



# RULES OF ORIGIN

## Questions & Answers



### What are Rules of Origin?

Rules of Origin (ROO) are the specific criteria used to determine the country in which a product was made. ROO set the conditions under which goods are described as “originating” and guide the treatment of imported goods, based on their country of origin.

### Why do we use Rules of Origin?

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

### What are the 2 Types of Rules of Origin?

Rules of Origin can be either:

- Preferential; or
- Non-Preferential.

### What are Preferential Rules of Origin?

Preferential Rules of Origin are specific to each Trade Agreement and are used to determine the “economic nationality” of a particular good. Preferential Rules of Origin set the criteria for “originating products”, and determine their eligibility for preferential duty treatment, as well as other benefits that may accrue under a Free Trade Agreement.

### What are Non-Preferential Rules of Origin?

Non-Preferential Rules of Origin are used to implement trade policies such as quotas, preferential tariffs, anti-dumping initiatives, countervailing duties, safeguard measures, “made in” labeling, trade statistics, sanitary and phyto-sanitary measures .

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*The Rules of Origin Agreement requires WTO members to ensure that their rules of origin are transparent; that they do not have restricting, distorting or disruptive effects on international trade; that they are administered in a consistent, uniform, impartial and reasonable manner; and that they are based on a positive standard (in other words, they should state what does confer origin rather than what does not).*

## How to Determine Origin?

When applying preferential rules of origin, there are 2 basic criteria for determining an 'originating product'. Goods may be either **wholly obtained** or they should undergo a **substantial transformation**.

### Wholly Obtained

Wholly obtained goods are derived from the ground, the sea and from animals of a single country without using inputs imported from other countries. Examples include minerals, animals born and raised in a given country, plants, flowers, fruits and vegetables whether fresh or frozen.



### Substantial Transformation

Substantial Transformation occurs when goods are produced from imported inputs. There are 3 approaches for determining when substantial transformation occurs:

#### 1. Change in Tariff Heading

When the criterion of a **change in tariff classification** is used, a good is considered substantially transformed when the good is classified in a heading or subheading (depending on the product specific rule) different from all non-originating materials used.



#### 2. Value Added

When the criterion of **value added** (ad valorem percentages) is used, regardless a change in its classification, a good is considered substantially transformed when the value added of a good increases up to a specified level expressed by an ad valorem percentage.

A value added criterion can be expressed in two ways:



- maximum allowance for **non-originating materials**. E.g. if a country produces leather shoes and the product specific rule for leather shoes allows a maximum of 10% of the value of the ex-works (factory) price to be non-originating, then leather shoes should be composed of at least 90% of originating material, while the remaining 10% may be non-originating material.

or

- minimum requirement of **originating content**. E.g. if a product specific rule stipulates that at least 80% of the value of the ex-works price should be originating material, then the remaining 20% used may be non-originating material.

#### 3. Technical Requirement

When the criterion of **specific manufacturing or processing operations** (technical requirement) is used, regardless a change in its classification, a good is considered substantially transformed when the good has undergone specified manufacturing or processing operations.



Eg. If a product specific rule stipulates that non-originating wheat can be milled (processing operation) in a particular country and the flour derived from the milling process would be considered as originating in that territory, then flour produced in Jamaica, from wheat imported from the USA that has been milled at a local plant would be considered as originating in Jamaica.



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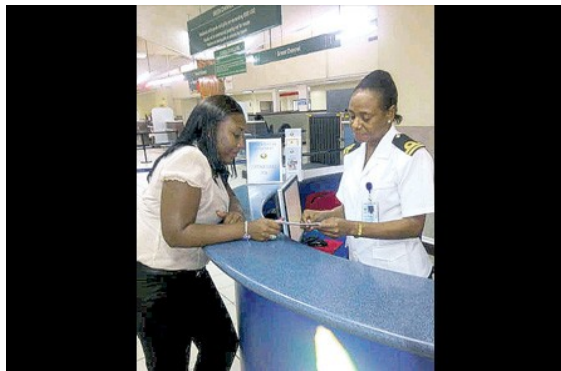
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## Conditions to Accessing Preferential Treatment



### Direct Transport

Direct transport is a condition that has to be satisfied in order to obtain preferential market access. The importer should provide proof that the goods have been directly transported from the exporting country to the preference granting country. If goods have been transshipped, activities should be limited to the loading and offloading of goods or operations to preserve the condition of the goods, and should remain under Customs Control.



### Documentary Evidence

Documentary Evidence of Origin must be presented to the relevant Customs Authority in the form of a Certificate of Origin. This is a declaration duly signed by the competent authority in the country of export attesting to the origin of the preference seeking goods.

For preferential treatment to be granted under any FTA the following is required:

**Certificate of Origin** - should be valid, presented in original, and be duly signed and authorized.

**Direct Consignment** - should be reflected on the bill of lading showing the movement of goods from exporting country to importing country.



