



# RULES OF ORIGIN

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Rules of origin are the main foundation of customs formalities, taking on an increasing importance whenever the country makes new economic agreements with other countries or customs unions.

Although the Ministry of Economy is the competent authority for issues related to the rules of origin, the actual application of these rules has become a major part of customs processes for the purposes of controlling and implementing economic agreements, due to customs work nature, being the executive body of rules of origin, and the connection between the bases and rules upon which the origin is determined and two of the customs operations' main elements; classification and valuation of products.

Dubai Customs has therefore created the Origins and Economic Agreements Section, within the Tariff Department's structure, tasked with ensuring optimal implementation of the rules of origin and developing processes to regulate them, in a way that ensures simplifying and facilitating all origin-related procedures as well as delivering high-end service to the client.

This brochure outlines and identifies the most important aspects of origins.

### **What are the Rules of Origin?**

The WTO defines the rules of origin as:

“Laws, regulations and administrative determinations of general application applied by members to determine the country of origin of goods.”

### **What is the Country of Origin according to Kyoto Convention?**

The country in which the goods have been produced or manufactured, according to the criteria laid down for the purposes of application of Customs tariff, quantitative restrictions or any other measures related to trade.

### **What are the Rules of Origin according to Kyoto convention?**

The specific provisions, developed from principles established by national legislation or international agreements, applied by a country to determine the origin of goods.

### **Definition of Origin of Goods according to the Common Customs Law:**

Paragraph (25) of Article (2) of the Common Customs Law defines “origin of goods”



as follows: The term “origin of goods” means the producing country, whether these goods are natural resources, agricultural crops or animal or industrial products.

### **Proof of Origin of Goods in accordance with the Common Customs law of the GCC States:**

#### **As per Article (25):**

"Imported goods are subject to the proof of origin according to the rules of origin adopted within the framework of the international and regional economic agreements in force." According to this Article, any rules of origin set out in a protocol or economic agreement with a given country shall be applicable and not the general rules of origin.

#### **Rules of Origin Users:**

- Customs administrations
- Ministry of Economy
- Ministry of Finance and Industry
- Chambers of commerce
- Chambers of industry
- Manufacturers
- World organizations (WTO, WCO)

#### **Types of Rules of Origin**

*There are two types of the rules of origin. They are:*

##### **1- Preferential Rules of Origin**

Preferential rules of origin shall be defined as the specific provisions of economic agreements to determine the origin of goods for the purpose of granting them preferential treatment.

##### **2- Non-Preferential Rules of Origin**

Non-preferential rules of origin shall be defined as laws, regulations, and administrative determinations of general application applied by a country to determine the country of origin of goods, used for the purposes of application of customs tariff, foreign trade statistics, quantitative restrictions, anti-dumping, countervailing duties, origin marking and government procurement.



## Origin Criteria

### 1. Wholly obtained products:

Goods that are harvested, produced or manufactured wholly in a given country, without the use of any imported parts or materials, for example live animals born and raised in a given country, plants harvested in a given country, fish caught in a country's territorial waters and other products extracted from marine soil or subsoil in a country's territorial waters.

### 2. Substantial transformation:

There are three major criteria to express a substantial/sufficient transformation:

- A criterion of a change in tariff classification.
- A criterion of value added.
- A criterion of manufacturing or processing operations.

### Minimal operations (processes or operations considered as insufficient to confer originating status)

- Operations necessary for assuring the proper preservation of goods for the purposes of transportation or storage.
- Operations for facilitating the shipment and transportation of goods.
- Operations of packaging or presenting goods for sale.
- Simple processes done to the goods including: ventilation, drying, varnishing, animal slaughtering, etc.

### What is the importance of determining the origin of a given product?

1. To determine whether or not the imported goods may receive preferential treatment.
2. For the purposes of application of trade policy tools and measures, such as anti-dumping duties and other safeguard measures.
3. For the purposes of trade statistics .
4. For the purposes of application of trademarks and labels.
5. Government procurement.



### What are the wholly obtained products?

The following goods only shall be taken to be produced wholly in a given country:

1. Mineral products extracted from its soil, from its territorial waters or from its seabed.
2. Vegetable products harvested or gathered in that country.
3. Live animals born and raised in that country.
4. Products obtained from live animals in that country.
5. Products obtained from hunting or fishing conducted in that country.
6. Products obtained by maritime fishing and other products taken from the sea by a vessel of that country.
7. Products obtained aboard a factory ship of that country solely from products of the kind covered by paragraph (6) above.
8. Products extracted from marine soil or subsoil outside that country's territorial waters, provided that the country has sole rights to work that soil or subsoil.
9. Scrap and waste from manufacturing and processing operations, and used articles, collected in that country and fit only for the recovery of raw materials.
10. Goods produced in that country solely from the products referred to in paragraphs (1) to (9) above.

### Legal and international obligations

- Protocols and rules of origin articles for the economic and free-trade areas agreements.
- Paragraph (25) of Article (2) of the Common Customs Law of the GCC States.
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