

Rules of Origin (RoO) aim at avoiding the practice of introducing into preferential trade areas products originating from third countries through the territory partner that applies the lowest tariff, from where they are shipped to the destination country, thereby circumventing the higher tariffs of the latter. In addition to general rules describing the basic criteria to be used to determine the origin of goods, Preferential Trade Agreements (PTAs) also contain a series of rules called Product-Specific Rules (PSR), also known as “list rules”, which describe the minimal working or processing operations that must be carried out on non-originating materials used in the manufacture of a certain product, so that the latter can obtain the originating status of one of the PTA partners.

Sometimes the PSR indicate a single criterion for determining the origin, while in other cases they indicate multiple criteria that can be used alternatively to each other. As in the example hereunder (extracted from the EU-Eastern and Southern Africa interim Economic Partnership Agreement), the column 3 indicates the primary criterion and the column n. 4 the alternative one:

HS heading No. (1)	Description of product (2)	Working or processing carried out on non-originating materials that confers originating status (3) or (4)	
ex Chapter 34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, ‘dental waxes’ and dental preparations with a basis of plaster; except for:	Manufacture in which all the materials used are classified within a heading other than that of the product. However, materials classified within the same heading may be used provided their value does not exceed 20 % of the ex-works price of the product	Manufacture in which the value of all the materials used does not exceed 40 % of the ex-works price of the product

A [paper](#) published by Cambridge University Press evaluates the incidence and restrictiveness

of different types of Product-Specific Rules of Origin across 128 reciprocal PTAs for the period 1990–2015, based on data extracted from the World Bank's newly released [Deep Trade Agreement \(DTA\) database](#)

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A simulation exercise reveals that the adoption of flexible PSRs where exporters are provided with alternative choices to prove the origin of their goods (as in the example above), would increase global trade on average by between 2.7 and 4% during the sample period. On the other hand, the adoption of stricter rules, which include for instance the combination of different requirements, largely annihilate the positive trade effect of granting preferential tariffs.

These findings are particularly relevant for those involved in trade policy negotiations. In defining PSRs in PTAs, policy makers should opt for the adoption of more simple and flexible rules.