clothing and clothing accessories for babies, embroidered: Weaving accompanied by making- up (including cutting); or manufacture from unembroidered fabric, provided that the value of the unembroidered fabric used does not exceed 40 % of the ex-works price of the product
62	620342	Of cotton	EU-Vietnam FTA	Weaving accompanied by making- up (including cutting); or making-up preceded by printing accompanied by at least two preparatory or finishing operations (such as scouring, bleaching, mercerising, heat setting, raising, calendering, shrink resistance processing, permanent finishing, decatizing, impregnating, mending and burling), provided that the value of the unprinted fabric used does not exceed 47,5 % of the ex-works price of the product
62	621230	Corselettes	UK-Korea FTA	Weaving accompanied by making-up (including cutting) or Embroidering accompanied by making up (including cutting), provided that the value of the unembroidered fabric used does not exceed 40 % of the ex-works price of the product or Coating accompanied by making up (including cutting), provided that the value of the uncoated fabric used does not exceed 40 % of the ex-works price of the product or

Chapter	Tariff Sub-Heading	Product Description (HS 2022)	Agreement	Product Specific Rule of Origin (PSR)
				Making-up preceded by printing accompanied by at least two preparatory finishing operations (such as scouring, bleaching, mercerising, heat setting, raising, calendering, shrink resistance processing, permanent finishing, decatizing, impregnating, mending and burling), provided that the value of the unprinted fabric used does not exceed 47.5 % of the ex-works price of the product
62	621710	Accessories:	Indonesia-EFTA CEPA	Manufacture from non-originating materials of any chapter except that of the product, provided that these materials have been woven entirely in a Party.
62	621600	Gloves, mittens and mitts	US-Korea FTA	A change to heading 62.13 through 62.17 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, sub-heading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, 58.01 through 58.02, or 60.01 through 60.06, provided that the good is both cut and sewn or otherwise assembled in the territory of one or both of the Parties.

Source: Author's assessment

India

The hybrid approach that India follows for adopting both a general rule as well as PSRs is replicated in this sector as well but to a very minimal extent. All of India's agreements with the exception of the India-Australia ECTA, the India-Singapore CECA and the India-ASEAN FTA have included PSRs on all textile products as per the HS nomenclature. The India-Australia ECTA has included both the general rule of origin as well as PSRs while the India-ASEAN FTA has included the general rule of origin for all products across the spectrum of the HS nomenclature, irrespective of the sector. Hence, the heterogeneity in India's approach towards PSRs is minimal.

Table 37 shows the distribution of textile products covered through PSRs and the general rule of origin in India's FTAs.

Table 37: Percentage distribution of PSRs and general rule in India's FTAs for textiles sector

India's Agreements	General Rule	Product Specific Rules
India-EFTA TEPA	-	100%
India-Australia ECTA	99%	1%
India-UAE CEPA	-	100%
India-Mauritius CECPA	-	100%
India-ASEAN FTA	100%	-
India-Japan CEPA	-	100%
India-Korea CEPA	-	100%
India-Singapore CECA	100%	-

Source: Author's assessment

i. India's approach in Phase I:

- India's trade agreements with the ASEAN and Singapore uses the general rule (which is CTS+RVC 35 per cent), which is relatively stringent compared to its trade agreements with other countries.
- In the India-Japan CEPA, 98.6 per cent of the HS 6-digit sub-headings have specified process rules while the remaining have a single tariff classification rule.
- The India-Korea CEPA, however, has only 32.87 per cent of HS 6-digit sub-headings covered under process rules with the remaining 67.13 per cent of the sub-headings being covered under a compound rule.

ii. India's approach in Phase II:

- India's approach to PSRs has been more varied in recent agreements.
- The India-Mauritius CECPA uses a combination of multiple types of PSRs – approximately 48.06 per cent of HS 6-digit sub-headings (383 sub-headings out of 797) have been covered by the compound rule while alternative rules of origin (20.33 per cent of sub-headings out of 797), process rules (17.57 per cent of sub-headings) and the single tariff classification rule (13.05 per cent of sub-headings) have been used for the remaining approximately 52 per cent.
- In contrast, the India-UAE agreement covers 99 per cent of the sub-headings through the general rule, with the remaining being covered under the WO rule.
- The same approach is evident in the India-Australia ECTA.
- There are only two broad categories of PSRs in the India-EFTA TEPA – a majority of sub-headings were categorised under the compound rule of origin (74.78 per cent of sub-headings out of 797) and the remaining 25.22 per cent of the sub-headings out of 797 have a single tariff classification rule.

iii. Broad similarity/dissimilarity in India's agreements:

- Five of India's agreements include only two broad categories of PSRs but those two categories are different for these agreements.
- While India's agreements with the UAE, Korea and EFTA countries have a compound PSR rule mentioned in the PSR Annex of the agreements, the India-

Australia ECTA has a general rule specified as part of the general chapter on rules of origin in the agreement.

- The other broad categories of PSRs in these agreements vary significantly, adding to the diversity in India's approach. Among them, the India-Mauritius CECPA is the most distinct, as it classifies PSRs into five broad categories.
- Despite this variation, there is some consistency in India's approach to the textiles sector. Process rules are included in three agreements – India-Mauritius CECPA, India-Japan CEPA, and India-Korea CEPA – with the latter two being part of Phase I agreements. However, the scope of products covered by these rules differs across agreements, ranging from 17.57 per cent to 98.62 per cent of textile products.

- iv. In terms of stringency, the India-ASEAN agreement and the India-Australia ECTA could be considered similar. However, the general rule mentioned in the India-Australia ECTA provides for two different value addition thresholds, depending on whether the build-down formula or build-up formula is used to calculate value addition (see Table 24 above).

In general, India's approach to PSRs for the textiles sector is relatively stringent since the compound rule (either directly or as a general rule) as well as the process rule has been used in most of India's agreements.

Table 38 provides a summary of the number of sub-headings from the textiles sector under broad PSR categories in India's trade agreements.

Table 38: Number of HS 6-digit textile products under different types of PSRs across India's FTAs

Type of Product Specific Rule (PSR)	Number of Sub-headings of Textiles Sector					
	India-EFTA TEPA	India-Australia ECTA	India-UAE CEPA	India-Mauritius CECPA	India-Japan CEPA	India-Korea CEPA
WO	0	8	8	8	0	0
Single CTC rule	201	0	0	104	11	0
Single value addition/weight rule	0	0	0	0	0	0
Single CTC rule with exceptions	0	0	0	0	0	0
Specific process rules	0	0	0	140	786	262
Compound rule	596	0	789	383	0	535
Co-equal rules	0	0	0	162	0	0
General rule	0	789	0	0	0	0
Other rules	0	0	0	0	0	0

Type of Product Specific Rule (PSR)	Number of Sub-headings of Textiles Sector					
	India- EFTA TEPA	India- Australia ECTA	India- UAE CEPA	India- Mauritius CECPA	India- Japan CEPA	India- Korea CEPA
Total HS 6-Digit sub-headings under the Textiles Sector (50-63)	797	797	797	797	797	797

Source: Author's assessment

Assessment of chapter level homogeneity/heterogeneity in India's approach to PSRs for the textiles sector

So far, the analysis has focused on the broad classification of PSRs in India's agreements. However, it is also important to assess the level of consistency within individual chapters of the textiles sector at the HS 2-digit level. This exercise examines PSRs across these agreements to determine whether a harmonised approach has been followed. As the table below shows, there is significant variation across the textiles sector.

In five out of the six agreements, there appears to be a common rule that applies across the sector even though the rule may differ across agreements.

A single PSR like CTSH and VNM 60 per cent, which is fairly stringent, appears to be the common PSR under India-EFTA TEPA. In the case of the India-Australia ECTA, the general rule is applicable to the entire sector since no specific PSRs were finalised.

The highest degree of heterogeneity across chapters is seen in the India-Mauritius CEPA. However, for some products in the India-Mauritius CECPA, a relatively liberal approach has been taken through co-equal PSRs. In the India-UAE CEPA, two types of PSRs – CTSH + VA 40 per cent and CTH + VA 40 per cent – have been used. While the process rule is the main provision across the different chapters of this sector under the India-Japan CEPA, the India-Korea CEPA has stipulated the compound rule of origin – CTH and RVC 40 per cent; the process rules apply to only three chapters on apparels in the India-Korea CEPA.

All agreements show a wide variety of PSRs across different chapters. For instance, in Chapter 50, seven different types of PSRs have been specified in different agreements. These include three types of compound rules of origin – CTSH and VNM 60 per cent (which is equivalent to CTSH + VA 40 per cent), CTH and RVC 40 per cent and the general rule under the India-Australia ECTA (CTSH + QVC 35 per cent or CTSH + QVC 45 per cent depending on the formula used to calculate the value addition threshold). The remaining varieties of PSRs within Chapter 50 are WO, CTH or 35 per cent VA, CTH and the process rule.

Similarly, in Chapter 63, a total of eight types of PSRs have been specified. These include four different types of compound rules of origin (usually as some form of CTC and value addition

requirement). The remaining varieties of PSRs are CC, CTH or 40 per cent VA, and the process rule.

As stated earlier, the stringency of the compound rules differs depending on how it was stipulated. Different PSRs applied to each chapter of the textiles sector across the FTAs of India have been tabulated in Annex 2 (Table 63).

There is also a difference in the process requirements stipulated in three of India's agreements. Box 13 provides some details.

Box 13: Different types of process rules found under India's FTAs

Process rules are rules of origin that specify the type of production process or the specific type of processing that needs to be undertaken by the trader to ensure that originating status is conferred on their product. Specific process rules are usually stipulated for sectors like chemical and allied industries, textiles, gems and jewellery and in the case of certain base metals (like steel in India's case). India's FTAs also contain process rules as PSRs in these sectors, including textiles.

Only three out of six of India's agreements include the process rule – India-Japan CEPA, India-Korea CEPA and India-Mauritius CECPA, two of which were concluded in Phase I. The process rules agreed in these three agreements are different. The number of products covered by process rules also differ with the India-Korea CEPA containing process rules for only three chapters of the textiles sector – Chapter 61 (articles of apparel and clothing accessories knitted or crocheted), Chapter 62 (articles of apparel and clothing accessories, not knitted or crocheted) and Chapter 63 (other made-up textile articles; sets; worn clothing and worn textile articles, rags) while the India-Japan CEPA contains process rules for all chapters of the textiles sector although Chapters 50-53 also contain other types of PSRs for certain products.

The India-Mauritius CECPA includes a wide array of PSRs for the textile sector chapters, including process rules that apply to certain products of Chapter 54 (man-made filaments), Chapter 55 (Man-made staple fibres) and Chapter 56 (wadding, felt and nonwovens, special yarns; compound, cordage, ropes and cables and articles thereof) and for almost all products of Chapter 58 (Special woven fabrics, tufted textile fabrics, lace, tapestries, trimmings, embroidery) and Chapter 59 (impregnated, coated, covered or laminated textile fabrics, textile articles of a kind suitable for industrial use).

Process rules have been included in the following manner.

1. **India-Mauritius CECPA:** Two types of process rules have been included for textiles sector chapters, namely
 - Woven and dyed or printed
 - Spun, woven and dyed or printed
2. **India-Japan CEPA:** Five types of process rules have been included. These are:
 - Manufacture from yarns, provided that necessary process stipulated in the Appendix is undertaken.
 - Manufacture from fibres, provided that necessary process stipulated in the Appendix is undertaken
 - Manufacture from chemical materials or textile pulps, provided that necessary process stipulated in the Appendix is undertaken.
 - Manufacture from chemical materials or textile pulps

- Manufacture from fabrics, provided that necessary process stipulated in the Appendix is undertaken

Additionally, the Appendix of the agreement also mentions the types of processes that have to be undertaken during the production process to ensure that originating status is granted to those products under the CEPA. These necessary process requirements include carding/combing process, spinning process, dyeing or printing process to yarn,¹⁵ weaving process, dyeing/printing process to fabrics, knitting/crocheting/weaving/making up process, knitting/crocheting process, knitting/crocheting/weaving process and making up process. Such additional process requirements have also been specified at the product level (specified at HS 4-digit level). The products may be required to fulfil either one of these processes or a combination of these processes depending on the information contained in the Appendix.

3. **India-Korea CEPA:** India-Korea CEPA contains only a single process rule which is 'Manufacture from non-originating yarn'.

There is a bit of similarity in the process requirements mentioned in the India-Japan CEPA and India-Mauritius CECPA but the specific process requirements in the India-Japan CEPA are far more detailed as compared to those in the India-Mauritius CECPA.

Textiles sector under FTAs of other countries

This sub-section examines the PSRs for the textiles sector and their heterogeneity across the FTAs of Indonesia, Vietnam and Republic of Korea and vis-a-vis India's PSR approach.

Indonesia and Vietnam

India's hybrid approach in the India-Australia ECTA is similar to the approach used in the ASEAN-China and ASEAN-Hong Kong FTAs for textile products. However, the general rule in the ASEAN-China and ASEAN-Hong Kong agreements is more flexible than India's general rule. The table below highlights differences in the percentage of textile products covered by the general rule in ASEAN's agreements. The ASEAN-China FTA applies the general rule to only 43 per cent of textile products, while the ASEAN-Hong Kong FTA applies it to 99.37 per cent.

The Chile-Vietnam FTA is similar to India's Phase I FTAs, such as the India-ASEAN FTA and India-Singapore CECA, where no product-specific rules (PSRs) apply, and only the general rule is used. In contrast, all other trade agreements involving Indonesia and Vietnam have 100 per cent PSR coverage. This suggests that, like India, Indonesia and Vietnam have increasingly adopted a comprehensive PSR approach, especially for textile products.

Table 39 summarises the product coverage under the general rule and PSRs across the FTAs of Indonesia and Vietnam.

Table 39: Percentage distribution of PSRs and general rule in FTAs of Indonesia and Vietnam for the textiles sector

¹⁵ There are further requirements or processes mentioned in the Appendix as a footnote related to dyeing/printing process. "Dyeing/Printing" process should be accompanied by two or more of the operations, such as bleaching, waterproofing, decatizing, shrinking, mercerising, or similar operations.

Indonesia and Vietnam's FTAs	General Rule	Product specific Rules
AJFTA	-	100%
AKFTA	-	100%
AANZFTA	-	100%
ACFTA	42.28%	57.72%
AHKFTA	99.37%	0.63%
RCEP	-	100%
CPTPP	-	100%
EU-Vietnam FTA	-	100%
Vietnam- Chile FTA	100%	-
Indonesia- EFTA CEPA	-	100%
Indonesia-Chile CEPA	-	100%

Source: Author's assessment

There is considerable heterogeneity in the nature of the general rule in Indonesia's and Vietnam's FTAs. As part of the ASEAN grouping, the general rule in their FTA with China is a standalone value addition rule (RVC 40 per cent) and for some specified chapters, the general rule applicable is the standalone change in tariff classification rule (CTH), while in the ASEAN-Hong Kong FTA, the general rule is a single value addition rule (RVC 40 per cent).

Thus, the PSR for a majority of the products under the textiles sector are relatively flexible in ASEAN's agreements when compared to the compound rule (CTSH and RVC 35 per cent) in India's FTAs. The other similarity in the approach of India, Indonesia and Vietnam is that for the textiles sector, all have specified PSRs for all products in most agreements.

Other than the general rule, the ASEAN-China FTA, the ASEAN-Korea FTA and ASEAN-Australia-New Zealand FTA also include PSRs under the co-equal category. The percentage of products covered by this rule is over 99 per cent in the case of ASEAN-Korea FTA and roughly 58 per cent in the ASEAN-Australia-New Zealand FTA; the latter FTA has PSRs from a plethora of PSR categories. In India's case, the only agreement that has the co-equal rule is the India-Mauritius CEPA; most products are covered by compound rules and process rules in other agreements, which is slightly similar to the case of the ASEAN-Japan CEP.

The RCEP presents a different picture altogether as a majority of PSRs under the RCEP belong to the category of single CTC rule and a minor percentage of products are covered by the single CTC rule with exceptions, an approach similar to that taken by India in the India-EFTA TEPA.

Table 40 provides details of PSR categories for the textiles sectors found in ASEAN's FTAs.

Table 40: Number of HS 6-digit product under the textile sector categorised into different types of PSRs across ASEAN's FTAs

Type of Product Specific Rule (PSR)	Number of Sub-headings of Textiles Sector					
	RCEP	AHKFTA	ACFTA	AJCEP	AKFTA	AANZFTA
WO	0	5	10	3	3	10
Single CTC rule	765	0	4	74	0	274
Single value addition/weight rule	0	0	0	0	0	0
Single CTC rule with exceptions	28	0	0	60	0	14
Specific process rules	0	0	0	0	0	0
Compound rules	0	0	0	433	0	38
Co-equal rules	4	0	446	227	794	461
General rule	0	792	337	0	0	0
Other rules	0	0	0	0	0	0
Total HS 6-Digit sub- headings under the Textiles Sector (50-63)	797	797	797	797	797	797

Source: Author's assessment

Among bilateral agreements, the Chile-Vietnam agreement is the only FTA that has the same rule as the ASEAN agreements – CTH or RVC 40 per cent for all the HS 6-digit textile sector products. No other trade agreements under consideration for Indonesia and Vietnam have a general rule.

In the CPTPP, a majority of products are covered under the category of the single CTC rule with exceptions, followed by the category of compound rules with a minor percentage of products covered under the single CTC rule. This approach is somewhat similar to the approach in the India-EFTA TEPA.

The EU-Vietnam FTA, the India-Japan CEPA, the India-Korea CEPA, and the India-Mauritius CECPA are similar with a majority of the products being covered under specific process rules.

One of Indonesia's recent agreements, the Indonesia-EFTA CEPA, is distinctly different from the others in that a majority of its PSRs fall into the others category because the PSR for products of Chapters 50-59 is 'manufacture from non-originating materials of any heading', which can be interpreted as no change being required for these products.

Table 41 provides details of PSR categories found in Indonesia and Vietnam's bilateral and regional FTAs under the textiles sector.