## RULES OF ORIGIN

## TRIVIA QUESTIONS

1. State the 2 types of rules of origin.
2. Which type of rules of origin would you use for the purpose of trade statistics?
3. To determine whether imported products shall receive most-favoured-nation (MFN) treatment or preferential treatment; Which type of rules of origin should be used?
4. What are the 2 basic criteria for determining country of origin?
5. Value-added is an approach used to determine that a ———-has occurred.
6. Which document should be submitted to Customs in order to get preferential treatment of goods?
7. Which document presented to Customs should show the movement of goods from the exporting country to the importing country?

# ADMINISTERING RULES OF ORIGIN IN THE JAMAICA CUSTOMS

Preferential Rules of Origin are administered within the Jamaica Customs Agency (JCA) through the verification and certification of origin, for goods covered under Free Trade Agreements (FTA) to which Jamaica is a Party. The JCA is the competent authority for all requests for verification of origin for such FTAs, as well as the competent authority for certifying origin for goods eligible for preferential access under the Economic Partnership Agreement (EPA) between the Caribbean Forum (CARIFORUM) and the European Community (EC).

Movement Certificates-EUR.1 (certificate of origin) are certified by JCA export officers at the point of export, while all other certificates of origin for the relevant FTAs are certified by the competent authority, that is, the Trade Board Limited of Jamaica (TBL). However, all requests for the verification of origin are processed by the JCA through its International and Industry Liaison Unit (IILU), supported by the Incentives Unit. The IILU is also responsible for developing free codes to be used to facilitate preferential access for goods being imported into Jamaica under various trade arrangements.

Fig.1 - If an exporter of a live animal of chapter 1 of the Harmonized System (tariff) wished to benefit from preferential duty treatment to the UK under the CARFORUM-EC EPA, then that Movement Certificate would have to be stamped and signed by a JCA export officer. The export officer would need to ensure that the animal met the applicable rule of origin which states that "all the animals of chapter 1 used must be wholly obtained" before making the endorsement on the EUR.1 form.



Fig. 2 - If coffee of tariff heading 09.01 of the tariff was exported from Jamaica to the Dominican Republic and it was felt that the coffee did not meet the origin requirements under the CARICOM-DR FTA, then a request for verification may be submitted to the JCA for verification. The IILU, being the responsible unit, would need to substantiate that the coffee in question met the applicable rule of origin which requires "Production in which all the materials used are wholly produced."



## RULES OF ORIGIN

## TRIVIA ANSWERS



1. State the 2 types of rules of origin.  
**Preferential Rules of Origin and Non-Preferential Rules of Origin.**
2. Which type of rules of origin would you use for the purpose of trade statistics?  
**Non-Preferential Rules of Origin would be used for the purpose of trade statistics.**
3. To determine whether imported products shall receive most-favoured-nation (MFN) treatment or preferential treatment; which type of rules of origin should be used?  
**Preferential Rules of Origin should be used to determine whether MFN or Preferential should be applied to imported products.**
4. What are the 2 basic criteria for determining the country of origin?  
**Goods may be either wholly obtained or they should undergo a substantial transformation in order to be considered originating in a particular country.**
5. Value-added is an approach used to determine that a **substantial transformation** has occurred.
6. Which document attesting to the "origin" of goods should be submitted to Customs in order to obtain preferential treatment on goods under a Free Trade Agreement (FTA)?  
**A duly signed, original, valid, and authorized certificate of origin should be presented to Customs in order to access preferential treatment of goods under a FTA.**
7. What should be reflected on the bill of lading, that shows the movement of goods from the exporting country to the importing country, in order to be granted preferential treatment under a FTA?  
**Direct consignment, from the exporting country to the importing country, should be reflected on the bill of lading presented to Customs in order to be granted preferential treatment under a FTA.**

# WTO AGREEMENT ON RULES OF ORIGIN

The World Trade Organization (WTO)'s Agreement on Rules of Origin is designed to create the harmonization of such rules among its Members, in the long term. The WTO's Agreement on Rules of Origin establishes a harmonization work programme, based upon a set of principles, including making rules of origin objective, understandable and predictable. However this common harmonization would not extend to Members engaging in preferential trade, as the rules of origin applicable would depend on the terms of the specific trade agreement. The work on the WTO Rules of Origin Agreement has been on-going and the original deadline set for July 1998 has been missed, along with several others.

Negotiations are still being conducted by a Committee on Rules of Origin in the WTO and a Technical Committee under the auspices of the World Customs



The outcome will be a single set of rules of origin to be applied under non-preferential trading conditions by all WTO members in all circumstances. An annex to the agreement sets out a "common declaration" dealing with the operation of rules of origin on goods which qualify for preferential treatment.



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**Country Above Self**



*The International and Industry Liaison Unit is committed to raising the level of awareness on topics relating to the Caribbean Community, as well as issues concerning the wider topic of international trade, to both our internal and external stakeholders. Our monthly newsletter seeks to highlight global trade topics and their importance to Customs Administrations worldwide and specifically how they affect the Jamaica Customs Agency. As we realize our vision of becoming a modern Customs administration delivering excellent service, we recognize the importance of knowledge transfer in delivering our objectives and use this forum as our way of contributing to the vision of the JCA. The International Liaison Unit is located at the Myers Wharf head office and our officers are available to respond to your queries and clarify any points of concern.*

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