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Rules of origin (RoO) represent an important chapter of preferential trade agreements (PTAs). They aim at preventing the entry in the PTA of products originating from third countries through the partner that applies the lowest tariff, for being subsequently circulated in the entire PTA duty-free (a phenomenon known as 'trade deflection'). However, also unilateral trade arrangements have their own RoO. The Generalized Systems of Preferences (GSPs) or the US AGOA programme for instance, are preferential trade arrangements adopted unilaterally by some industrialized countries to offer market access (without reciprocity) to developing and less developed countries from selected countries. A [new paper](#) published by FERDI (Fondation pour les Études et Recherches sur le Développement International) shows that the adoption of more flexible product-specific rules of origin within preferential agreements would give a significant boost to global trade.

Already the three authors published in September 2023 a [similar paper](#) on the same subject. Rules of origin set the conditions that products must meet to be eligible for preferential market access. These rules almost invariably include a series of detailed rules called product-specific rules (PSRs) or "rules of list" that indicate the minimal working or processing operations that is necessary to carry out on non-originating materials used in the manufacture of a product so that the latter can acquire the originating status of one of the counterparts to the PTA. Criteria used for determining these minimal working or processing operations are basically 3:

- 1) Change of Tariff Classification: the exported product must have a different tariff classification (at the level of Chapter, Heading or Sub-Heading of the Harmonized System), than that of any imported inputs used for its manufacture;
- 2) Specific Process: the imported materials must have undergone the process indicated in the rule (e.g., a chemical reaction, distillation, or treatment with solvents) in order to obtain the origin of the country where this process is carried out;
- 3) Value Content: the product must have a minimum threshold of local value content in order to be considered as originating from the concerned country. Sometimes, this rule is expressed in negative terms, as the maximum threshold of non-originating material that the finished product can incorporate, in order to be considered as originating of the country where the working or transformation has been carried out. If the producer exceeds this threshold, the products will not obtain the origin of the country where the working or transformation was made. This negative rule

s for instance used  
frequently in  
the  
[AfCFTA rules of list](#)  
and of the EU EPAs ones.

In most cases, PSRs are often needlessly complex, annulling the benefits of market access associated with trade agreements. For instance, some PTAs use the criterion of change of chapter (CC), which has higher compliance costs than a change of Heading (CH), which in turn has a higher compliance costs than a change of Sub-Heading (CS). Requiring to a producer to change the Harmonized System (HS) Chapter of the non-originating materials used for the processing of its products, means in practice that they must carry out a heavy transformation of such materials that transmutes them in a completely different item. Accordingly, this criterion it is harder to satisfy.

However, more that the change in tariff classification criterion, in our view, compliance costs are higher for the value-added criterion. This criterion implies the need for manufacturers to establish a method to compute the value-added percentage added to the final product, which means that they have to invest in an accounting system that accurately assigns and documents the costs of all (both originating and non-originating) inputs used in the manufacturing process, measuring the contribution in percentage of each intermediate good to the value of the final output. Therefore, this criterion comes at a cost for businesses, that some of them (especially small traders), cannot be willing to bear. Plus, they need to assign dedicated resources to the management of the records, and controls of Customs to verify the correctness of the recordings in the accounting systems can take longer.

The French version of the paper is available [here](#) .