Table 41: Number of HS 6-digit product under the textile sector categorised into different types of PSRs across the FTAs of Indonesia and Vietnam

Type of Product Specific Rule (PSR)	Number of Sub-headings of Textiles Sector				
	Indonesia-EFTA CEPA	Indonesia-Chile CEPA	CPTPP	EU-Vietnam FTA	Chile-Vietnam FTA
WO	0	0	0	0	0
Single CTC rule	0	0	92	38	0
Single value addition/weight rule	0	0	0	7	0
Single CTC rule with exceptions	0	0	445	0	0
Specific process rules	44	0	0	750	0
Compound rules	262	262	260	1	0
Co-equal rules	0	535	0	0	0
General rule	0	0	0	0	797
Other rules	491	0	0	1	0
Total HS 6-Digit sub-headings under the Textiles Sector (50-63)	797	797	797	797	797

Source: Author's assessment

India's approach to process rules differs somewhat from that of Indonesia and Vietnam within the ASEAN bloc. None of Indonesia's or Vietnam's agreements include a specific process rule as a singular requirement for textile products. In contrast, three of India's agreements – India-Mauritius CECPA (Phase II), India-Japan CEPA, and India-Korea CEPA (both Phase I) – include singular process rules. However, India's Phase II agreements generally do not include these rules, suggesting a shift in India's preference towards certain types of product-specific rules (PSRs).

Although Indonesia's and Vietnam's agreements do not use process rules as singular requirements, they do incorporate specific process requirements as part of compound and co-equal rules. This highlights the challenge of categorising rules as strictly liberal or stringent. When process requirements appear as singular PSRs, they are typically seen as stringent. In compound rules, they still remain stringent because traders must meet multiple conditions to qualify for originating status. However, in co-equal rules, where traders have a choice between different requirements, they are often considered more flexible. This demonstrates how the structure and presentation of a rule affects its perceived strictness.

Several ASEAN agreements – including the ASEAN-Japan CEP, ASEAN-Korea FTA, ASEAN-China FTA, and ASEAN-Australia-New Zealand FTA – incorporate process rules in compound or co-equal forms. The share of products covered by these rules ranges from 35.13 per cent to 82.81 per cent, with the ASEAN-Japan CEP having the highest coverage. Among Phase I ASEAN agreements, the coverage of process rules is below 50 per cent in the ASEAN-

Korea FTA (35.13 per cent) and ASEAN-Australia-New Zealand FTA (41.41 per cent), while it is nearly 83 per cent in the ASEAN-Japan CEP.

Since most of these agreements are from Phase I, it appears that Indonesia and Vietnam, as part of ASEAN, historically preferred to include process requirements in compound and co-equal forms for this sector. This trend continued into Phase II with the ASEAN-China FTA. However, more recent agreements – ASEAN-Hong Kong FTA and RCEP – do not include process requirements in any form. This may suggest a shift in ASEAN's approach from process-based PSRs to other forms of substantial transformation rules, though further agreements will determine whether this is a lasting trend.

Beyond ASEAN, Indonesia and Vietnam have included process rules in similar forms in agreements such as the CPTPP, EFTA-Indonesia FTA, and Indonesia-Chile CEPA. The share of products covered by process rules in these agreements ranges from 32.87 per cent to 38.39 per cent, with the Indonesia-Chile CEPA having the highest coverage. As in ASEAN's Phase I agreements, coverage remains below 50 per cent.

The Chile-Vietnam FTA is the only bilateral agreement of Indonesia and Vietnam that does not include process requirements in any form – either as singular PSRs or within compound or co-equal rules.

Republic of Korea

All of Korea's trade agreements, with the exception of the India-Korea CEPA and the ASEAN-Korea FTA where a hybrid approach is used, specify PSRs for all products. Even in the India-Korea trade agreement, no product of the textiles sector is covered under the general rule. This indicates there is homogeneity in India's and Korea's trade agreements.

Korea's other agreements have compound rules for approximately 32 per cent of textile sector products. The percentage of products covered by the compound rule in the case of India's agreements lies in the range of 48 per cent to 99 per cent, which is substantially higher than the percentage of products covered through compound rules in Korea's agreements.

The UK-Korea FTA, like Korea's other recent trade agreements, shares similarities with India's FTAs. It includes most products under the "specific process rules" (PSR) category, a pattern also seen in India's agreements with Japan, Korea, and Mauritius. However, the UK-Korea FTA stands out as the only Korean agreement that includes products under the "PSR: Others" category. This category exists because certain products have varying PSRs based on their descriptions, making classification and interpretation more challenging.

A key difference between India's and Korea's approach is that many of Korea's agreements do not apply the specific process rule as a singular requirement for products in this sector. In contrast, three of India's agreements – India-Mauritius CECPA (Phase II), India-Japan CEPA, and India-Korea CEPA (both from Phase I) – do include this rule as a standalone requirement.

That said, Korea's agreements still incorporate process requirements as part of co-equal and compound rules. The difficulty of classifying PSRs as either liberal or stringent is particularly evident in the textiles sector. Different countries implement process rules in three main ways:

- i. Some agreements define PSRs solely through process requirements.
- ii. Others allow process rules as an alternative to classification-based (CTC) rules or value-added requirements.
- iii. Some agreements combine process requirements with CTC or value-added rules – or both – as an additional condition.

Traditionally, standalone process rules and compound rules are considered more stringent, while co-equal rules are seen as more flexible.

Korea's agreements that include the process rules in any of these forms are the Peru-Korea FTA, the Israel-Korea FTA, the US-Korea FTA as well as overlapping agreements like the India-Korea CEPA and the ASEAN-Korea FTA.

The number of sub-headings or products covered by process rules in the compound or co-equal form range from 32.50 per cent to 67.63 per cent, which is substantial. The US-Korea FTA has the maximum number of its products covered through such PSRs. For Korea's other agreements, the percentage of products covered through such PSRs is less than 50 per cent – 36.39 per cent in the Peru-Korea FTA, 32.50 per cent in the Israel-Korea FTA and 35.13 per cent in the ASEAN-Korea FTA. Table 42 outlines the PSR categories for the textiles sector in Korea's FTAs.

Table 42: Number of HS 6-digit product under the textiles sector categorised into types of PSRs across Korea's FTAs

Type of Product Specific Rule (PSR)	Number of Sub-headings of Textiles Sector			
	UK-Korea FTA	Korea-Israel FTA	US-Korea FTA	Peru-Korea FTA
WO	0	0	0	0
Single CTC rule	38	3	35	63
Single value addition/weight rule	3	0	0	0
Single CTC rule with exceptions	0	0	501	444
Specific process rules	561	0	0	0
Compound rules	6	259	260	261
Co-equal rules	0	535	0	29
General rule	0	0	0	0
Other rules	189	0	1	0
Total HS 6-digit sub-headings under the textiles sector (50-63)	797	797	797	797

Source: Author's assessment

The detailed PSRs under each chapter of Textiles and Clothing are provided in Tables 64, 65 and 66 under Annex 2 provide the details on PSRs

Inferences on heterogeneity in PSRs under the textiles and clothing sector

The table below presents a summarised account of the nature of PSRs adopted in India and other countries for the textiles sector.

Most of India's agreements have a comprehensive PSR approach for textile products even in Phase I agreements, which is markedly different from the hybrid approach taken in the case of other sectors.

A major difference between the FTAs of India and the other three countries lies in the use of compound rules in most of India's agreements, either in the form of the general rule or the PSR. The percentage of products under compound rules is relatively lower for most of the bilateral agreements signed by Indonesia and Vietnam. However, the agreements signed as part of the ASEAN bloc and Korea's agreements include compound rules for more than 50 per cent of the products.

Similarly, nearly 99 per cent of products are covered under specific process rules in three of India's agreements. Only the EU-Vietnam FTA includes specific process rules for a majority of the products while in Korea's case, the maximum number of products covered under process rules is in its FTA with the UK. However, unlike India, Indonesia, Vietnam and Korea have included specific process requirements as part of co-equal and compound categories of PSRs. The most stringent PSR, which is the wholly obtained rule, is found only in the Indian and ASEAN agreements. Other bilateral and regional agreements of the three comparator countries do not include this PSR.

India has the least number of products (about 25 per cent of all textile products) that are covered under the relatively liberal categories of PSRs, such as the single CTC or single value addition rules. This percentage is substantially smaller than some of the agreements of ASEAN and Korea, which include more than 95 per cent of products in the category of liberal rules. Only the bilateral and regional agreements of Indonesia and Vietnam include fewer products in the category of liberal rules, even fewer than in India's FTAs.

An almost similar trend is applicable for products covered through the co-equal category of rules. The only difference here is that even the bilateral and regional agreements of Indonesia and Vietnam include a substantial percentage of products (greater than 65 per cent) under this category of rules. Another category depicting a similar trend is that of the single tariff classification rules with exceptions. While, the textile product coverage under this category of PSRs is nil in case of India's agreements, the FTAs of Korea, Indonesia and Vietnam (excluding agreements with ASEAN bloc, which include these PSRs for less than 10 per cent of products), cover more than 50 per cent of products under this category.

The analysis also reveals that the value addition threshold in the agreements of Korea, Indonesia and Vietnam range between 40 and 60 per cent while this threshold in the ASEAN bloc agreements is 40 per cent. However, the value addition threshold in India's agreements ranges from 30 per cent to 45 per cent.

It is clear from this analysis that India has followed a relatively stringent approach for the textiles sector as compared to the three comparator countries.

Table 43 below shows the range of products from the textiles sector covered under major categories of PSRs for an explicit idea regarding the extent of heterogeneity.

Table 43: Proportion of products under the different major PSR categories in the FTAs of India, Indonesia, Vietnam and Korea

Broad Categories	India	Indonesia & Vietnam		Republic of Korea
		ASEAN	Other agreements	
	Range of HS 6- digit products			
Wholly Obtained rule	0% - 1%	0% - 1.25%	0%	0% - 0.38%
Single rules whether single CTC rules or singular value addition rules	0% - 25.22%	0% - 95.98%	0% - 11.54%	0% - 95.98%
Single CTC rule with exceptions	0%	0% - 7.53%	0% - 55.83%	0% - 59.72%
Process Rules	0% - 98.62%	0%	0% - 94.10%	0% - 70.39%
Compound Rules	0% - 99%	0% - 54.33%	0% - 32.87%	0% - 67.13%
Co-equal Rules	0% - 20.33%	0% - 99.62%	0% - 67.13%	0% - 99.62%
Range of Value addition thresholds (Under different types of PSRs discussed above)				
	30% - 45%	40%	40% - 60%	40% - 60%

Source: Author's assessment

3.5.3. Machinery Sector

The machinery sector consists of a wide spectrum of products with fairly complex production processes categorised as HS 84 (nuclear reactors, boilers, machinery and mechanical appliances; parts thereof) and HS 85 (electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles) under the HS classification. They account for roughly 15 per cent of products at the HS 6-digit level (834 sub-headings out of a total of 5612 sub-headings).

India

While the transition from a hybrid approach to a comprehensive PSR approach is evident in the case of the machinery sector as well, the coverage of products under the general rule and PSRs across India's FTAs is characterised by heterogeneity.

The proportion of products covered under the general rule are similar and the nature of the general rule is the same across FTAs in Phase I. The India-ASEAN FTA has only the general rule (a compound rule of CTS and RVC 35 per cent), while the India-Japan CEPA, the India-Korea CEPA and the India-Singapore CECA have a hybrid approach. In each of these three FTAs, a majority of the products are covered under the general rule (CTS and RVC 35 per cent) with about 5 per cent to 10 per cent being covered under the PSR approach.

Except in the India-Australia ECTA, all the 834 sub-headings have been covered under PSRs. The India- Australia ECTA covers all products under the general rule – CTS and RVC 35/45 per cent. Table 44 summarises the number of sub-headings in the machinery sector categorised under PSRs and general rule across India's FTAs.

Table 44: Percentage distribution of PSRs and general rule of origin in India's FTAs for the machinery sector

India's Agreements	General Rule	Product Specific Rules
India-EFTA TEPA	-	100%
India-Australia ECTA	100%	-
India-UAE CEPA	-	100%
India-Mauritius CECPA	-	100%
India-ASEAN FTA	100%	-
India-Japan CEPA	94.24%	5.76%
India-Korea CEPA	94.46%	5.52%
India-Singapore CECA	90.29%	9.71%

Source: Author's assessment

The next step is to examine the categories of PSRs covered under India's FTAs in the machinery sector.¹⁶

i. Details on the types of PSRs in India's Phase I FTAs:

- The India-ASEAN FTA has all products at the HS 6-digit level covered under the general rule (CTSH and RVC 35 per cent), the India-Japan CEPA has 94.24 per cent, the India-Korea CEPA has 94.48 per cent and the India-Singapore CECA has 90.29 per cent.
- While the remaining sub-headings for the machinery sector in the India-Japan and the India-Korea CEPAs are covered under compound rules other than the general rule and PSRs categorised under others, those in the India-Singapore agreement are distributed across multiple categories of PSRs like single value addition rule, single CTC rule, compound rules other than the general rule, others and co-equal rules.
- Thus, India has taken a relatively conservative but consistent approach across FTAs in Phase I.

ii. Details on the types of PSRs in India's Phase II FTAs:

- In Phase II, all sub-headings of the machinery sector in both the India-Mauritius CECPA and India-UAE CEPA are covered under the relatively stringent compound rule of CTC plus the value addition rules.
- As mentioned before, India-Australia ECTA is an early harvest agreement and specific PSRs were not negotiated for all products and, for products where PSRs were not negotiated, a general rule has been agreed upon. There were no specific PSRs agreed for the products of the machinery sector in the India-Australia ECTA and all sub-headings of the sector are covered through the general rule, which is again a compound rule. Contrary to the approach followed in India's other trade agreements, in the India-EFTA TEPA, only 17.15 per cent of its sub-headings in the machinery sector are covered through the compound rule while the remaining 82.85 per cent of the sub-headings are covered through co-equal rules, a marked shift from the Indian approach so far. The different categories of PSRs across India's FTAs have been tabulated below along with the number of products in each of these categories (Table 45).

Thus, for the machinery sector, India has taken a relatively stringent approach by adopting compound rules including the general rule across its FTAs in Phase I and Phase II for most of the products and it is only in the recent FTA with EFTA that there is a stark deviation in the approach, shifting to relatively liberal PSRs in the form of co-equal rules for a majority of the products.

¹⁶ For this analysis, categories across HS 84 and HS 85 have been cumulatively considered instead of chapter-by-chapter case.

Table 45: Number of HS 6-digit product under the machinery sector categorised into different types of PSRs across India's FTAs

Type of Product Specific Rule (PSR)	Number of Sub-headings of Machinery Sector						
	India-EFTA TEPA	India-Australia ECTA	India-UAE CEPA	India-Mauritius CECPA	India-Japan CEPA	India-Korea CEPA	India-Singapore CECA
WO	0	0	0	0	0	0	0
Single CTC rule	0	0	0	0	0	0	23
Single value addition/weight rule	0	0	0	0	0	0	39
Single CTC rule with exceptions	0	0	0	0	0	0	0
Specific process rules	0	0	0	0	0	0	0
Compound rule	143	0	834	834	32	46	14
Co-equal rule	691	0	0	0	0	0	1
General rule	0	834	0	0	786	788	753
Other rules	0	0	0	0	16	0	4
Total HS 6- digit products under machinery sector (HS 84-85)	834	834	834	834	834	834	834

Source: Author's assessment

Assessment of chapter level homogeneity/heterogeneity in India's approach to PSRs for the machinery sector

There is considerable heterogeneity in approach within chapters in the machinery sector in India's FTAs at the HS 2-digit level for which this analysis has been done (see Table 6 under Annexe 2). All agreements have different PSRs in the two chapters (HS 84 and HS 85). For instance, in the case of HS 84, there are 14 different types of PSRs applicable on the same chapter across India's FTAs; although the analysis has not been not done at a disaggregated level, the use of different types of PSRs within a single chapter could be attributed to the presence of final products as well as their parts and components. These 14 types of PSRs mostly include compound rules including the general rules and these compound rules range from as stringent as CTH + RVC40 per cent + the bearing races(rings) used should be wholly obtained or produced under the India-Korea CEPA to a relatively flexible compound rule like CTSH and RVC 35 per cent which is the general rule across FTAs.

While a majority of the products under the India-Singapore CECA are covered under a compound rule including the general rule, some products have relatively flexible rules like a single CTH or single CTSH or a single value addition rule of 40 per cent and 35 per cent or a co-equal rule. Similarly, in the India-EFTA TEPA, even though compound rules exist, they are

much fewer in number compared to the co-equal rule of CTSH or VNM 60 per cent and CTH or VNM 60 per cent.

A similar pattern has been followed in the case of Chapter 85. There are a total of thirteen types of PSRs found across India's FTAs for this chapter. Again, a majority of these include different compound rules including the general rule, ranging from the highly stringent rule CTH + RVC 50 per cent to the relatively flexible rule of CTSH and RVC 35 per cent across the FTAs. Also, in the India-Japan CEPA, there are a few compound rules different from the ones discussed above. These include CC provided that components not classified in 8541.10, 8541.21, 8541.29, 8541.30, 8541.40, 8541.50, 8542.31, 8542.32, 8542.33 and 8542.39 are disregarded and a description-based rule. A somewhat more flexible approach has been adopted in the India-Singapore CECA and India-EFTA TEPA as stated in the case of Chapter 84.

Lastly, for a majority of the products, there are compound rules across India's FTAs. However, the nature of these compound rules varies, leading to some being relatively stringent than others. Comparing different compound rules is only relevant when different rules are found for the same product under different FTAs. Further, there is also the possibility that the nature of the compound rules across different agreements for the same products cannot be compared to check for relative stringency.

For example, under the India-Korea CEPA, the PSR for a certain machinery product is CTSH and requires 50 per cent regional value content. In contrast, under the India-UAE CEPA, the PSR for the same product is CTH with a 40 per cent value addition requirement. Here, the tariff classification requirement in the India-Korea CEPA is more lenient, while the value addition threshold is more relaxed in the India-UAE CEPA. Therefore, identifying such differences requires a more detailed, product-level analysis (preferable at HS 6-digit level). Thus, at this stage, we can only conclude that there does exist heterogeneity in the PSRs India has agreed to for the machinery sector across its different trade agreements; comparing stringency is not feasible.

The different PSRs applied to each chapter of the machinery sector across India's FTAs have been tabulated in Annex 2 (Table 67).

Machinery sector under FTAs of other countries

We now examine how different India's approach compares to that of other countries in the case of the machinery sector.

