**NEW TERMINOLOGIES**

Rules of Origin (ROO) make precise the conditions under which exports from a country to another with whom it has an FTA or a PTA can qualify for reduced or zero duty. Such rules of origin are clearly stated in each FTA that the countries sign. The rules of origin can be very simple, as is the case with most FTAs India has entered into which are based primarily on wholly obtained criteria or 35% value added method. But these can be intricate as well to the extent of being different for different products in a particular agreement and varying across agreements.

In this study we do a text analysis of a set of FTAs and PTAs signed between two developed nations like Canada-EU, US-Canada-Mexico or between a developed and developing nations like Vietnam- EU to understand the ways in which these countries derive benefit from the FTAs they sign through the use of various criteria which are gaining popularity in recent times. Some such criteria include Minimal operations, De-minimis or tolerance, Accumulation, Absorption/ Roll over principles. A brief description of these criteria is provided as under:

**Minimal operations and processes:** Minimal operations are **operations regarded as too minor to ever confer originating status, whether carried out individually or in combination**. All preferential origin rules contain an article defining the working or processing which is insufficient to confer originating status.

# **De Minimis / Tolerance:** Also known as “tolerance rule”. The provision is a relaxation of the rules of origin under certain conditions. It allows a small amount of non-originating materials to be used in the production of the good without affecting its originating status. De minimis is usually applied in the context of the change in tariff classification rule of origin as its utilization under the value-added criterion is prohibited by definition. Whereas a product specific rule is expressed as **change of tariff classification** (e.g., change of Chapter, tariff heading or sub-heading) the tolerance allows the use of non-originating materials that have the same tariff classification as the product as long as the value of these materials does not exceed the tolerance threshold. De minimis threshold cannot be used to increase the value-added threshold.

# **Accumulation:** Also known as “**cumulation**”. Cumulation is a provision which allows considering goods obtained in or processing taking place in one FTA member country as originating in another. Cumulation enables production sharing within the FTA territory. It allows to use inputs and parts from suppliers located in FTA partner countries and treat them as originating for the purpose of determining the origin of the final product so long as they are further processed or added to products originating in the country. For example, it allows originating products of country A to be further processed or added to products originating in country B, just as if they had originated in country B. The resulting product would have the origin of country B. It can only be applied between countries operating with identical origin rules.

There are **three main types of cumulation**: bilateral, diagonal and full. The key difference between the three types is the number of parties involved and what types of inputs (originating or non-originating) can be used as the basis for cumulation.

# **Roll-up or absorption:** The “absorption” or “roll-up principle”, also known as “**intermediate materials provision**”, allows intermediate products to maintain their originating status when they are used for subsequent manufacturing operations. The part of all non-originating inputs contained in the intermediate product is disregarded when assessing the origin of the final good. 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. Once the originating status is obtained, the non-originating inputs are fully absorbed and not taken into account. In other words, the value of non-originating materials used in the production of the good will be disregarded once this good obtains originating status.

# **Sets**: The goods are **placed in a set** for retail sale which are put together to meet a particular need or specific activity, it is suitable for sales without repacking and consists of at least two different articles.

**Accessories, Spare Parts and Tools:** These are classified as those dispatched with a piece of equipment, machine, apparatus or vehicle, which are part of the normal equipment and included in the price thereof or which are not separately invoiced, shall be regarded as one with the piece of equipment, machine, apparatus or vehicle in question.

**Accounting Segregation:** Agreement fungible materials or products means materials or products that are of the same kind and commercial quality, with the same technical and physical characteristics, and which cannot be distinguished from one another for origin purposes. The accounting segregation method can only be used for managing stocks of identical and interchangeable originating and non-originating materials, where considerable cost or material difficulties arise in keeping separate stocks of these originating and non-originating materials.

**Transitional Arrangements:** When the goods have been exported from any country before the provisional application of the agreement and are either in transit or are in the Union in temporary storage in customs warehouses or in free zones, the origin declaration should be made on a copy of the invoice or on the copy of another commercial document related to the goods sent to the importer.