Indonesia and Vietnam

Although Indonesia and Vietnam follow a hybrid approach using both the general rule and PSRs in half of their FTAs, the scope of the general rule is relatively flexible compared to the general rule across India's FTAs. The ASEAN grouping's FTAs and the Chile-Vietnam FTA have a very high percentage of products covered under the general rule – from 46 per cent in the ASEAN-Australia-New Zealand FTA to as high as 99 per cent in the ASEAN-Japan CEP and ASEAN-Hong Kong FTA, a pattern similar to that of India's Phase I FTAs. All products

at the HS 6-digit level are covered under PSRs for all the other bilateral and regional trade agreements of Indonesia and Vietnam under consideration.

In Phase II trade agreements, while India moved towards a comprehensive PSR approach in all but the India-Australia ECTA, Indonesia and Vietnam as part of the ASEAN grouping have FTAs that have used the hybrid approach. Table 46 summarises the product coverage under the general rule and PSRs across the FTAs of Indonesia and Vietnam.

Table 46: Percentage distribution of PSRs and general rule of origin in FTAs of Indonesia's and Vietnam for the machinery sector

Indonesia and Vietnam's FTAs	General Rule	Product specific Rules
RCEP	0%	100%
AHKFTA	99%	1%
ACFTA	61%	49%
AANZFTA	46%	54%
AKFTA	95%	5%
AJCEP	99%	1%
Indonesia- EFTA CEPA	0%	100%
EU- Vietnam FTA	0%	100%
CPTPP	0%	100%
Indonesia-Chile CEPA	0%	100%
Vietnam- Chile FTA	50%	50%

Source: Author's assessment

The only similarity between India, Indonesia and Vietnam is the use of the hybrid approach in Phase I, where the general rule is a predominant category in terms of the nature of the general rule used, there is a marked difference between ASEAN's and India's approach. In Phase I, in the ASEAN grouping's FTAs, the general rule is a co-equal rule (CTH or RVC 40 per cent) in the case of the three FTAs, while in Phase II, ASEAN's FTAs with China and Hong Kong have a single value addition rule (RVC 40 per cent). RCEP has a comprehensive PSR approach similar to that of India's recent FTAs. Thus, ASEAN's general rule for a majority of the products of the machinery sector are relatively flexible as compared to the compound rule (CTSH and RVC 35 per cent) in India's FTAs.

Besides the general rule, the other predominant PSR category is co-equal rules in the ASEAN grouping's FTAs with Japan, Korea and New Zealand. Hence, more than 95 per cent of the products are covered under the co-equal rules in these FTAs. The RCEP similarly has almost all the products covered under co-equal rules, with CTH or RVC 40 per cent and CTSH or RVC 40 per cent being the predominant ones. India has only recently shifted to this approach under the India-EFTA TEPA with approximately 83 per cent of the products covered under co-equal rules.

The ASEAN-Japan CEP has PSRs for few a product such as CTH with exception or RVC 40 per cent, which is relatively more stringent than its general rule. Besides, a few products are covered under the single value addition rule of RVC 40 per cent. The ASEAN-Korea FTA specifies PSRs for a few products as CTSH or RVC 40 per cent, CTSH or RVC 45 per cent (relatively more flexible than its general rule), single rule of RVC 45 per cent and some description-based rules (under which there are different co-equal rules for different descriptions).

The RCEP and ASEAN-Australia-New Zealand FTA have a striking feature as they include 11 sub-headings (these are waste and scrap products) each under this sector covered under the stringent wholly obtained PSR. The ASEAN-Hong Kong FTA and ASEAN-China FTA are relatively stringent compared to the other three ASEAN agreements discussed above as a majority of products under these two FTA are covered by a single value addition rule of RVC 40 per cent. The ASEAN-Hong Kong FTA has less than 1 per cent of the HS 6- digit products covered under co-equal rule while ASEAN-China FTA still has approximately 39 per cent products covered under the co-equal rule. Table 47 provides details of PSR categories found in ASEAN's FTAs for the machinery sector.

Overall, it can be observed that the approach across ASEAN's FTAs for the machinery sector is more flexible than India's due to the presence of the co-equal rule including the general rule for a majority of products across its FTAs, while India has compound rules including the general rule, for a majority of the products across its FTAs except in the India-EFTA TEPA, where a majority of the products are covered under co-equal rules.

Table 47: Number of HS 6-digit product under the machinery sector categorised into different types of PSRs across ASEAN's FTAs

PSR type/FTAs	Number of Sub-headings of Machinery Sector					
	RCEP	AHFTA	ACFTA	AANZFTA	AJCEP	AKFTA
WO	11	0	0	11	0	0
Single CTC rule	0	0	0	0	0	0
Single value addition/weight rule	0	0	0	17	7	1
Single CTC rule with exceptions	0	0	0	0	0	0
Specific process rule	0	0	0	0	0	0
Compound rule	0	0	0	0	0	0
Co-equal rule	823	8	322	426	5	30
General rule	0	826	512	380	822	796
Other rules	0	0	0	0	0	7
Total HS 6-digit products under machinery sector (HS 84-85)	834	834	834	834	834	834

Source: Author's assessment

In the bilateral trade agreements of Indonesia and Vietnam, the Chile-Vietnam FTA is the only one where the general rule is the same as in ASEAN's FTAs, i.e., CTH or RVC 40 per cent, which accounts for 50 per cent of the total HS 6-digit products of the machinery sector. About 47 per cent of the products are covered under some other type of co-equal rule. None of the other trade agreements under consideration for Indonesia and Vietnam have a general rule.

CPTPP has about 40 per cent of HS 6-digit products under co-equal rules of varying types and about 59 per cent under single CTC rules. The per cent of RVC in cases where the RVC criterion applies varies depending on the method of calculation; this is similar to the approach visible in the India-Australia ECTA. In the Indonesia-EFTA CEPA, the rule for all HS 6-digit products under this sector is "Manufacture from non- originating materials of any heading", which can be interpreted to mean that there is no change is required for these products. The EU-Vietnam FTA and Indonesia-Chile CEPA have approximately 96 per cent and 97 per cent of total products in this sector covered under co-equal rules.

Overall, it can be observed that both Indonesia and Vietnam, whether as part of the ASEAN or in other bilateral and regional agreements, have relied on co-equal rules, although the scope of co-equal rules might vary leading to relative stringency/flexibility within these rules.

Overall, it can be said that both Indonesia and Vietnam have more liberal rules than India does, although India's agreement with the EFTA indicates that India too is moving towards a more liberal approach in the machinery sector.

Table 48 provides details of PSR categories found in Indonesia and Vietnam's bilateral and regional FTAs under the machinery sector.

Table 48: Number of HS 6-digit product under the machinery sector categorised into different types of PSRs across the FTAs of Indonesia and Vietnam

PSR type/FTAs	Number of Sub-headings of Machinery Sector				
	Indonesia-EFTACEPA	EU-Vietnam FTA	CPTPP	Indonesia-Chile CEPA	Vietnam-Chile FTA
WO	0	0	0	0	0
Single CTC rule	0	0	495	3	0
Single value addition/weight rule	0	37	3	0	24
Single CTC rule with exception	0	0	3	0	0
Specific process rule	0	0	0	0	0
Compound rule	0	0	0	0	0
Co-equal rule	0	797	331	812	393
General rule	0	0	0	0	417
Other rules	834	0	2	0	0

PSR type/FTAs	Number of Sub-headings of Machinery Sector				
	Indonesia-EFTACEPA	EU-Vietnam FTA	CPTPP	Indonesia-Chile CEPA	Vietnam-Chile FTA
Blanks (sub-headings where PSRs could not be mapped)	0	0	0	19	0
Total HS 6- digit products under machinery sector (HS 84-85)	834	834	834	834	834

Source: Author's assessment

Republic of Korea

In Korea's trade agreements, there is a mix of approaches. While some FTAs, like the India-Korea CEPA and ASEAN-Korea FTA, adopt a hybrid approach (similar to India's strategy), most of the others rely solely on PSRs.

Among Korea's FTAs, the India-Korea CEPA stands out as the most stringent due to its use of compound rules for most machinery sector products. The India-Korea CEPA and ASEAN-Korea FTA are also the only FTAs where a general rule applies to most products, with PSRs covering a select few. All other FTAs, including RCEP, adopt an exclusive PSR approach, as compared to India's reliance on hybrid or general rules in six of its FTAs, particularly in Phase I.

In the US-Korea FTA, compound rules (CTH + RVC 60 per cent or CTSH + RVC 35 per cent) apply to about 10 per cent of the machinery sector products, while 14 per cent fall under co-equal rules. The majority (63 per cent) are covered by a single CTC rules (CTH or CTSH). The other categories included here are single CTC rule with exceptions, single value addition rule or description-based rules. The value addition thresholds vary according to the methods of calculation as in the case of India-Australia ECTA and CPTPP.

The UK-Korea FTA covers about 87 per cent of products under co-equal rules, with a small number (electronic integrated circuits) falling under a co-equal rule that includes CTH, RVC 40 per cent, or a specific process. The agreement also features a higher value addition requirement (VNM 45 per cent, equivalent to RVC 55 per cent) in both co-equal and standalone rules.

The Korea-Israel FTA adopts a liberal approach, covering all machinery sector products under co-equal rules – either CTH or VNM 60 per cent (equivalent to RVC 40 per cent) or CTSH or VNM 60 per cent. Similarly, the Peru-Korea FTA covers about 85 per cent of products under co-equal rules, with the remaining 15 per cent governed by single CTC rules.

Overall, Korea predominantly follows a co-equal rule approach in its FTAs, differing from India's mixed strategy. However, India's EFTA TEPA reflects a shift towards Korea's approach.

Table 49 outlines the PSR categories found in FTAs of Republic of Korea under the machinery sector.

Table 49: Number of HS 6-digit product under the machinery sector categorised into different types of PSRs across Korea's FTAs

PSR type/FTAs	Number of Sub-headings of Machinery Sector			
	UK- Korea FTA	Israel - Korea FTA	US- Korea FTA	Peru-Korea FTA
WO	0	0	0	0
Single CTC rule	0	0	525	122
Single value addition/weight rule	106	0	3	0
Single CTC rule with exception	0	0	80	0
Specific process rule	0	0	0	0
Compound rule	0	0	83	0
Co-equal rule	728	834	117	712
General rule	0	0	0	0
Other rules	0	0	26	0
Total HS 6- digit products under machinery sector (HS 84-85)	834	834	834	834

Source: Author's assessment

Tables 68, 69, and 70 under Annex 2 present the different PSRs appearing under each chapter of the machinery sector for the selected FTAs of Indonesia, Vietnam and Korea.

Inferences on heterogeneity in PSRs under the machinery sector

India has adopted a hybrid approach for machinery sector products, combining PSRs and a general rule of origin in its FTAs in Phase I. Over 90 per cent of products are covered by the general rule in this phase. However, in Phase II trade agreements, India transitioned directly to a comprehensive PSR approach for this sector.

A key point of difference lies in the use of compound rules. India has included compound rules in most of its trade agreements, either as the general rule or as a PSR. In contrast, Indonesia and Vietnam's agreements have no compound rules for machinery sector products, while Korea includes them only in the US-Korea FTA apart from its FTAs with India, and even then, for a small number of products.

India's recent agreement with EFTA countries marks a notable shift. For machinery sector products, more than 80 per cent are now covered by co-equal rules – a significant departure

from India's traditionally strict approach. This deviation makes India-EFTA TEPA an outlier compared to India's other FTAs.

Indonesia, Vietnam, and Korea share a common feature in their PSRs for this sector, with over 95 per cent of products falling under the relatively liberal co-equal rules. While India shares some similarities with Indonesia and Vietnam's ASEAN bloc agreements in terms of single rule coverage (CTC or value addition rules), these rules apply to only a small number of products. Conversely, bilateral and regional agreements involving Indonesia, Vietnam, and Korea have a wider application of single rules, covering up to 63 per cent of products.

Interestingly, very few machinery products are covered by stringent PSRs such as wholly obtained or specific process rules. These appear mainly in the RCEP – an overlapping agreement involving Indonesia, Vietnam, and Korea – and are absent from India's FTAs.

Further, no FTAs under consideration, except US-Korea FTA, have included the single tariff classification rule with exceptions for products of the Machinery Sector.

In terms of value addition thresholds, agreements involving Indonesia, Vietnam, and Korea generally range from 30 per cent to 60 per cent. Within this, the ASEAN bloc agreements commonly set thresholds around 35 per cent to 45 per cent. India's value addition thresholds typically fall between 35 per cent and 50 per cent, aligning closely with ASEAN but differing somewhat from Indonesia and Korea's broader range. Agreements such as the India-Australia ECTA, CPTPP and the US-Korea FTA display greater variability in value addition thresholds, depending on the calculation method.

In sum, India has traditionally followed a more stringent approach for machinery sector products in its FTAs, with the India-EFTA TEPA being a notable exception. This contrasts with the more liberal strategies seen in the FTAs of Indonesia, Vietnam, and Korea.

Table 50 below shows the range of products from the machinery sector covered under major categories of PSRs for an explicit idea regarding the extent of heterogeneity.

Table 50: Broad range of products from the machinery sector covered under major categories of PSRs

Broad Categories	India	Indonesia & Vietnam		Republic of Korea
		ASEAN	Other agreements	
Wholly obtained rule	0%	0% - 1.32%	0%	0% - 1.32%
Single rules whether single CTC rules or single value addition rules	0% - 4.68%	0% - 2.04%	0% - 59.4%	0% - 62.95%
Single CTC rules with exception	0%	0%	0%	0% - 10%

Broad Categories	India	Indonesia & Vietnam		Republic of Korea
		ASEAN	Other agreements	
Process rules	0%	0% - 0.60%	0%	0%
Compound rules	0% - 100%	0%	0%	0% - 9.95%
Co-equal rules	0% - 82.85%	0.60% - 98.7%	0% - 97.36%	14.03% - 100%
Range of Value addition thresholds (Under different types of PSRs discussed above)				
	35% - 50%	35% - 45%	30% - 60%	30% - 60%

Source: Author's assessment

3.5.4. Automobile Sector

Automobile sector¹⁷ products, which include vehicles as well as automotive parts and components primarily covered under Chapter 87 (vehicles other than railway or tramway rolling – stock and parts and accessories) of the harmonised system of product classification, has been analysed in this section. Products covered here include 98 HS 6-digit codes, which is approximately 1.75 per cent of the total HS 6-digit codes.

Automobiles is an industry where global sourcing is highly prevalent. In a study on auto parts, the authors have relied on the use and application of gravity modelling techniques to assess the impact of rules of origin on trade diversion when sourcing intermediate inputs. The results of the modelling exercise show that rules of origin facilitate trade diversion and the shift from foreign to regional inputs exhibits a humped shape and peaks when the required minimum domestic value-added content is between 50 per cent and 60 per cent (Yang, C, 2021).

India

The general rule, which is a compound rule, is applicable to all automobile sector products in the India-ASEAN FTA and India-Singapore CECA. Table 51 provides the percentage distribution of coverage of automobile sub-headings under the general rule and PSRs.

Table 51: Percentage distribution of PSRs and general rule of origin in India's FTAs for Automobile Sector

India's Agreements	General Rule	Product Specific Rules
India-EFTA TEPA	-	100%
India-Australia ECTA	100%	-
India-UAE CEPA	-	100%
India-Mauritius CECPA	-	100%
India-ASEAN FTA	100%	-
India-Japan CEPA	47.96%	52.04%

¹⁷ Some automotive parts might be covered under different chapters of HS classification; however, for this analysis authors have restricted themselves only to Chapter 87.

India's Agreements	General Rule	Product Specific Rules
India-Korea CEPA	55.10%	44.90%
India-Singapore CECA	100%	-

Source: Author's assessment

i. India's approach in Phase I:

- The India-Japan CEPA adopts a hybrid approach for the automobile sector, with 47.96 per cent of HS 6-digit codes covered by the general rule and 52.04 per cent covered by compound PSRs.
- Similarly, in the India-Korea CEPA, 44.90 per cent of HS 6-digit codes fall under compound PSRs, while the rest are covered by the general rule.
- This use of compound rules in Phase I agreements reflects India's relatively stringent approach, whether through PSRs or the general rule.

ii. India's approach in Phase II:

- In the India-Mauritius CECPA and India-UAE CEPA agreements in Phase II, India has adopted a stricter stance, covering all automobile sector sub-headings under compound PSRs.
- The India-Australia ECTA, an early harvest agreement, did not include specific PSRs for any product. A general rule – which is also a compound rule – was applied, covering all automobile sector sub-headings.
- The India-EFTA TEPA marks a shift from earlier FTAs, with all sub-headings covered under PSRs. Of these, 63.27 per cent fall under the compound rule, while 36.73 per cent are governed by co-equal rules, indicating a more liberal approach.

- iii.* Among India's Phase II agreements, the India-Australia ECTA, India-UAE CEPA, and India-Mauritius CECPA each apply PSRs from a single broad category, though the category differs. The India-Australia ECTA relies on the general rule, while the India-UAE CEPA and India-Mauritius CECPA use compound rules.
- iv.* The India-EFTA TEPA, India-Japan CEPA and India-Korea CEPA each include two categories of PSRs. All three share a compound PSR as one category, with the second category being co-equal rules in the India-EFTA TEPA and additional compound rules being the second category in the India-Japan and India-Korea CEPAs.
- v.* Further, the category of co-equal rules for the automobile sector is also present only in India's latest agreement, that is, the India-EFTA TEPA, and did not form part of any of the other agreements signed by India before this.
- vi.* In all these agreements, both the PSR and the general rule follow a compound structure, maintaining a similar level of stringency.

Table 52 outlines the details of number of HS 6-digit product under the automobile sector categorised into different broad PSR categories across India's FTAs.

Table 52: Number of HS 6-digit product under the automobile sector categorised into different types of PSRs across India's FTAs

Type of Product Specific Rule (PSR)	Number of Sub-headings of Automobile Sector					
	India-EFTA TEPA	India-Australia ECTA	India-UAE CEPA	India-Mauritius CECPA	India-Japan CEPA	India-Korea CEPA
WO	0	0	0	0	0	0
Single CTC rule	0	0	0	0	0	0
Single value addition/weight rule	0	0	0	0	0	0
Single CTC rule with exceptions	0	0	0	0	0	0
Specific process rule	0	0	0	0	0	0
Compound rules	62	0	98	98	51	44
Co-equal rules	36	0	0	0	0	0
General rule	0	98	0	0	47	54
Other rules	0	0	0	0	0	0
Total HS 6-digit sub-headings under the Automobile Sector (HS 87)	98	98	98	98	98	98

Source: Author's assessment

Assessment of chapter level homogeneity/heterogeneity in India's approach to PSRs for the automobile sector

Eight different types of PSRs have been applied across India's FTAs for automobile products, indicating that India's approach has not been a harmonised one for the sector. These eight types of PSRs include CTSH and VNM 50 per cent, CTH and RVC 40 per cent, CTH and QVC/VA 50 per cent, CTH + VA 45 per cent, CTSH + VA 40 per cent, the general rule CTSH + QVC/RVC 35 per cent in the agreements with Japan and Korea and the general rule CTSH + QVC 35 per cent or CTSH + QVC 45 per cent, depending on the formula used for calculation of the value addition threshold, in the agreement with Australia.

Except in the case of the India-EFTA agreement, where the co-equal rule, CTH or VNM 50 per cent (equivalent to the co-equal rule of CTH or value addition of 50 per cent) has been used, all other PSRs agreed by India in this chapter are compound rules. The value addition threshold ranges between 35 per cent and 50 per cent. Since in most cases a combination of the value addition and change in tariff classification has been used, it is difficult to assess the degree of stringency based on the value addition threshold. Hence, the only insight that can be drawn is

that there is a visible extent of heterogeneity in the PSRs for automobiles agreed to by India in different agreements.

Different PSRs applied to each chapter of the automobile sector across India's FTAs have been tabulated in Annex 2 (Table 71).

The next sub-section looks at how different India's approach to PSRs for automobile products covered in HS 87 has been different from that of the comparator countries.

Indonesia and Vietnam

Despite the similarity in India's and the ASEAN grouping (of which Indonesia and Vietnam are a part) agreements in as much as both follow a hybrid approach of including both a general rule and PSRs, India's approach is far less liberal than that of the other two countries. This pattern can also be observed in the automobile sector. Table 53 shows the percentage distribution of products under the general rule and under PSRs for the agreements of Indonesia and Vietnam.

Indonesia and Vietnam do not follow a consistent approach in their trade agreements. Some agreements adopt the hybrid approach, while others use the comprehensive PSR approach. Like the India-ASEAN FTA, the ASEAN-Hong Kong FTA and the Chile-Vietnam FTA apply the general rule for this sector. Among the four other ASEAN agreements, the share of products covered by the general rule varies widely, ranging from 26 per cent to 100 per cent.

In India's agreements, the general rule covers 47 per cent to 100 per cent of products in the automobile sector. However, India's approach mainly falls within two distinct ranges – 47 per cent to 54 per cent or 100 per cent – with no intermediate values.

In contrast, Indonesia and Vietnam's agreements show greater variation in the share of products covered by the general rule. This variation, along with differences in the nature of the general rule itself, highlights a key difference between India's approach and that of Indonesia and Vietnam.

Table 53: Percentage of PSRs and general rule of origin in FTAs of Indonesia and Vietnam for the automobile sector

Indonesia and Vietnam's Agreements	General Rule of Origin	Product Specific Rules of Origin (PSROs)
RCEP	-	100%
ASEAN-Hong Kong FTA	100%	-
ASEAN-China FTA	90.82%	9.18%
ASEAN-Japan CEP	33.67%	66.33%
ASEAN-Korea FTA	53.06%	46.94%
ASEAN-Australia-New Zealand FTA	26.53%	73.47%
Indonesia-EFTA CEPA	-	100%

Indonesia and Vietnam's Agreements	General Rule of Origin	Product Specific Rules of Origin (PSROs)
Indonesia-Chile CEPA	-	100%
CPTPP	-	100%
EU-Vietnam FTA	-	100%
Chile-Vietnam FTA	100%	-

Source: Author's assessment

In Indonesia's and Vietnam's agreements, particularly as part of the ASEAN grouping, some of the major rules of origin applied are the single value addition rule, compound rules, co-equal rules and the general rule of origin. No automobile product is covered by other categories of PSRs like the single CTC rule or wholly obtained or even process rules in ASEAN's agreements. The category of compound rules is only included in the ASEAN-Australia-New Zealand FTA while the category 'others' is only found in ASEAN-Korea FTA. The remaining categories are covered mainly in the other agreements.

The Indian approach is also somewhat similar as it includes three broad categories of PSRs namely compound rules, co-equal rules and the general rule of origin.

Table 54 gives the summary of sub-headings divided across the broad categories of PSRs in the agreements of Indonesia and Vietnam as part of the ASEAN Bloc.

Table 54: Number of HS 6-digit products under the automobile sector categorised into different types of PSRs across ASEAN's FTAs

Type of Product Specific Rule (PSR)	Number of Sub-headings of Automobile Sector					
	RCEP	AHKFTA	ACFTA	AJCEP	AKFTA	AANZFTA
WO	0	0	0	0	0	0
Single CTC rule	0	0	0	0	0	0
Single value addition/weight rule	58	0	0	65	41	67
Single CTC rule with exceptions	0	0	0	0	0	0
Specific process rules	0	0	0	0	0	0
Compound rules	0	0	0	0	0	4
Co-equal rules	40	0	9	0	0	1
General rule	0	98	89	33	52	26
Other rules	0	0	0	0	5	0
Total HS 6-digit sub-headings under the Automobile Sector (87)	98	98	98	98	98	98

Source: Author's assessment

For the remaining agreements of Indonesia and Vietnam, the broad categories in which PSRs have been defined are more or less the same as those included in the ASEAN agreements like the single value addition rule, co-equal rules and the general rule of origin. The general rule of origin is only present in the Chile-Vietnam FTA in this group of agreements.

Only one of India's agreements has included the co-equal rules of origin, which is common in Indonesia's and Vietnam's agreements, and none of India's agreements have included a single value addition rule for automobile products.

Analysis reveals that the value addition threshold in Indonesia's and Vietnam's agreements lie in the range of 30 per cent to 60 per cent, though, in most cases, the RVC requirement is 40 per cent. This appears to be the standard threshold that Indonesia and Vietnam and their respective partner countries consider to be an adequate indicator of substantial transformation. The most varied value addition thresholds exist in CPTPP, where multiple value addition thresholds are specified for a single product, based on the formula (4 types of different formulas have been specified) used to calculate the value addition percentage.

Table 55 shows the summary of sub-headings divided across the broad categories of PSRs in other bilateral and regional agreements of Indonesia and Vietnam.

Table 55: Number of HS 6-digit products under the automobile sector categorised into different types of PSRs across the FTAs of Indonesia and Vietnam

Type of Product Specific Rule (PSR)	Number of Sub-headings of Automobile Sector				
	Indonesia- EFTA CEPA	Indonesia- Chile CEPA	CPTPP	EU- Vietnam FTA	Chile- Vietnam FTA
WO	0	0	0	0	0
Single CTC rule	0	0	0	0	0
Single value addition/weight rule	0	0	54	82	0
Single CTC rule with exceptions	0	0	0	0	0
Specific process rules	0	0	0	0	0
Compound rules	0	0	0	0	0
Co-equal rules	98	98	44	16	0
General rule	0	0	0	0	98
Other rules	0	0	0	0	0
Total HS 6-digit sub- headings under the Automobile Sector (87)	98	98	98	98	98

Source: Author's assessment

Republic of Korea

Two agreements of Republic of Korea i.e., India- Korea CEPA and ASEAN- Korea FTA have already been analysed in the previous sections and these are the only two Korean FTAs that have a hybrid approach.

Most of Korea's FTAs under consideration specify PSRs for all products across the board. This approach is similar to India's Phase II agreements.

Some of the major PSR categories are covered in Korea's agreements are the single CTC rule (covered only in US-Korea FTA very briefly), single value addition rule, compound rules (covered only in India-Korea CEPA), co-equal rules, the general rule of origin and others (covered only in ASEAN-Korea FTA). No automobile product is covered by other categories of PSRs like the single CTC rule without exceptions or wholly obtained or even process rules. The value addition threshold in Korea's agreements lie in the range of 35 per cent to 55 per cent. The maximum variation in the value addition is in the US-Korea FTA, where multiple value addition thresholds have been specified, based on the formula used to calculate it (three formulae have been specified in the agreement).

India has applied three categories of PSRs, namely, compound rules, co-equal rules and the general rule of origin. Comparatively, its approach has been more stringent than that of Indonesia, Korea and Vietnam, although it has been moving towards a more liberal regime as reflected in the India-EFTA agreement. Table 56 gives the summary of sub-headings divided across the broad categories of PSRs in Korea's agreements.

Tables 72, 73 and 74 under Annex 2 present the different PSRs appearing under automobile sector for the selected FTAs of Indonesia, Vietnam and Korea.

Table 56: Number of HS 6-digit product under the automobile sector categorised into different broad categories types of PSRs across Korea's FTAs

Type of Product Specific Rule (PSR)	Number of Sub-headings of Automobile Sector			
	UK-Korea FTA	Korea-Israel FTA	US-Korea FTA	Peru-Korea FTA
WO	0	0	0	0
Single CTC rule	0	0	4	0
Single value addition/weight rule	53	0	50	51
Single CTC rule with exceptions	0	0	0	0
Specific process rules	0	0	0	0
Compound rules	0	0	0	0
Co-equal rules	45	98	44	47
General rule	0	0	0	0
Other rules	0	0	0	0

Type of Product Specific Rule (PSR)	Number of Sub-headings of Automobile Sector			
	UK-Korea FTA	Korea-Israel FTA	US-Korea FTA	Peru-Korea FTA
Total HS 6-Digit sub-headings under the Automobile Sector (87)	98	98	98	98

Source: Author's assessment

Inferences on heterogeneity in PSRs under automobile sector

The table below gives a summary of the nature of PSRs adopted by India and the other countries for the automobile sector.

The major categories of PSRs found in Indian agreements include compound rules and co-equal rules (only found in the India-EFTA TEPA) while Indonesia, Korea and Vietnam have used the single CTC or value addition rules, compound rules and co-equal rules. Although India has also used the co-equal rule, the maximum percentage of product coverage at roughly 37 per cent under this type of rule is much lower than that of the other countries, which have all products under the co-equal rule in their agreements, barring the ASEAN agreements.

The other major difference is that in some of India's agreements, all automobile products are covered under the compound rule (whether specified as PSRs or as the general rule). While Indonesia's and Vietnam's agreements as part of the ASEAN grouping contain a negligible percentage of products covered under compound rules, none of their other agreements include PSRs from the compound category. In Korea's case, only its CEPA with India includes PSRs in the compound category. Unlike the other countries, India has not applied the relatively liberal single CTC or value addition rules for automobile products.

Further, none of the FTAs that have been taken into consideration, include the single tariff classification rule with exceptions for the Automobile Sector.

The value addition threshold limits also vary among these countries. India and Korea specify a similar range of value addition thresholds – between 35 per cent and 50 per cent in India's case and between 35 per cent and 55 per cent in Korea's case. The variation is wider in the case of Indonesia and Vietnam, ranging between 30 and 60 per cent with a narrower range in ASEAN's agreements between 40 and 45 per cent. Agreements such as CPTPP and the US-Korea FTA display greater variability in value addition thresholds, depending on the calculation method. Overall, therefore, India has followed a relatively more stringent approach for the automobile sector across its FTAs as compared to the other three countries.

Table 57 below shows the range of products from the automobile sector covered under major categories of PSRs.

Table 57: Proportion of products under the different major PSR categories in the FTAs of India, Indonesia, Vietnam and Korea

Broad parameters	India	Indonesia & Vietnam		Republic of Korea
		ASEAN	Other agreements	
Wholly obtained rule	0%	0%	0%	0%
Single rules whether single CTC rules or single value addition rules	0%	0% - 68.37%	0% - 83.67%	0% - 59.18%
Single CTC rules with exception	0%	0%	0%	0%
Process rules	0%	0%	0%	0%
Compound rules	44.90% - 100%	0% - 4.08%	0%	0% - 44.90%
Co-equal rules	0% - 36.73%	0% - 40.82%	0% - 100%	0% - 100%
Range of Value addition thresholds (Under different types of PSRs discussed above)				
	35% - 50%	40% - 45%	30% - 60%	35% - 55%

Source: Author's assessment

3.6. Key findings on Heterogeneity in Product-Specific Rules of Origin

The practice of adopting a comprehensive PSR approach whereby specific rules are stipulated on a product-to-product basis has been increasing over time across FTAs due to the increasing depth of globalisation and the increasing integration of countries into global value chains.

The focus of this paper has been on products covered under four sectors namely, agriculture, textiles and clothing, machinery and automobiles. It has analysed both the different types of rules applied across FTAs as well as on aspects of drafting PSRs that impinge on the stringency of these requirements. It has also analysed in detail the differences in the approaches adopted by India and three comparator countries – Indonesia, Korea and Vietnam.

An assessment of drafting styles shows that India generally uses the ‘short style’ for prescribing PSRs in most of its FTAs, except in the India-Japan CEPA and India-Korea CEPA, which follow the ‘long style.’ Vietnam and Indonesia do not follow a consistent pattern, adopting a mix of drafting styles across their FTAs. In contrast, Korea consistently applies the ‘long style’ for PSRs in all its FTAs. The analysis of drafting techniques highlights how seemingly identical PSRs can have different interpretations depending on how they are presented. The paper provides examples of PSR variations using different drafting styles to illustrate how presentation can influence meaning and interpretation across trade agreements.

All the FTAs follow a mixed approach with sector-specific variations, making it difficult to identify a fixed pattern in terms of the HS classification. The analysis of India's approach across FTAs indicate a gradual movement from a hybrid approach that included both the general rule

as well as PSRs in the first phase to the use of PSRs for all products in the second phase. This pattern is also echoed in the FTAs of Indonesia and Vietnam as part of the ASEAN grouping. The other bilateral and regional agreements of these countries, barring the Chile-Vietnam FTA, contain only PSRs, as is the case with India's Phase II agreements. In Korea's case, only its agreements with India and with the ASEAN grouping adopted a hybrid approach; all its other agreements adopted a comprehensive PSR approach.

The preference of countries for PSRs, reflected in a gradual convergence by all countries towards a comprehensive PSR approach, stems from the wide differences and complexities in the production processes of different products, making it difficult to apply a single and common general rule as an indicator for substantial transformation of all products.

Looking at India's broad approach in each sector, it is observed that the approach is identical in the agriculture, machinery and automobile sectors across its FTAs. The textiles sector appears to be an outlier – all of India's agreements with the exception of the India-Australia ECTA follow the comprehensive PSR approach for the textiles sector.

In the agriculture sector, the approach is relatively conservative across India's FTAs, with the wholly obtained rule applicable for more than half the total agricultural products. Additionally, the compound rule has been specified in most FTAs. The other three countries have used co-equal rules, the single CTC criterion and wholly obtained criterion to determine rules of origin. The textiles sector is covered by far more stringent categories of PSRs like the compound rule (whether a compound PSR or a compound general rule) and process rules in agreements in both phases. It is only in the India-EFTA agreement that India has moved towards the single CTC rule, which is considered relatively more liberal.

For products under the machinery sector, India has adopted a relatively stringent approach, applying compound rules to a significant portion of products across most of its FTAs. However, in its most recent trade agreement with EFTA countries, there is a shift toward a more liberal approach, with a larger proportion of products covered by co-equal rules, while some products still fall under the compound rule.

In contrast, the other three countries have minimal use of compound rules, with this rule appearing in only one agreement. The predominant approach across their FTAs is the use of co-equal rules, although the scope of these rules varies depending on the alternative provided. Overall, while there is heterogeneity in India's approach compared to the other three countries, India seems to be gradually converging with them, as seen in its latest FTA.

For products under the automobile sector, India has so far followed a more stringent approach as a majority of the products of this sector are covered by relatively stringent category of PSRs like the compound rule (whether a compound PSR rule or a compound general rule) in most of its agreements in both phases. By comparison, the approach taken by Indonesia, Korean and Vietnam is far more liberal.

Overall, therefore, it appears that India's approach has been less liberal than that of the comparator countries. However, it needs to be borne in mind that there is an element of subjectivity when assessing how stringent or liberal an RoO is.

4. Conclusion and Policy recommendations

Although trade agreements with a comprehensive outlook are becoming more common, preferential treatment for merchandise trade remains a key element, particularly for countries with high tariffs like India. With the growing focus on preferential trading, rules of origin have become crucial in regulating trade relations. These rules ensure effective market access for products covered under an FTA. Without consensus on these rules, trade deals may face delays or fail to achieve their intended benefits. Consequently, rules of origin are an essential part of any trade agreement and are continually evolving to reduce trade diversion.

There are broadly two kinds of rules of origin – general regime wide rules and product specific rules. Regime wide rules outline the condition through which a product is conferred originating status under an FTA along with the procedural aspects to implement those rules. Product specific rules of origin stipulate specific rules on a product-by-product basis, driven by deepened globalisation and the development of global value chain networks.

Over time, rules of origin have become a vital component of global trade agreements, especially in an era where their role in ensuring preferential market access for goods and facilitating the integration of industrial components through specific requirements is increasingly emphasised. Despite their importance, there are still no harmonised rules that serve as a foundational basis for countries to develop their own regulations, whether in non-preferential contexts or under preferential arrangements, leading to a wide variety of regime wide rules and PSRs. This makes the case for heterogeneity in rules of origin across FTAs.

Some of the heterogeneities in regime wide rules and PSRs across the FTAs of a particular country might be a negotiated outcome based on particular domestic regulations or certain sensitivities in the domestic industries. While PSRs can contribute to the development of value chains, their varieties might appear as complexities and challenges for businesses and policymakers alike. In particular, the challenges faced by traders in meeting widely differing RoOs across FTAs and ensuring that they meet widely divergent rules for the same product could lead to higher administrative costs, uncertainties and deepening potential inefficiencies in the functioning of value chains. For traders, particularly for small and medium enterprises, the existence of heterogeneity in the rules of origin can act as a non-tariff barrier and hinder the effective utilisation of trade agreements between countries.

Given that India is negotiating new trade agreements following a more than decade-long hiatus, the analysis of the RoOs in India's FTAs and their comparison to the FTAs of Indonesia, Korea and Vietnam provide insights that can help India in future negotiations and help simplify PSRs across its FTAs. However, the analysis presented in this paper is only partial in nature as a more vigorous analysis, including multiple components like trade data analysis conducted on a product-to-product basis to understand the nature and extent of sensitivities, the possible value chains, etc., as well as the domestic capacities of countries, is needed for a comprehensive analysis on heterogeneity.

Nevertheless, the analysis conducted under this paper can be considered as a base to understand past practices, the level of consistencies achieved so far, and the heterogeneities that prevail in already existing FTAs. The insights on rules and PSRs in this paper can help guide India's future trade negotiations by encouraging a focus on simplifying PSRs and possibly converging them across different agreements.

The analysis in this paper indicates that there is wide variation in PSRs, both across India's FTAs and vis-à-vis the other three countries as compared to regime wide rules. The aim of this paper is not to say if this heterogeneity is good or bad as each FTA is driven by an understanding of a country's strengths and sensitivities. The major purpose of bringing out these heterogeneities is to attract the attention of the policymakers to the possibility of less-than-optimal utilisation of trade agreements and the possible difficulties that traders face as a result. Efforts have been made to offer recommendations that can help policymakers to bring in a more consistent approach across FTAs and help traders make better use of FTAs.

Given the technical complexity of the rules of origin and the fact that research in this field is still at a nascent stage, there is a pressing need for the development of a stronger expertise base. Both policymakers and academicians should work to establish a comprehensive knowledge base in this area. To achieve this, specialised expert groups and analytical teams should be formed at both the policy-making and academic levels. These groups could operate independently or in collaboration with government bodies, leveraging hands-on experience gained from direct interactions with policymakers from diverse geographical regions. These groups would benefit from a multidisciplinary approach, including the participation of academicians, policy analysts, industry experts, seasoned customs officials, and policymakers. Their combined expertise would not only enrich the understanding of RoOs but also help improve the practical application of these rules in trade agreements. By fostering collaboration across sectors and regions, these groups could contribute significantly to the development of more effective and informed trade policies.

In particular, when it comes to FTAs, the legal complexities of these agreements require a thorough and accurate interpretation of the text. Traders, who may not have a strong legal background, could miss the true intent and scope of the rules, leading to potential misapplications and missed opportunities. Therefore, providing clear and accessible interpretations is essential to ensure that the rules are understood uniformly by all stakeholders, including traders, customs officials and policymakers.

Such efforts to clarify and disseminate the rules are already underway in some cases. To illustrate, many FTAs provide frequently asked questions (FAQs), legal firms offer interpretations of specific agreements, etc.; some FTAs have also published guideline documents that serve as valuable resources for stakeholders. These initiatives can be considered as best practices and should be expanded to create a more inclusive and equitable understanding of rules, fostering greater consistency in the application of these rules to benefit traders.

There could also be sections/annexes of robust interpretative notes/explanatory notes including examples along with chapters on rules of origin in the official texts of trade agreements. This will facilitate understanding and interpretation to ensure consistency in the implementation of these rules by the competent authorities of all parties to an FTA. Special focus should be on the provisions that are relatively new or are a stark deviation from a country's existing approach. Such elaborate notes are usually found in the FTAs of the EU, the UK, etc. Such a measure is likely to be a step in facilitating and promoting trade and possibly also enhancing the utilisation rates of any FTA.

To simplify and align the PSR approach across a country's FTAs, countries should develop a reference manual for internal use. This manual should include the following:

- i.* A list of all products at the HS 6-digit level
- ii.* Existing PSRs under different FTAs
- iii.* Global practices of PSR formulation
- iv.* Details on raw materials and value addition at each production stage
- v.* Trade data analysis highlighting strengths, sensitivities and value chain insights

Such a manual can serve as both a guide for policymakers and a reference tool for future needs. The Rules of Origin Facilitator offers a platform to check PSRs under various FTAs, making it easier to identify the rules for specific products in particular agreements. However, countries should also maintain their own public database of PSRs on reliable official websites. This database should include trade data, be easy to access and understand, and support data extraction. Doing so can improve awareness among traders and enhance the effective use of trade agreements.

Additionally, countries should update PSRs to align with the latest HS nomenclature for all FTAs and publish these updates regularly.

In conclusion, while differences in regime-wide rules and PSRs may increase complexity and compliance costs, they also allow for customised, region-specific provisions that reflect the strengths and sensitivities of FTA members. Nonetheless, greater harmonisation or simplification could help reduce barriers and improve FTA utilisation rates.

Annex 1: Drafting styles of PSRs across FTAs of India, Indonesia, Vietnam and Republic of Korea

Table 58: Drafting styles of PSRs across FTAs of India, Indonesia, Vietnam and Republic of Korea

FTA	Drafting Style	HS level for drafting PSRs			
		Agriculture	Textiles	Machinery	Automobile
India-EFTA TEPA	short	HS 2/ 4/6-digit	HS 2/4-digit	HS 2/ 4 digit	HS 2/4-digit
India-Australia ECTA	short	HS 6-digit	No PSRs in ECTA	No PSRs in ECTA	No PSRs in ECTA
India-UAE CEPA	short	HS2/4/6-digit	HS2/4-digit	HS2-digit	HS2/4-digit
India-Mauritius CECPA	short	HS2/4/6-digit	HS2/4-digit	HS2/4/6-digit	HS2-digit
India-Korea CEPA and India-Japan CEPA	long	HS 4/6-digit	HS 4-digit	HS 4/6-digit	HS 6-digit
India-Singapore CECA	short	HS2/4/6-digit	No PSRs	HS 4/6-digit	No PSRs
Korea-Israel FTA	long	HS 4/6-digit	HS 4-digit	HS 4/6-digit	HS 4-digit
Peru-Korea FTA	long	HS 6-digit	HS 6-digit	HS 6-digit	HS 6-digit
UK-Korea FTA	long	HS 2/4/6-digit	HS 2/4-digit	HS 2/4-digit	HS 4-digit
USA-Korea FTA	long	HS 4/6-digit	HS 4/6-digit	HS 4/6-digit	HS 4/6-digit
ACFTA	short	HS 6-digit	HS 6-digit	HS 6-digit	HS 6-digit
AHKFTA	short	HS 6-digit	No PSRs for this chapter	HS 6-digit	No PSRs for this chapter
AJFTA	short	HS 2/4/6-digit	HS 4-digit	HS 6-digit	HS 4/6-digit
AKFTA	long	HS 2/4/6-digit	HS 4-digit	HS 6-digit	HS4/6-digit
AANZFTA	short	HS 6-digit	HS 6-digit	HS 6-digit	HS 6-digit
RCEP	short	HS2/4/6-digit	HS 4/6-digit	HS 4/6-digit	HS 4/6-digit
CPTPP	long	HS 4/6-digit	HS 4/6-digit	HS 4/6-digit	HS 4/6-digit
EFTA-Indonesia FTA	long	HS 2/4/6-digit	HS 2/4-digit	HS 2-digit	HS 2-digit
Indonesia-Chile FTA	long	HS 4/6-digit	HS 4-digit	HS 4/6-digit	HS 4-digit
Vietnam-Chile FTA	short	HS 2/4/6-digit	No PSRs for this chapter	HS 6-digit	No PSRs for this chapter
EU-Vietnam FTA	long	HS 2/4/6-digit	HS 2/4-digit	HS 2/4/6-digit	HS 2/4-digit

Annex 2: Detailed PSRs in in all the chapters of select sectors

Table 59: Table on extent of homogeneity/heterogeneity in India's approach to FTAs at the HS 2-Digit level of disaggregation under Agriculture sector

Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level								
Chapters under Agriculture sector	India-EFTA TEPA	India-Australia ECTA	India-UAE CEPA	India-Mauritius CECPA	India-Japan CEPA	India-Korea CEPA	India-Singapore CECA	
Chapter 1	WO	WO	WO	WO	All the animals of Chapter 1 shall be wholly obtained.	All the animals of Chapter 1 shall be wholly obtained.	Wholly obtained	Homogenous
Chapter 2	WO for all the materials of Chapters 1 and 2	WO	WO	WO	Manufacture in which all the materials used are wholly obtained.	Manufacture in which all the materials of Chapter 1 and 2 used are wholly obtained.	All materials of Chapter 1 and 2 used shall be wholly obtained	Homogenous
Chapter 3	WO for all materials of chapter 3/CTH	WO/CC/General Rule	WO	WO/CTH/CTH and 25% VA	Manufacture in which all the materials used are wholly obtained/General Rule	Manufacture in which all the materials of Chapter 3 used are wholly obtained/General Rule	Wholly obtained	Heterogenous
Chapter 4	WO for all materials of chapter 1 and 4	General Rule	WO	WO	Manufacture in which all the materials used are wholly obtained	Manufacture in which all the materials of Chapter 4 used are wholly obtained	Wholly obtained	Heterogenous
Chapter 5	WO for all materials of chapter 5	WO	WO	WO	Manufacture in which all the materials used are wholly obtained.	Manufacture in which all the materials of Chapter 5 used are wholly obtained.	Wholly obtained	Homogenous

Chapter 6	WO for all the materials of Chapter 6	WO	WO	WO	Manufacture in which all the materials used are wholly obtained.	Manufacture in which all the materials of Chapter 6 used are wholly obtained.	General Rule	Heterogenous
Chapter 7	WO for all the materials of Chapter 7	WO/General Rule/CC or RVC 40	WO	WO	Manufacture in which all the materials used are wholly obtained.	Manufacture in which all the materials of Chapter 7 used are wholly obtained.	General Rule	Heterogenous
Chapter 8	WO for all the materials of Chapter 8	WO/CTH/General Rule	WO/CTSH	WO/CTSH	Manufacture in which all the materials used are wholly obtained.	Manufacture in which all the materials of Chapter 8 used are wholly obtained.	General Rule	Heterogenous
Chapter 9	WO for all the materials of Chapter 9/CTSH	WO/WO or RVC 40/General Rule	CTSH + VA 40%	WO/CTSH	CTSH or RVC 50%/Manufacture in which all the materials used are wholly obtained.	Manufacture in which all the materials of Chapter 9 used are wholly obtained.	General Rule	Heterogenous
Chapter 10	WO for all the materials of Chapter 10	WO	WO	WO	Manufacture in which all the materials used are wholly obtained.	Manufacture in which all the materials of Chapter 10 used are wholly obtained.	General Rule	Heterogenous
Chapter 11	CC/WO for all the materials of Chapter 10/WO for all materials of chapters 7 and 10	WO/General Rule	CTH + VA 40%	WO	Manufacture in which all the materials used are wholly obtained/CC + RVC 40%	Manufacture in which all the materials of Chapter 7,8 and 10 used are wholly obtained.	All materials of Chapter 7, 8 and 10 used should be wholly obtained	Heterogenous
Chapter 12	WO for all the materials of Chapter 12	WO/General Rule/CC/RVC(35) + CTSH	WO	WO	Manufacture in which all the materials used are wholly obtained.	Manufacture in which all the materials of Chapter 12 used are wholly obtained.	Wholly obtained	Heterogenous

Chapter 13	WO for all the materials of Chapter 13	General Rule	CTH + VA 40%/WO	WO	Manufacture in which all the materials used are wholly obtained.	Manufacture in which all the materials of Chapter 13 used are wholly obtained.	Wholly obtained	Heterogenous
Chapter 14	WO for all the materials of Chapter 14	WO	WO	WO	Manufacture in which all the materials used are wholly obtained.	Manufacture in which all the materials of Chapter 14 used are wholly obtained.	General Rule	Heterogenous
Chapter 15	CC/CTH/CTH and VNM 60%/Manufacture from non-originating materials of any heading/WO for all the materials of Vegetables Materials/Fats from Bones or waste - CTH Other - WO for all the materials of Chapter 2/Solid fractions - CTH Others - WO for all the materials of Chapter 2	WO/CC/General Rule	CTSH + VA 40%	WO/CC	Manufacture in which all the materials used are wholly obtained.	CTH and RVC 40%/General Rule/CC and RVC 40%	CTH or VA >= 40% based on direct method or <= 60% based on indirect method /CTSH or VA >= 35% based on direct method or <= 65% based on indirect method /General Rule	Heterogenous
Chapter 16	CC. However, materials of Chapter 2 used must be wholly obtained	CC/CC except HS 2 and 3/General Rule	CTH +VA 40%	WO/CC/CTH	CC/Manufacture in which all the materials used are wholly obtained/General Rule	CTH and RVC 40%/General Rule	VA >= 35% based on direct method or <= 65% based on indirect method /General Rule	Heterogenous
Chapter 17	CTH/Chemically pure fructose and maltose - CTH;	CC/General Rule	CTSH + VA 40%/WO/CTH + VA 40%	WO/CTSH or 40% VA/40% VA s.t 40%	Manufacture in which all the	General Rule	General Rule	Heterogenous

	other-WO/WO for all materials of Chapter 17			cap on imported sugar	materials used are wholly obtained			
Chapter 18	CTH/CTH except heading 18.05/CTH and VNM 60%	General Rule	CTH+VA 40%/CTSH+V A 40%/WO	CTH or 35% VA/WO	Manufacture in which all the materials used are wholly obtained	CC and RVC 40%/CTH and RVC 40%	VA >= 40% based on direct method or <= 60% based on indirect method /General Rule	Heterogenous
Chapter 19	<p>CTH/CTSH and VNM 65%/WO/Containing 20% or less by weight of meat, meat offal, fish, crustaceans or molluscs: WO for all the cereals and derivatives (except durum wheat of chapter 10)</p> <p>Containing more than 20% by weight of meat, meat offal, fish, crustaceans or molluscs: WO for: all the cereals and their derivatives (except durum wheat of chapter 10) and all the materials of Chapters 2/Malt Extract - Manufacture from</p>	CC/CTH/General Rule	CTH + VA 40%	WO/CC	Manufacture in which all the materials used are wholly obtained	CTH and RVC 40%/General Rule	CTSH or VA >= 35% based on direct method or <= 65% based on indirect method /General Rule	Heterogenous

	cereals of Chapter 10 Other - CTH							
Chapter 20	CC/CTH and VNM 60%	General Rule	CC+VA 40%/CTH +VA 40%	WO/CC	Manufacture in which all the materials used are wholly obtained	CTH and RVC 40%/CC and RVC 40%	General Rule	Heterogenous
Chapter 21	CTH/CC except of Chapter 04 or VNM 60%	CC/General Rule	CTH+ VA 40%	CTH and 35% VA/WO	CC/CC and QVC 40%/Manufacture in which all the materials used are wholly obtained	CTH and RVC 40%/General Rule	CTH/VA >= 35% based on direct method or =< 65% based on indirect method /General Rule	Heterogenous
Chapter 22	CTH/CTH and VNM 60%/ WO for all the materials of Chapter 8	WO/General Rule	CTH+ VA 40%/WO	CTH and 35% VA/WO	CC/Manufacture in which all the materials used are wholly obtained	CTH and RVC 40%/General Rule/CTH	General Rule	Heterogenous
Chapter 23	CTH/CTH and VNM 60%/WO for all the maize used/WO for all the materials of Chapters 2 and 3/WO for all the olives used are wholly obtained	General Rule	CTH +VA 40%/CC + VA 40%	CC/CC or 35% VA/WO	Manufacture in which all the materials used are wholly obtained	CC/General Rule	VA >= 35% based on direct method or =< 65% based on indirect method /General Rule	Heterogenous
Chapter 24	CTH/CTH with exception/WO for all the materials of Chapter 24	General Rule	WO	WO	Manufacture in which all the materials used are wholly obtained/General Rule	General Rule	General Rule	Heterogenous

Source: Author's Compilation

Table 60: Table on extent of homogeneity/heterogeneity in ASEAN's FTAs at the HS 2-Digit level of disaggregation under Agriculture sector

Chapters under Agriculture sector	Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level					Heterogeneous/Homogeneous
	ASEAN- Japan CEP	ASEAN- Korea FTA	ASEAN-New Zealand & Australia FTA	ASEAN-Hong Kong FTA	ASEAN-China FTA	
HS 01	CC	WO	WO	WO	WO	Heterogeneous
HS 02	CC WITH EXCEPTION	WO	CC	RVC 40%	WO	Heterogeneous
HS 03	CC	RVC 40%	RVC (40) OR CTH	RVC 40%	CC	Heterogeneous
		WO	scallops, including queen scallops: WO or SP; other scallops and molluscs : RVC(40) or CTSH or SP RVC 40% or CTSH or SP WO WO or SP	WO	RVC 40% WO	
HS 04	CC	(CTH and RQP 50%) or RVC 45% WO WO or RVC 45%	RVC (40) OR CC RVC (40) OR CTSH WO	RVC 40% WO	CC RVC 40 RVC 40 or CTH	Heterogeneous
HS 05	CC	WO	CC WO	RVC 40% WO	CC WO RVC 40%	Heterogeneous
HS 06	CC	WO	RVC (40) OR CTH RVC (40) OR CTSH	RVC 40%	RVC 40%	Heterogeneous
HS 07	CC	WO	RVC (40) OR CTH WO WO or SP	RVC 40% WO	CC RVC 40% WO	Heterogeneous
HS 08	CC	WO	RVC (40) OR CC RVC (40) OR CTH WO	RVC 40% WO	CC RVC (40) OR CTH RVC 40%	Heterogeneous
HS 09	CC CTSH RVC 40%	A. Thyme; bay leaves :WO B. Other:RVC40 RVC40 RVC45 WO	RVC (40) OR CC RVC (40) OR CTH RVC (40) OR CTSH	RVC 40%	CC CTH RVC 40 OR CTSH RVC 40%	Heterogeneous
HS 10	CC	WO	WO	WO	WO	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level					Heterogeneous/Homogeneous
	ASEAN- Japan CEP	ASEAN- Korea FTA	ASEAN-New Zealand & Australia FTA	ASEAN-Hong Kong FTA	ASEAN-China FTA	
HS 11	CC CC WITH EXCEPTION	(CC and WO) or (RVC 40% and WO) CC CC or RVC 40% Rice flour, Rye flour:WO Others: CC+WO for some materials or RVC40+WO for some materials WO	RVC (40) OR CC RVC (40) OR CTSH	RVC 40%	CC WITH EXCEPTION RVC 40 OR CC RVC 40%	Heterogeneous
HS 12	CC	WO	RVC (40) OR CC RVC (40) OR CTH WO	RVC 40% WO	CC RVC40 WO	Heterogeneous
HS 13	CC	RVC70 WO	RVC (40) OR CC WO	RVC 40% WO	RVC 40%	Heterogeneous
HS 14	CC	WO	RVC (40) OR CC WO	RVC 40% WO	RVC 40%	Heterogeneous
HS 15	CC CTH CTSH	(CTH and WO) or (RVC 40% and WO) CC and RVC 40% CTH or RVC 40% RVC 40%	RVC (40) OR CC WO	RVC 40% WO	CC CC WITH EXCEPTION CTH RVC 40 OR CC RVC 40 or CTH RVC 40% WO	Heterogeneous
HS 16	CC	(CC and WO) or (RVC 40% and WO)	RVC (40) OR CC	RVC 40%	RVC (40) OR CC	Heterogeneous
	CC WITH EXCEPTION	(CTH and WO) or (RVC 40% and WO) CC or RVC 40% CTH and WO) or (RVC 40% and WO) CTH or RVC 40% RVC 35%			RVC 40 OR CC RVC 40%	

Chapters under Agriculture sector	Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level					Heterogeneous/Homogeneous
	ASEAN- Japan CEP	ASEAN- Korea FTA	ASEAN-New Zealand & Australia FTA	ASEAN-Hong Kong FTA	ASEAN-China FTA	
		RVC 40% RVC 60% and WO				
HS 17	CC CC WITH EXCEPTION RVC 40%	CTH or RVC 40%	CC or RVC 40% RVC (40) OR CTH	RVC 40%	CC RVC (40) OR CTH RVC 40%	Heterogeneous
HS 18	CC CTH	CTH or RVC 40%	RVC (40) OR CC RVC (40) OR CTH RVC (40) OR CTSH	RVC 40%	RVC 40 or CTH RVC 40 OR CTH with exception RVC 40% WO	Heterogeneous
HS 19	CC CC WITH EXCEPTION	(CTH + ECT) or (ECT and RVC 40%) CC or RVC 40% CTH or RVC 40%	RVC (40) OR CC RVC (40) OR CTH	RVC 40% RVC(40) or CC RVC(40) or CTH	RVC (40) OR CTH RVC 40 OR CC RVC 40%	Heterogeneous
HS 20	CC CC WITH EXCEPTION	(CC and WO) or (RVC 40% and WO) (CTH and WO) or (RVC 40% and WO) CC and WO CC or RVC 40% CTH or RVC 40% CTH+RVC 60% RVC 40% RVC 40% and WO RVC 45% rvc60/RVC 40%	RVC (40) OR CC RVC (40) OR CTH	RVC 40%	RVC (40) OR CC RVC40	Heterogeneous
HS 21	CC CC WITH EXCEPTION RVC 40%	(CTH and WO) or (RVC 40% and WO) CTH or RVC 40% For Korea: CTH+WO or RVC40+WO	RVC (40) OR CC RVC (40) OR CTH RVC (40) OR CTSH	RVC 40% RVC(40) or CTH	CC RVC (40) OR CC RVC (40) OR CTSH	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level					Heterogeneous/Homogeneous
	ASEAN- Japan CEP	ASEAN- Korea FTA	ASEAN-New Zealand & Australia FTA	ASEAN-Hong Kong FTA	ASEAN-China FTA	
		For others:CTH or RVC 40% RVC 40% and WO			RVC 40%	
HS 22	CC CTH RVC 40% RVC 40% OR CTH WITH EXCEPTION SAKE COMPOUND: RVC 40% AND CTH WITH EXCEPTION Beverages with a basis of fruit juices of an alcoholic strength by volume of less than 1%: CC with exception	CC or RVC 40% CTH or RVC 40% RVC 40% RVC 40% and WO	RVC (40) OR CC RVC (40) OR CTH RVC (40) OR CTSH RVC (40) OR CTSH WITH EXCEPTION	RVC 40%	CC RVC 40 OR CC RVC 40 or CTH RVC 40 OR CTH with exception RVC 40%	Heterogeneous
HS 23	CTH RVC 40%	(CC AND WO for materials of ch8) OR (RVC 40% AND WO for materials of ch 8) (CC and WO) or (RVC 40% and WO) CC or RVC 40% CTH or RVC 40% RVC 40%	RVC (40) OR CC RVC (40) OR CTH	RVC 40%	RVC 40 OR CC RVC 40 or CTH RVC 40%	Heterogeneous
HS 24	CC CTH CTSH RVC 40%	CTH AND RVC 40% CTH or RVC 40% WO	RVC (40) OR CC RVC (40) OR CTH RVC (40) OR CTH with exception RVC (40) OR CTSH WITH EXCEPTION	RVC 40%	RVC (40) OR CTH RVC 40%	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level					Heterogeneous/Homogeneous
	ASEAN- Japan CEP	ASEAN- Korea FTA	ASEAN-New Zealand & Australia FTA	ASEAN-Hong Kong FTA	ASEAN-China FTA	
	RVC 40% or CTH		RVC(40) or CTH with exception for manufactured tobacco substitutes RVC(40) or CTSH with exception for other goods			

Source: Author's compilation

Table 61: Table on extent of homogeneity/heterogeneity in other FTAs of Indonesia and Vietnam at the HS 2-Digit level of disaggregation under Agriculture sector

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
HS 1	WO	CC	WO	CC	WO	CC	Heterogeneous
HS 2	CC except from Chapter 01	CC	Manufacturing with materials WO	CC	Manufacture in which Materials of ch 1 and 2 are WO CTH	CC	Heterogeneous
HS 3	CC CTH WO	Sardina pilchardus, Engraulis : CC Other goods: CTH any other good of subheading 0305.59 : CTH Xiphias gladius (Swordfish) of subheading 0305.59 :CC Thunnus thynnus: CC Sardina pilchardus :CC Oncorhynchus nerka: CC Merluccius angustimanus: CC Engraulis spp :CC CC CC or Specific process or RVC40 BD	Manufacturing with materials WO WO	CC	CTH Manufacture in which all the materials of Ch 3 are WO	CC	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
		CC or RVC40 CC or SP or RVC 45% BD CC or specific process CC/CC or RVC40 BD CTH For any other good of subheading 0304.99 :- CTH For Thunnus thynnus, Oncorhynchus nerka, Xiphias gladius, Sardina pilchardus, Merluccius angustimanus, Engraulis spp- CC For Merluccius angustimanus: CC for other goods: CTH Merluccius angustimanus-CTH Any other good of subheading 0305.32 :CTH Oncorhynchus nerka:CC Other goods: CTH products in subheading 030619: CC or specific process or RVC40 BD products in subheading 030629: CC or Specific process or RVC 45 BD products in subheading 030791: CC or RVC40 BD products in subheading					

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
		030799: cc OR Specific process or RVC40 BD products in subheading 030890: CC or Specific process or RVC40 BD					
		Thunnus thynnus, Sardina pilchardus, Engraulis : CC Other goods: CTH					
HS 4	CC CC or RVC40 CTSH or RVC40 WO	CC CC with exception edible birds' nests:RVC40 BD Other goods:CC	Manufacturing with materials WO Manufacturing with materials WO AND WNOM 20%	CC	Manufacture in which all the materials of Ch 4 are WO	CC	Heterogeneous
HS 5	CC CC except from Chapter 01	CC	No change WO	CC	CTH	CC	Heterogeneous
HS 6	CC or RVC40	CC	Manufacturing with materials WO	CC	CTH Manufacture in which all the materials of Ch 6 are WO	CC	Heterogeneous
HS 7	CC WO	CC	Manufacturing with materials WO	CC	Manufacture in which all the materials of Ch 7 are WO	CC	Heterogeneous
HS 8	CC	CC	Manufacturing with materials WO AND WNOM 20%	CC	Manufacture in which all the materials of Ch8 are WO	CC	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
	CC or RVC40	CC or RVC45 BD CTSH		CTSH or RVC 40%		CTSH or QVC 40%	
HS 9	CC RVC40 WO	CAPSICUM:CC with exception for any other good of subheading 0904.22 - CTSH CC CC or specific process CC or RVC40 BD CTSH CTSH + WNM60 CTSH or Specific process	No change	CC CTSH or RVC 40%	No change	CTSH or QVC 40%	Heterogeneous
HS 10	WO	CC	Manufacturing with materials WO	CC	Manufacture in which all the materials of Ch10 are WO	CC	Heterogeneous
HS 11	CC CC except from Chapter 10	CC CC with exception	Manufacturing with materials WO	CC	CC CC with exception Manufacture in which all the materials of Ch10 are WO No change	CC	Heterogeneous
HS 12	CC CTH WO	flours or meals of safflower seeds -CC any other good of subheading 1208.90- CTH CC	CTH	CC	Manufacture in which all the materials of Ch12 are WO	CC	Heterogeneous
HS 13	CC	mucilage and thickener derived from Caesalpinia	WNOM20	CC	No change	CC	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
	CC except from subheading 1211.20	spinosa - CC or RVC45 BD any other good of subheading 1302.39- CC or RVC 40 BD CC					
HS 14	CC	CC	No change	CC	No change	CC	Heterogeneous
HS 15	CC or RVC40 WO	CC CC or RVC40 BD CC/CC or RVC40 CTH rice bran oil -CC any other good of subheading 1515.90 CC or RVC40 BD	CTH CTSH Manufacturing with materials WO No change	CC CTSH or RVC 40%	CTH No change WO	CC CTSH or QVC 40%	Heterogeneous
HS 16	CC CC or RVC 40	CC CC or RVC45 BD CC with exception CC with exception or RVC45 BD erluccius angustimanus (Panama hake) or Merluccius productus: CC with exception ;other goods: CC other goods:CC Merluccius angustimanus :CC with exception Sardinella brachysoma: CC	Manufacturing with materials WO No change	CC	CC with exce[ption	CC	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
		Other goods: CC with exception surimi and preparations thereof of subheading 1604.20, Sardinella brachysoma : CC or RVC 40 any other good of subheading 1604.20 :CC For anchovies of subheading 1604.20 other than Encrasicholina punctifer, Thunnini (Tuna) , Sardina pilchardus, Merluccius angustimanus : CC with exception					
HS 17	CC or RVC40	CC	CTH	CTH or RVC 40%	CTH or RVC 40%	CTH or QVC 40%	Heterogeneous
	CC except from subheading 1212.91	CC with exception	CTH and WNOM20/40/50			Chemically-pure maltose and fructose: No change Other: Manufacture in which all the materials used are originating	
	CTH WO	CTH	CTH and WNOM30	CTH and WNOM30		CTH	
HS 18	CC	a good of subheading 1806.20 containing more than 70 per cent cacao content by weight of the	CTH and WNOM40/60	CTH or RVC 40%	No change	CTH or QVC 40%	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
	CTH or RVC40	good:CC or RVC 50 BD For other goods: CTH CC Confectionery:CC or RVC50 BD other goods:CTSH CTH For sweetened cocoa powder of subheading 1806.10 containing 90 per cent or more by dry weight of sugar : CTH with exception For any other good of subheading 1806.10 : CTH+WNM50% weight					
HS 19	CC CTH or RVC40	CC CTH good of subheading 1901.10: CC with exception other good: CC good of subheading 1901.20 containing more than 25 per cent by dry weight of butterfa: CC with exception good of subheading 1901.20 containing more than 30 per cent by dry weight of rice	CTH and WNOM20/40/50	CTH or RVC 40%	CTH	CTH or QVC 40%	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
		flour:CC+VNOM30 Other good: CC good of subheading 1901.90 containing more than 10 per cent by dry weight of milk solids: CC with exception good of subheading 1901.90 containing more than 30 per cent by dry weight of rice flour:CC +VNM30 Other goods: CC					
HS 20	CC CC or RVC40	preparation of a single vegetable: CC with exception other goods: CC+VNM40 CC CC or RVC45 BD CC with exception CC with exception mixtures of subheading 2008.97: CC with exception and VNM50 OTHER GOODS: CC+RVC40 BD nuts or groundnuts of subheading 2008.19, o mixtures of subheading 2008.19 : CC with exception other goods: CC preparation of a single fruit: CTH with	CTH and WNOM20 Manufacturing with WO Material	CTSH or RVC 40%	CTH	CTSH or QVC 40%	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
		exception+VNM50 OTHER GOODS: cth+vnm40 preparation of a single vegetable of subheading 2001.90: CC with exception other goods: CC+VNM40					
HS 21	CC or RVC40	ketchup of subheading 2103.20: CC with exception other good: CTSH roasted barley tea of subheading 2101.30 :CC with exception other goods:CC	CTH and allowance	CTSH or RVC 40%	CTH	CTSH or QVC 40%	Heterogeneous
	CTH or RVC40		CTH and WNOM20/40/50				
		a single fruit or single vegetable juice, o fruit packed in gelatin, preparations of subheading 2106.90, sugar syrups, preparations of Konnyak : CC with exception preparations of subheading 2106.90 containing more than 30 per cent by dry weight of rice flour: CC+VNM30 other goods: CTSH+ RVC 30 BU/40 BD CC CTH CTH with exception CTSH					

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
		CTSH or RVC 50 (BU)/40 9BD0					
HS 22	CC	pisco:CC BRANDY: CTH with exception or RVC 40 BD OTHER GOOD: volume of NOM 10	CTH with exception and WO and WNOM20	CC	CTH	CC	Heterogeneous
	CTH	volume of NOM 10 beverages of subheading 2202.90 containing milk, single fruit or single vegetable juice of subheading 2202.90 : : CC with exception other goods: CC+ RVC 45 BD CC charanda: CC Other goods: volume of NOM10 CTH		CTH or RVC 40%	Manufacture in which all materials of ch 8 are WO	CTH or QVC 40%	
	CTH or RVC40	CTSH CTSH except from subheading 2204.21 CTSH except from subheadings 2204.21 and 2204.29 CTSH except from subheading 2204.29					
		tequila, mezcal, sotol or bacanora :CC sake compounds or cooking sake (mirin): CTH+RVC40					

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
		OTHER GOODS: CTH with exception					
HS 23	CC CTH CTH or RVC40	a preparation used in animal feeding:CTH with exception a preparation other than pet food: CTH +VNM30 Other good: CTH CC CC or RVC40 (BD) CTH	CTH CTH and WNOM20 CTH and WO and WNOM20/40/50	CTH or RVC 40%	CTH	CTH or QVC 40%	Heterogeneous
HS 24	CC CTH CTH except from heading 21.06, or RVC40 CTH except from heading 24.03 CTH except from heading 38.24, or RVC40 For manufactured tobacco substitutes : CTH except from heading 24.03 For any other good : CTH except from heading 38.24, or RVC40	CC CC or CTH+ dry tobacco originating 55%by weight CTH CTSH For products in subheading 240399: CC For products in subheading 382490: CTSH homogenised or reconstituted tobacco suitable for use as wrapper tobacco: CTH For products in subheading 240399: CC A change to any other good of subheading	CTH and WNOM30 CTH with exception and WO for some materials Manufacturing with WO Material	CTH or RVC 40%	CTH CTH with exception CTH/No change manufacturing in which all the materials of ch 24 are WO	CTH or QVC 40%	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
		2403.91 from any other chapter.: CC homogenised or reconstituted tobacco suitable for use as wrapper tobacco-CTH any other good of subheading 2403.91 -CC sugar syrups of subheading 2106.90 : CC with exception For preparations of subheading 2106.90 containing more than 30 per cent by dry weight of rice flour :: CC +VNM30 For preparations of subheading 2106.90 containing more than 10 per cent by dry weight of milk solids : CC with exception For preparations of Konnyaku of subheading 2106.90 : CC with exception For fruit packed in gelatin of subheading 2106.90 containing more than 20 per cent by weight of fruit :: CC with exception For any other good of subheading 2106.90 : CTSH and RVC 30 (BU)/ 40 (BD) For a single fruit or single					

Chapters under Agriculture sector	Types of PSRs found in Indonesia and Vietnam's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level						Heterogeneous/Homogeneous
	RCEP	CPTPP	EU- Vietnam FTA	VIETNAM-CHILE FTA	Indonesia- EFTA	Indonesia-Chile CEPA	
		vegetable juice of subheading 2106.90 ::CC with exception					

Source: Author’s compilation

Table 62: Table on extent of homogeneity/heterogeneity in Korea’s FTAs at the HS 2-Digit level of disaggregation under Agriculture sector

Chapters under Agriculture sector	Types of PSRs found in Republic of Korea's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level				Heterogeneous/Homogeneous
	US Korea FTA	UK- Korea FTA	Peru- Korea FTA	Israel- Korea FTA	
HS 1	CC	WO	WO	WO	Heterogeneous
HS 2	CC with exception	Manufacture in which materials of Ch 1&2 are WO	CC except from chapter 1	WO	Heterogeneous
HS 3	CC	Manufacture in which materials of Ch 3 are WO	CC CC or CTH + ECT	WO	Heterogeneous
			CTH + ECT		
HS 4	CC with exception	Manufacture in which materials of Ch 4 are WO Manufacture in which materials of Ch 4 are WO, JUICES (except that of pineapple, lime or grapefruit) are originating and VNOM30 for materials of ch17	CC CC + ECT CC + ECT OR CTH or RVC 50%	WO	Heterogeneous
HS 5	CC	Manufacture in which materials of Ch 5 are WO	CC	WO	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Republic of Korea's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level				Heterogeneous/Homogeneous
	US Korea FTA	UK- Korea FTA	Peru- Korea FTA	Israel- Korea FTA	
			CC + ECT		
HS 6	CC	Manufacture in which materials of Ch 6 are WO and VNOM60	CC	WO	Heterogeneous
HS 7	CC	Manufacture in which materials of Ch 7 are WO	WO	WO	Heterogeneous
HS 8	CC	Manufacture in which materials of Ch 8 are WO and VNOM30 for CH 17	WO	WO	Heterogeneous
HS 9	CC crushed, ground, or powdered spices-CTSH and allowance; mixtures of spices or any good- CTSH CTSH CTSH with exception	Manufacture in which materials of Ch 9 are WO No change	CC CC + ECT	CTSH WO	Heterogeneous
HS 10	CC	Manufacture in which materials of Ch 10 are WO	WO	WO	Heterogeneous
HS 11	CC CC with exception	Manufacture in which all the materials of Ch 7, 8, 10, 11 and 23 are WO No change	CC CC + ECT	CC or RVC 40%	Heterogeneous
HS 12	CC	Manufacture in which all the materials of Ch 12 are WO	CC	WO	Heterogeneous
HS 13	carrageenan-CC and allowance+ WNOM 50%; other good-CC CC CC with exception	CTH with exception No change VNOM50	CC CC + ECT	CC CC + ECT	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Republic of Korea's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level				Heterogeneous/Homogeneous
	US Korea FTA	UK- Korea FTA	Peru- Korea FTA	Israel- Korea FTA	
		VNOM50 for materials of heading 1301			
HS 14	CC	Manufacture in which all the materials of Ch 14 are WO	CC	WO	Heterogeneous
HS 15	CC CTH	ALLOWANCE AND EXCEPTION CTH CTH with exception Manufacture in which all materials of Ch 2 are WO and all the vegetable materials of chapter 7, 8, 10, 15 and 23 are WO and allowance Manufacture in which all vegetable materials are WO Manufacture in which all materials of Ch 2 and bones of heading 0506 are WO	CC + ECT CTH CTH + ECT CTSH	CTH	Heterogeneous
		Manufacture in which: all materials of Ch 2 and 4 used are wholly obtained, and all vegetable materials of chapter 7, 8, 10, 15 and 23 used are WO and allowance No change			
HS 16	CC CC with exception	Manufacture: from animals of Chapter 1, and/or in which all the materials of Ch 3 are WO	CC CC + ECT CTH +ECT	CC CTH	Heterogeneous
HS 17	CC	Chemically-pure maltose and - No change Other sugars in solid form, containing added flavouring or colouring matter- B=VNOM30 for	CC	CTH	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Republic of Korea's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level				Heterogeneous/Homogeneous
	US Korea FTA	UK- Korea FTA	Peru- Korea FTA	Israel- Korea FTA	
	CTH	materials of ch 17 –Other-all materials are originating CTH CTH and VNOM30 for materials of ch 17 VNOM30 for materials of ch 17	CC + ECT CTH CTH or RVC 50%	CTSH	
HS 18	CC CTH CTH and specfic process CTSH	CTH and VNOM30 for materials of ch 17	CC CTH or RVC 50%	CTH or RVC 40%	Heterogeneous
HS 19	CC CC with exception CC with exception and WNOM 10%	CTH CTH and all the materials of Chapter 4, heading 1006 and Chapter 11 are WO and VNOM30 for materials of ch 17 CTH with exception CTH with exception and all the cereals and flour of Ch 10 and 11 (except durum wheat and Zea indurate maize, and their derivatives) are WO and VNOM30 for materials of ch 17 Manufacture in which all cereals and their derivatives (except durum wheat and its derivatives) of Ch 10 and 11 are WO and materials of Ch 2 and 3 used are WO if they represent more than 20 % by weight of the product	CTH + ECT CTH or RVC 50%	CTH or RVC 40%	Heterogeneous
HS 20	CC	VNOM30 for CH 17	CC	CTH	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Republic of Korea's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level				Heterogeneous/Homogeneous
	US Korea FTA	UK- Korea FTA	Peru- Korea FTA	Israel- Korea FTA	
	CC cranberry juice mixture: CTSH with exception and RVC 35/45% other good- CTSH+VNOM 60% CC with exception	CTH CTH and VNOM30 for ch 17 Manufacture in which materials of Ch 7, 8,12 are WO and VNOM30 for CH 17 VOM60 FOR all the originating nuts and oil seeds of headings 0801, 0802 and 1202 to 1207	CC + ECT		
HS 21	CC CC and allowance and Specific process CTH CTH with exception o concentrated juice of any single fruit or vegetable- CC with exception mixtures of juices- CC with exception or Volme of 60% compound alcoholic preparations- CTSH with exception sugar syrups- CC with exception goods containing over 10	CTH CTH and materials of subheadings 1211 20 and 1302 19 used are WO and VNOM30 for ch 4 and 17 CTH with allowance CTH with exception No change	CC CC or RVC 55% CTH CTH + ECT CTH or RVC 50%	CTH or RVC 40%	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Republic of Korea's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level				Heterogeneous/Homogeneous
	US Korea FTA	UK- Korea FTA	Peru- Korea FTA	Israel- Korea FTA	
	percent by weight of milk solid- CC with exception fruit packed in gelatin- CC with exception ginseng preparations- CTH with exception other goods- CC	NVNOM30 for ch 4 and ch 17			
HS 22	CC	CTH and grapes or materials derived from grapes used are WO	CC	CTH or RVC 40%	Heterogeneous
	CC with exception CTH For cheongju of heading 22.06 ::CTH For any other good of heading 22.06: CC with exception For Soju: CTH For any other good: CC with exception juice of any single fruit or vegetable- CC with exception mixtures of juices- CC with exception or volume of the material 60%	CTH and VNOM30 for ch17 and fruit juice are originating and materials of subheadings 1211 20 and 1302 19 used are WI CTH with exception and grapes and materials derived from grapes are WO	CTH CTH + ECT		
HS 23	CC	CTH	CTH	CC	Heterogeneous

Chapters under Agriculture sector	Types of PSRs found in Republic of Korea's agreements to assess the extent of homogeneity/heterogeneity in PSRs at the chapter level				Heterogeneous/Homogeneous
	US Korea FTA	UK- Korea FTA	Peru- Korea FTA	Israel- Korea FTA	
	<p>CTH</p> <p>CTH with exception</p>	<p>Manufacture in which all maize used is WO</p> <p>Manufacture in which all olives of ch 7 used are WO</p> <p>Manufacture in which all materials of Ch 2, 3, 4, 10, 11 and 17 are originating</p> <p>Manufacture in which all the materials of Ch 2 and 3 are WO</p>		<p>CTH</p>	
HS 24	<p>homogenized or reconstituted tobacco- CTH</p> <p>other good- CC</p> <p>CC</p> <p>CC and specific process</p> <p>CC with exception</p> <p>CTH</p>	<p>Manufacture in which all materials of Ch 24 used are WO</p> <p>WO</p> <p>WOM70 of the unmanufactured tobacco or tobacco refuse</p>	<p>CC</p> <p>CTH</p> <p>CTH + ECT</p> <p>CTH OR CTH or RVC 50%</p> <p>CTH or RVC 50%</p>	<p>CTH or RVC 40%</p> <p>CTH or RVC 50%</p> <p>WO</p>	Heterogeneous

Source: Author's compilation

Table 63: Table on extent of homogeneity/heterogeneity in India's approach to FTAs at the HS 2-Digit level of disaggregation under Textile sector

Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level

Chapters under Textiles sector	India-EFTA TEPA	India-Australia ECTA	India-UAE CEPA	India-Mauritius CECPA	India-Japan CEPA	India-Korea CEPA	
Chapter 50	CTSH and VNM 60%	WO/General Rule	CTSH + VA 40%	CTH or 35% VA	CTH/Process Rule/WO	CTH and RVC 40%	Heterogenous
Chapter 51	CTSH and VNM 60%	General Rule	CTSH + VA 40%	CTH or 35% VA	CC/Process Rule/WO	CTH and RVC 40%	Heterogenous
Chapter 52	CTSH and VNM 60%	WO/General Rule	WO/CTSH + VA 40%	CTH and 30% VA/CTH OR 40%/WO	Process Rule/WO	CTH and RVC 40%	Heterogenous
Chapter 53	CTSH and VNM 60%	General Rule	CTSH + VA 40%	CTH or 35% VA	CC/Process Rule/WO	CTH and RVC 40%	Heterogenous
Chapter 54	CTSH and VNM 60%	General Rule	CTSH + VA 40%	CTH and 35% VA/Process Rule/CTH	Process Rule	CTH and RVC 40%	Heterogenous
Chapter 55	CTSH and VNM 60%	General Rule	CTSH + VA 40%	CTH and 35% VA/Process Rule/CTH	Process Rule	CTH and RVC 40%	Heterogenous
Chapter 56	CTSH and VNM 60%	General Rule	CTH + VA 40%	CTH/Process Rule	Process Rule	CTH and RVC 40%	Heterogenous
Chapter 57	CTSH and VNM 60%	General Rule	CTH + VA 40%	CTH or 35% VA	Process Rule	CTH and RVC 40%	Heterogenous
Chapter 58	CTSH and VNM 60%	General Rule	CTH + VA 40%	Process Rule	Process Rule	CTH and RVC 40%	Heterogenous
Chapter 59	CC/CTSH and VNM 60%	General Rule	CTH + VA 40%	Process Rule	Process Rule	CTH and RVC 40%	Heterogenous
Chapter 60	CTSH and VNM 60%	General Rule	CTH + VA 40%	CTH and 35% VA	Process Rule	CTH and RVC 40%	Heterogenous

Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level

Chapters under Textiles sector	India-EFTA TEPA	India-Australia ECTA	India-UAE CEPA	India-Mauritius CECPA	India-Japan CEPA	India-Korea CEPA	
Chapter 61	CC/CTSH and VNM 60%	General Rule	CTH + VA 40%	CTH and 35% VA	Process Rule	Process Rule	Heterogenous
Chapter 62	CC/CTSH and VNM 60%	General Rule	CTH + VA 40%	CTH and 35% VA	Process Rule	Process Rule	Heterogenous
Chapter 63	CC/CTSH and VNM 60%	General Rule	CTH + VA 40%	CTH or 40% VA/CTH and 35% VA	Process Rule	Process Rule	Heterogenous

Table 64: Table on extent of homogeneity/heterogeneity in ASEAN's FTAs at the HS 2-Digit level of disaggregation under Textile sector

Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level

Chapters under Textiles Sector	RCEP	ASEAN-Hong Kong FTA	ASEAN-China FTA	ASEAN-Japan CEP	ASEAN-Korea FTA	ASEAN-Australia-New Zealand FTA	
Chapter 50	CC / CTH/ CTH with exceptions	RVC 40% (General Rule)	CC / RVC 40% (General Rule)	CC / CTH / CTH with exception / (CTH and Process Rule) or Process Rule	CC or RVC 40% / CTH or Process Rule or RVC 40% / CTH or RVC 40% (General Rule) / CTH with exceptions or RVC 40%	CC / CTH or Process Rule / RVC 40 or CTH (General Rule) / RVC 40 or CTH with exception	Heterogenous
Chapter 51	CC / CTH/ CTH with exceptions	RVC 40% (General Rule) / WO	RVC 40% (General Rule) / RVC 40 or CC / RVC 40 or CTH / WO / RVC 40 or CTH with exception	CC / CTH with exception / (CTH with exception and Process Rule) or Process Rule	CC or RVC 40% / CTH or Process Rule or RVC 40% / CTH or RVC 40% (General Rule) / CTH with exceptions or RVC 40%	CTH / CTH with exception / RVC 40 or CC / RVC 40 or CTH (General Rule) / WO	Heterogenous
Chapter 52	CC / CTH/ CTH with exceptions	RVC 40% (General Rule)	CC / RVC 40% (General Rule) / RVC 40 or Process Rule 1 / RVC 40 or Process Rule 2 / WO	CC / CTH with exception and Process Rule / (CTH with exception and Process Rule) or Process Rule	CC or RVC 40% / CTH or RVC 40% (General Rule) / CTH with exceptions or RVC 40%	CTH / CTH with exception / CTH or Process Rule / RVC 40 or CC / RVC 40 or CTH (General Rule) / WO	Heterogenous
Chapter 53	CC / CTH	RVC 40% (General Rule)	RVC 40% (General Rule) / RVC 40 or CTH	CC / CTH with exception / (CTH with exception and Process Rule) or Process Rule	CC or RVC 40% / CTH or RVC 40% (General Rule) / CTH or Process Rule or RVC 40%	CTH / CTH or Process Rule / RVC 40 or CC / RVC 40 or CTH (General Rule) / WO	Heterogenous

Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level

Chapters under Textiles Sector	RCEP	ASEAN-Hong Kong FTA	ASEAN-China FTA	ASEAN-Japan CEP	ASEAN-Korea FTA	ASEAN-Australia-New Zealand FTA	
Chapter 54	CC / CTH	RVC 40% (General Rule)	RVC 40% (General Rule) / RVC 40 or CC / RVC 40 or CTH	CC / (CTH with exception and Process Rule) or Process Rule	CC or RVC 40% / CTH or RVC 40% (General Rule)	CTH / CTH or Process Rule / RVC 40 or CC / RVC 40 or CTH (General Rule) / CC	Heterogenous
Chapter 55	CC / CTH/ CTH with exceptions	RVC 40% (General Rule)	RVC 40% (General Rule) / RVC 40 or CC / RVC 40 or CTH	CC with exception / CTH with exception and Process Rule / (CTH with exception and Process Rule) or Process Rule	CC or RVC 40% / CTH or RVC 40% (General Rule) / CTH with exception or RVC 40%	CTH / CTH with exception / CTH or Process Rule / RVC 40 or CC / RVC 40 or CTH (General Rule)	Heterogenous
Chapter 56	CC / CTH	RVC 40% (General Rule)	RVC 40% (General Rule) / RVC 40 or CC	CC with exception / CC and Process Rule	CC or RVC 40%	CC / RVC 40 or CC / RVC 40 or CTH (General Rule)	Heterogenous
Chapter 57	CC	RVC 40% (General Rule)	CTH (General Rule)	CTH with exception and Process Rule	CC or RVC 40%	CC / CC with exception	Heterogenous
Chapter 58	CC	RVC 40% (General Rule)	CTH (General Rule)	CC and Process Rule	CC or RVC 40% / CTH or RVC 40% (General Rule)	CC / CC or Process Rule / CTH	Heterogenous
Chapter 59	CC	RVC 40% (General Rule)	CTH (General Rule)	CC with exception / CC with exception and Process Rule / CTH with exception and Process Rule	CC or RVC 40%	CC / RVC 40 or CC	Heterogenous
Chapter 60	CC	RVC 40% (General Rule)	RVC 40 or CC / RVC 40 or CTH or Process Rule 3 / RVC 40% (General Rule)	(CC and Process Rule) or Process Rule	CTH or RVC 40% (General Rule)	CC	Heterogenous
Chapter 61	CC	RVC 40% (General Rule)	RVC 40 or CTH or Process Rule 3	CC and Process Rule	(CC and Process Rule) or RVC 40%	(Process Rule and RVC 40%) or CC / RVC 40 or CC	Heterogenous
Chapter 62	CC	RVC 40% (General Rule)	RVC 40 or Process Rule 3 or CTH / CTH (General Rule)	CC and Process Rule	(CC and Process Rule) or RVC 40%	(Process Rule and RVC 40%) or CC / RVC 40 or CC	Heterogenous

Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level

Chapters under Textiles Sector	RCEP	ASEAN-Hong Kong FTA	ASEAN-China FTA	ASEAN-Japan CEP	ASEAN-Korea FTA	ASEAN-Australia-New Zealand FTA	
Chapter 63	CC / CC or RVC 40	RVC 40% (General Rule) / WO	RVC 40 or Process Rule 3 / RVC 40% (General Rule)	CC and Process Rule / WO	(CC and Process Rule) or RVC 40%	CC / CTH / CC with exception / CC and Process Rule / RVC 40 or (CC and Process Rule) / WO / (RVC 40 and Process Rule) or CC	Heterogenous

Source: Author's compilation

Table 65: Table on extent of homogeneity/heterogeneity in other FTAs of Indonesia and Vietnam at the HS 2-Digit level of disaggregation under Textile sector

Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level

Chapters under Textiles Sector	Indonesia-EFTA CEPA	Indonesia-Chile CEPA	CPTPP	EU-Vietnam FTA	Chile-Vietnam FTA	
Chapter 50	Manufacture from non-originating materials of any heading	CTH or QVC 40%	CC / CTH / CTH with exception	CTH / Process Rule	CTH or RVC 40% (General Rule)	Heterogenous
Chapter 51	Manufacture from non-originating materials of any heading	CTH or QVC 40%	CC / CTH / CTH with exception	CTH / Process Rule	CTH or RVC 40% (General Rule)	Heterogenous
Chapter 52	Manufacture from non-originating materials of any heading	CTH or QVC 40%	CC / CC with exception / CTH with exception	CTH / Process Rule	CTH or RVC 40% (General Rule)	Heterogenous
Chapter 53	Manufacture from non-originating materials of any heading	CTH or QVC 40%	CC / CTH	CTH / Process Rule	CTH or RVC 40% (General Rule)	Heterogenous
Chapter 54	Manufacture from non-originating materials of any heading	CTH or QVC 40%	CC with exception / CTH with exception	Process Rule	CTH or RVC 40% (General Rule)	Heterogenous
Chapter 55	Manufacture from non-originating materials of any heading	CTH or QVC 40%	CC / CC with exception / CTH with exception	Process Rule	CTH or RVC 40% (General Rule)	Heterogenous

Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level

Chapters under Textiles Sector	Indonesia-EFTA CEPA	Indonesia-Chile CEPA	CPTPP	EU-Vietnam FTA	Chile-Vietnam FTA	
Chapter 56	Manufacture from non-originating materials of any heading	CTH or QVC 40%	CC / CC with exception	Process Rule	CTH or RVC 40% (General Rule)	Heterogenous
Chapter 57	Manufacture from non-originating materials of any heading	CTH or QVC 40%	CC	Process Rule	CTH or RVC 40% (General Rule)	Heterogenous
Chapter 58	Manufacture from non-originating materials of any heading	CTH or QVC 40%	CC / CC with exception	CTH / Process Rule / Process Rule and VNOM 47.5 / VNOM 50	CTH or RVC 40% (General Rule)	Heterogenous
Chapter 59	Manufacture from non-originating materials of any heading	CTH or QVC 40%	CC with exception / CTH with exception	Process Rule	CTH or RVC 40% (General Rule)	Heterogenous
Chapter 60	Process Rule	(CC and Process Rule) or Process Rule	CC with exception	Process Rule	CTH or RVC 40% (General Rule)	Heterogenous
Chapter 61	CC and Process Rule	CC and Process Rule	CC with exception / CC and Process Rule / CC with exception and Process Rule	Process Rule	CTH or RVC 40% (General Rule)	Heterogenous
Chapter 62	CC and Process Rule	CC and Process Rule	CC / CC and Process Rule / CC with exception and Process Rule	Process Rule	CTH or RVC 40% (General Rule)	Heterogenous
Chapter 63	CC and Process Rule	CC and Process Rule	CC with exception and Process Rule	CTH / Process Rule / Set Rule / VNOM 40	CTH or RVC 40% (General Rule)	Heterogenous

Source: Author's compilation

Table 66: Table on extent of homogeneity/heterogeneity in Korea's FTAs at the HS 2-Digit level of disaggregation under Textile sector

Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level

Chapters under Textiles Sector	UK-Korea FTA	Korea-Israel FTA	US-Korea FTA	Peru-Korea FTA	
Chapter 50	CTH / Description based PSR / Process Rule	CC / CTH or RVC 40%	CC / CTH / CTH with exception	CC / CTH / CTH with exception	Heterogenous
Chapter 51	CTH / Description based PSR / Process Rule	CTH or RVC 40%	CC / CTH with exception	CC / CTH with exception	Heterogenous
Chapter 52	CTH / Description based PSR / Process Rule	CTH or RVC 40%	CC with exception / CTH with exception	CC / CTH with exception	Heterogenous

Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level

Chapters under Textiles Sector	UK-Korea FTA	Korea-Israel FTA	US-Korea FTA	Peru-Korea FTA	
Chapter 53	CTH / Description based PSR / Process Rule	CTH or RVC 40%	CC / CTH / CTH with exception	CC / CTH with exception	Heterogenous
Chapter 54	Description based PSR / Process Rule	CTH or RVC 40%	CC with exception	CC with exception / CTH with exception / CTH or (RVC 50% and Specific Process)	Heterogenous
Chapter 55	Description based PSR / Process Rule	CTH or RVC 40%	CC with exception / CTH with exception	CC / CTH with exception / CTH or (RVC 50% and Specific Process)	Heterogenous
Chapter 56	Description based PSR / Process Rule	CTH or RVC 40%	CC with exception	CC with exception	Heterogenous
Chapter 57	Process Rule	CTH or RVC 40%	CC with exception	CC with exception	Heterogenous
Chapter 58	CTH / CTH and Value of all materials used 50% / Process Rule	CTH or RVC 40%	CC with exception	CC with exception	Heterogenous
Chapter 59	Description based PSR / Process Rule	CTH or RVC 40%	CC with exception / CTH with exception	CC with exception	Heterogenous
Chapter 60	Process Rule	CTH or RVC 40%	CC with exception	CC with exception	Heterogenous
Chapter 61	Process Rule	CC and Process Rule	CC and Process Rule / CC with exception and Process Rule / Description based PSR	CC with exception and Process Rule	Heterogenous
Chapter 62	CTH and Value of all materials used 40% / Process Rule	CC and Process Rule	CC with exception and Process Rule	CC / CC with exception and Process Rule	Heterogenous
Chapter 63	CTH / Process Rule / Set Rule / Value of all materials used 40%	CC and Process Rule / CTH or RVC 40%	CTH / CC with exception and Process Rule	CC with exception and Process Rule	Heterogenous

Source: Author's Compilation

Table 67: Table on extent of homogeneity/heterogeneity in India's approach to FTAs at the HS 2-Digit level of disaggregation under Machinery sector

Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level								
Chapters under Machinery sector	India-EFTA TEPA	India-Australia ECTA	India-UAE CEPA	India-Mauritius CECPA	India-Japan CEPA	India-Korea CEPA	India-Singapore CECA	
Chapter 84	CTH or VNM 60%; CTSH and VNM 60%; CTSH or VNM 60%	General Rule	CTH + VA 40%	CTH and 35% VA; CTH and 40% VA; CTH and 50% VA	CTH and QVC 40%; CTH and QVC 50%; CTSH and QVC 50%; General Rule	CTH and RVC 40%; CTH and RVC 50%; CTSH and RVC 40%; CTSH and RVC 50%; CTH and RVC 40% and the bearing races(rings) used should be wholly obtained or produced; General Rule	VA \geq 35% (direct method) or VA \leq 65% (indirect method); VA \geq 40% (direct method) or VA \leq 60% (indirect method); CTH + VA \geq 40% (direct method) or VA \leq 60% (indirect method); CTSH + VA \geq 40% (direct method) or VA \leq 60% (indirect method); CTH; CTSH; General rule	Heterogenous

Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level

Chapters under Machinery sector	India-EFTA TEPA	India-Australia ECTA	India-UAE CEPA	India-Mauritius CECPA	India-Japan CEPA	India-Korea CEPA	India-Singapore CECA	
Chapter 85	CTH or VNM 50%; CTH or VNM 60%; CTSH and VNM 60%; CTSH or VNM 60 %	General Rule	CTH + VA 40%	CTH and 35% VA; CTH and 50% VA	CC provided that some components are disregarded and QVC 40%; CTSH and QVC 35%; General Rule	CTH and RVC 40%; CTSH and RVC 40%; General Rule	VA ≥35% (direct method) or VA ≤ 65% (indirect method); CTH + VA ≥40% (direct method) or VA ≤ 60% (indirect method)/CTSH + VA ≥40% (direct method) or VA ≤ 60% (indirect method)/CTSH or VA ≥35% (direct method) or ≤ 65% (indirect method)/CTH/CTSH/General rule	Heterogenous

Source: Author's compilation

Table 68: Table on extent of homogeneity/heterogeneity in ASEAN's FTAs at the HS 2-Digit level of disaggregation under Machinery sector

Chapters under Machinery sector	Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level						
	ASEAN- Japan FTA	ASEAN-Korea FTA	AANZFTA	AHKFTA	ACFTA		
Chapter 84	(CTH + ECT) or RVC 40% CTH or RVC 40% RVC 40%	CTH OR RVC 40% CTSH OR RVC 40% RVC 45%	CTH or RVC 40% CTSH or RVC 40% RVC (40) RVC (40) OR CTH OR RVC (35)+CTSH RVC (40) OR CTH WITH EXCEPTION	RVC 40% RVC (40) or CTH RVC (40) or CTSH	RVC (40) OR CTH RVC (40) OR CTSH RVC 40 OR CC RVC 40%		Heterogenous

Chapters under Machinery sector	Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level					
	ASEAN- Japan FTA	ASEAN-Korea FTA	AANZFTA	AHKFTA	ACFTA	
			RVC (40) OR CTSH RVC (40) OR CTSH WITH EXCEPTION			
Chapter 85	<p>CTH or RVC 40%</p> <p>RVC 40%</p> <p>RVC 40% or CTH except from heading 85.42.</p>	<p>transmission apparatus: CTSH OR RVC 40% Other goods: CTH or RVC 40</p> <p>color reception apparatus: CTSH or RVC40 OTHER GOODS: CTH OR RVC 40%</p> <p>CTH OR RVC 40%</p> <p>CTSH OR RVC 40%</p> <p>CTSH OR RVC 45%</p> <p>electric fence energisers :CTH OR RVC 40% Other goods: CTSH or RVC40</p> <p>Klystrons :CTSH OR RVC 40%</p> <p>Other goods: CTH or RVC40</p> <p>turntables with automatic record change mechanism: CTSH or RVC 40%</p> <p>other good: CTH or RVC40</p> <p>Vaccum cleaner: CTH OR RVC 40%</p> <p>other good: CTSH or RVC 40</p>	<p>CTH or RVC 40%</p> <p>RVC (40)</p> <p>RVC (40) OR CTH OR RVC (35)+CTSH RVC (40) OR CTH or Specific process</p> <p>RVC (40) OR CTSH</p> <p>RVC (40) OR CTSH WITH EXCEPTION</p> <p>RVC(40) or CTH or RVC(35) + CTSH</p> <p>WO</p>	<p>RVC (40) OR CTH</p> <p>RVC 40%</p> <p>RVC(40) or CTSH</p>	<p>CTH or RVC 40%</p> <p>RVC 40 OR CC</p> <p>RVC 40 OR CTSH</p> <p>RVC 40%</p>	Heterogenous

Source: Author's compilation

Table 69: Table on extent of homogeneity/heterogeneity in other FTAs of Indonesia and Vietnam at the HS 2-Digit level of disaggregation under Machinery sector

Chapters under Machinery sector	Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level						
	Vietnam- Chile FTA	Indonesia- EFTA TEPA	EU- Vietnam FTA	CPTPP	Indonesia- Chile FTA	RCEP	
Chapter 84	CC or RVC 40% CTH or RVC 40% CTSH or RVC 40% RVC 40%	No change	CTH or VNOM70 CTSH or VNOM70 VNOM40 VNOM50	RVC 45 BU/45NC/55 BD CTH CTH or CTSH with exception or RVC 35BU/45BD CTH or CTSH with exception or RVC 35BU/45BD/55FV CTH or RVC 30 BU/40 BD/50 FV CTH or RVC 30BU/40BD CTH or RVC 35 BU/35NC/45 BD CTH or RVC 35 BU/45 BD CTH or RVC 35 BU/45BD/55FV CTH or RVC 40BD/50FV CTH or RVC 40BU/50BD/60FV CTH with exception or RVC 35BU/45BD CTH with exception or RVC 35BU/45BD/55FV CTH with exception or RVC 35BU/45BD/55FV CTSH CTSH or RVC 30BD/40BU/50FV CTSH with exception CTSH with exception or RVC 30BU/40BD	CC or RVC40 CTH or RVC40 CTSH CTSH or RVC40 NOT FOUND	CC or RVC40 CTH or RVC40 CTH except from subheading 8537.10, or RVC40 CTH except from subheading 8537.10, or RVC40 CTSH or RVC40	Heterogenous

Chapters under Machinery sector	Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level						
	Vietnam- Chile FTA	Indonesia- EFTA TEPA	EU- Vietnam FTA	CPTPP	Indonesia- Chile FTA	RCEP	
				CTSH with exception or RVC 40BU/50BD parts of water-jet cutting machines- CTH or RVC 30BU/40BD/50FV Other goods- CTH or RVC 35BU/45BD/55FV			
Chapter 85	CTH or RVC 40% CTSH or RVC 40% RVC 40%	No change	CTH or VNOM50 CTH or VNOM70 CTH with exception or VNOM40 CTH with exception or VNOM50 CTH with exception or VNOM70 CTSH or VNOM70 VNOM50 VNOM70	CTH or RVC 30 BU/40 BD/50FV CTH or RVC 30 BU/40 BD CTH or RVC 35BD/45BU/55FV CTH or RVC 35BU/45 BD CTH with exception or RVC 30 BU/40 BD/50 FV CTH with exception or RVC 35BU/45BD/55FV CTSH CTSH or RVC 30 BU/40 BD/50FV CTSH with exception or RVC 30BU/40BD CTSH with exception or RVC 35 BU/45 BD/60FV	CC or RVC40X CTH or RVC40 CTSH or RVC40 NOT FOUND	CTH or RVC40 CTSH or RVC40 CTSH except from subheading 8504.21 or 8504.23, or RVC40 CTSH except from subheading 8504.22 or 8504.23, or RVC40 CTSH except from subheading 8504.31, 8504.32 or 8504.34, or RVC40 CTSH except from subheading 8504.31, 8504.33 or 8504.34, or RVC40 CTSH except from subheading 8539.52, or RVC40 CTSH except from subheading 8541.42, or RVC40 CTSH except from subheading 8541.43, or RVC40 CTSH except from subheadings 8504.31 to	Heterogenous

Chapters under Machinery sector	Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level						
	Vietnam- Chile FTA	Indonesia- EFTA TEPA	EU- Vietnam FTA	CPTPP	Indonesia- Chile FTA	RCEP	
				o domestic vacuum cleaners-CTSH with exception or RVC 30BU/40BD any other good of subheading 8508.19- CTH or RVC 30BU/40BD		8504.33, or RVC40 CTSH except from subheadings 8504.32 to 8504.34, or RVC40 CTSH except from subheading 8504.21 or 8504.22, or RVC40 WO	

Source: Author's compilation

Table 70: Table on extent of homogeneity/heterogeneity in Korea's FTAs at the HS 2-Digit level of disaggregation under Machinery sector

Chapters under Machinery sector	Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level				
	US- Korea FTA	UK-Korea	Israel Korea FTA	Peru - Korea FTA	
Chapter 84	RVC 35BU/NC/55BD CTH	VNOM50 CTH or VNOM45	CTH or VNOM60 CTSH or VNOM60	CTH CTH or RVC 35/45% CTH or RVC 35/45%	Heterogenous
	CTH or RVC RVC35BU/45BD	CTH or VNOM50		OR CTSH or RVC 50%	
	CTH and RVC 35 BU/45BD CTH and RVC 55 BD	VNOM45		CTSH CTSH or RVC 50% CTSH or RVC 50%	
	CTH and RVC 60BD			OR CTH or RVC 35/45% CTSH or RVC 50%	
	CTH or (CTSH+RVC 35BU/45BD CTH or CTH and allowance RVC35BU/45BD			OR CTSH	

Chapters under Machinery sector	Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level				
	US- Korea FTA	UK-Korea	Israel Korea FTA	Peru - Korea FTA	
	CTH or CTSH and RVC 40BU/50BD CTH or for chassis, chassis blades, and outer cabinets: Specific process CTH or RVC 35BU/NC/55BD CTH with exceptions CTSH CTSH OR RVC RVC30BU/35BD CTSH OR RVC RVC35BU/45BD CTSH with exception CTSH with exception or (ALW and RVC 40/50%) CTSH with exception or (CTH + ALW and RVC 40/50%) CTSH with exception or CTSH and RVC RVC35BU/45BD For machines for uses ancillary to printing :NCT with exception other: CTH				
Chapter 85	CTSH and RVC35/45% (CTH + ECT + ALW) or (CTH + ALW and RVC 40/50%) (CTSH with exception) or (CTSH + ALW and RVC 35/45%) CC or (CC + ALW and RVC 35/45%) CTH CTH or RVC 35BU/45BD	CTH or Specific process or VNOM45 CTH or VNOM45 CTH or VNOM50 VNOM45 VNOM50	CTH or VNOM60 CTSH or VNOM60	CTH CTH or RVC 35/45% CTH or RVC 50% OR CTH or RVC 45% OR CTH or RVC 35/45% CTSH or RVC 50% CTSH or RVC 50% OR CTH or RVC 35/45%	Heterogeneous

Chapters under Machinery sector	Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level				
	US- Korea FTA	UK-Korea	Israel Korea FTA	Peru - Korea FTA	
	CTH or (CTSH and RVC 35/45%) CTH or CTH + ALW and RVC 35BU/45BD CTH or CTSH + ALW and RVC 35BU/45BD CTH or CTSH and RVC35BU/45BD CTH or RVC 30 BU/35BD CTH with exception CTH with exception + ALW) or (CTH + ALW and RVC 40BU/50BD CTH with exceptions or CTH with allowance and RVC 35 BU/45BD CTHor CTSH and RVC35/45% CTHwith exception or CTH +allowance + RVC40BU/50BD CTSH CTSH with exception CTSH for recorded media: process rule CTSH and RVC35/45% CTSH or RVC35/45% CTSH with exception ot CTSH + ALW and RVC 35BU/45BD For assembled semiconductor devices, integrated circuits or microassemblies :CTSH Other goods: CTSH or RVC 30/35%				

Source: Author's compilation

Table 71: Table on extent of homogeneity/heterogeneity in India's approach to FTAs at the HS 2-Digit level of disaggregation under Automobile sector

Types of PSRs found in India's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level							
Chapters under Automobile sector	India-EFTA TEPA	India-Australia ECTA	India-UAE CEPA	India-Mauritius CECPA	India-Japan CEPA	India-Korea CEPA	
Chapter 87	CTH or VNM 50%, CTSH and VNM 50%	General Rule	CTSH + VA 40%, CTH + VA 45%	CTH and 50% VA	CTH + QVC 50%, CTH + QVC 40%/, General Rule	CTH + RVC 40%, General Rule	Heterogenous

Source: Author's compilation

Table 72: Table on extent of homogeneity/heterogeneity in ASEAN's FTAs at the HS 2-Digit level of disaggregation under Automobile sector

Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in ASEAN's approach to PSRs at the chapter level							
Chapter under Automobile Sector	RCEP	ASEAN-Hong Kong FTA	ASEAN-China FTA	ASEAN-Japan CEP	ASEAN-Korea FTA	ASEAN-Australia-New Zealand FTA	
Chapter 87	CC or RVC40 / CTH or RVC40 / RVC 40	RVC 40% (General Rule)	RVC 40% (General Rule) / RVC 40 or CC / RVC 40 or CTH	RVC 40% / CTH or RVC 40% (General Rule)	CTH or RVC 40% (General Rule) / RVC 45% / Description based PSRs	CTH or RVC 40% (General Rule) / RVC 40% / RVC (40) + CTSH / RVC (40) or CC	Heterogenous

Source: Author's compilation

Table 73: Table on extent of homogeneity/heterogeneity in other FTAs of Indonesia and Vietnam at the HS 2-Digit level of disaggregation under Automobile sector

Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level						
Chapter under Automobile Sector	Indonesia-EFTA CEPA	Indonesia-Chile CEPA	CPTPP	EU-Vietnam FTA	Chile-Vietnam FTA	
Chapter 87	CTH or VA 30%	CTH or QVC 40%	CTH / CTH or RVC (35/45) / CTH or RVC (30/40/50) / CTH or RVC (35/45/55) / CTH or RVC (35/45/60) / CTH with exception or RVC (30/40) / CTH with exception or RVC (35/45) / CTH with exception or RVC (35/45/60) / CTSH or RVC (35/45) / CTSH or RVC (40/50) / CTSH or RVC (45/55) / RVC (45/55)	CTH or VNOM 50 / VNOM 45	CTH or RVC 40% (General Rule)	Heterogenous

Source: Author's compilation

Table 74: Table on extent of homogeneity/heterogeneity in Korea's FTAs at the HS 2-Digit level of disaggregation under Automobile sector

Types of PSRs found in ASEAN's agreements to assess the extent of homogeneity/heterogeneity in India's approach to PSRs at the chapter level

Chapter under Automobile Sector	UK-Korea FTA	Korea-Israel FTA	US-Korea FTA	Peru-Korea FTA	
Chapter 87	CTH or RVC/QVC/VA 50% / RVC/QV C/VA 45%	CTH or RVC 40%	CTH / (CTH with exceptions) or (CTH and RVC 35/45%) / CTH or (CTH with allowance and RVC 35/45%) / CTH or (CTH with allowance and RVC 40/50%) / CTH or RVC (35/55) / CTH or RVC (40/50) / CTSH or RVC (35/55) / RVC (35/55)	CTH or RVC 35/45% / RVC 35/45%	Heterogenous

Source: Author's compilation

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