

Annex-IV of SAFTA Agreement

**Twelfth Meeting of the Committee of Experts on
South Asian Free Trade Area (SAFTA)**

Kathmandu, 29 November – 1 December 2005

SAFTA RULES OF ORIGIN

Rule 1 : Title

These Rules may be called the Rules of Determination of Origin of Goods under the Agreement on SAFTA hereinafter referred to as the “Agreement”.

Rule 2 : Application

These Rules shall apply to products eligible for preferential treatment under SAFTA.

Rule 3 : Determination of Origin

No product shall be deemed to be the produce or manufacture of any Contracting State unless the conditions specified in these rules are complied with in relation to such products, to the satisfaction of the designated Authority.

Rule 4 : Originating products

Products covered by the Agreement imported into the territory of a Contracting State from another Contracting State which are consigned directly within the meaning of Rule 12 hereof, shall be eligible for preferential treatment if they conform to the origin requirement under any one of the following conditions:

- (a) Products wholly produced or obtained in the territory of the exporting Contracting State as defined in Rule 5; or
- (b) Products not wholly produced or obtained in the territory of the exporting Contracting State provided that the said products are eligible under Rule 6.

Rule 5 : Wholly produced or obtained

Within the meaning of Rule 4(a), the following shall be considered as wholly produced or obtained in the territory of the exporting Contracting State

- (a) raw or mineral products¹ extracted from its soil, its water extending upto its Exclusive Economic Zone (EEZ), or its sea bed extending upto its seabed or continental shelf;
- (b) Agriculture, vegetable and forestry products harvested there;
- (c) animals born and raised there;
- (d) products obtained from animals referred to in clause (c) above;
- (e) products obtained by hunting or fishing conducted there,
- (f) products of sea fishing and other marine products from the high seas by its vessels^{2,3};
- (g) products processed and/or made on board its factory ships exclusively from products referred to in clause (f) above^{3,4};
- (h) raw materials recovered from used articles collected there;
- (i) waste and scrap resulting from manufacturing operations conducted there;
- (j) products taken from the seabed, ocean floor or subsoil thereof beyond the limits of national jurisdiction, provided it has the exclusive rights to exploit that sea bed, ocean floor or subsoil thereof;
- (k) goods produced there exclusively from the products referred to in clauses (a) to (j) above.

¹ Includes mineral fuels, lubricants and related materials as well as mineral or metal ores.

² "Vessels" shall refer to fishing vessels engaged in commercial fishing, registered in the country of the Contracting State and operated by a citizen or citizens of the Contracting State or partnership, corporation or association, duly registered in such country, at least 60 per cent of equity of which is owned by a citizen or citizens and/or Government of such Contracting State or 75 per cent by citizens and/or Governments of the Contracting States. However, the products taken from vessels, engaged in commercial fishing under Bilateral Agreements which provide for chartering/leasing of such vessels and/or sharing of catch between Contracting State will also be eligible for preferential treatment.

³ In respect of vessels or factory ships operated by Government agencies, the requirements of flying the flag of the Contracting State do not apply.

⁴ For the purpose of this Agreement, the term "factory ship" means any vessel, as defined used for processing and/or making on board products exclusively from those products referred to in clause (f) of Rule 6.

Rule 6 : Not wholly produced or obtained

Within the meaning of Rule 4 (b), products not wholly produced or obtained shall be subject to Rule 7 and any of the conditions prescribed under Rule 8, Rule 9 or Rule 10.

Rule 7 : Non-qualifying Operations

The following shall in any event be considered as insufficient working or processing to confer the status of originating products, whether or not there is a change of heading:

- 1) operations to ensure the preservation of products in good condition during transport and storage (ventilation, spreading out, drying, chilling, placing in salt, Sulphur dioxide or other aqueous solutions, removal of damaged parts, and like operations).
- 2) simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching (including the making-up of sets of articles), washing, painting, cutting up;
- 3) (i) changes of packing and breaking up and assembly of consignments,
(ii) simple slicing, cutting and repacking or placing in bottles, flasks, bags, boxes, fixing on cards or boards, etc., and all other simple packing operations.
- 4) the affixing of marks, labels or other like distinguishing signs on products of their packaging;
- 5) simple mixing of products, whether or not of different kinds, where one or more components of the mixture do not meet the conditions laid down in these rules to enable them to be considered as originating products; and mere dilution with water or another substance that does not materially alter the characteristics of the product;
- 6) simple assembly of parts of products to constitute a complete product;
- 7) a combination of two or more operations specified in (1) to (6);

Rule 8 : Single Contracting State Content

- (a) Products originating in the exporting Contracting State shall be considered to be sufficiently worked or processed for the purposes of granting originating status if they fulfill the following conditions:
 - (i) The final product is classified in a heading at the four digit level of the Harmonised Commodity Description and Coding System differently from those in which all the non-originating materials⁵ used in its manufacture are classified and
 - (ii) Products worked on or processed as a result of which the total value of the materials, parts or produce originating from other countries or of undetermined origin used does not exceed 60% of the FOB value of the products produced or obtained and the final process of manufacture is performed within the territory of the exporting Contracting State.
- (b) Notwithstanding the condition laid down in paragraph (a) of this Rule, the products listed in **Annex-A** shall be eligible for preferential treatment if they comply with Rule 8 (a) or they fulfill the condition corresponding to those products as mentioned in the **Annex-A**.

Rule 9 : Regional Cumulation

Unless otherwise provided for, products worked on or processed in a Contracting State using the inputs originating in any Contracting States within the meaning of Rule 4 shall be eligible for preferential treatment provided that

- (a) the aggregate content (value of such inputs plus domestic value addition in further manufacture) is not less than 50 percent of the FOB value;
- (b) the domestic value content (value of inputs originating in the exporting Contracting State plus domestic value addition in further manufacture in the exporting Contracting State), is not less than 20 percent of the FOB value; and
- (c) the final product satisfies the condition of
 - (i) change in classification at the four digit level (CTH) as provided under Rule 8 (a) (i); or

⁵ Non-originating material means material originating from countries other than Contracting States and material of undetermined origin.

- (ii) change in classification at the six digit level (CTSH) as agreed upon in the Product Specific Rules reflected in Rule 8 (b).

Rule 10 : Special Treatment to Least Developed Contracting States

The products originating in the Least Developed Contracting States shall be allowed a favourable 10 percentage points applied to the percentage applied in Rule 8.

The products originating in Sri Lanka shall be allowed a favourable 5 percentage points applied to the percentage applied in Rule 8.

Rule 11 : Method for Valuation of non-originating materials

- (a) The value of the non-originating materials, parts or produce shall be:
 - (i) The CIF value at the time of importation of the materials, parts or produce where this can be proven or
 - (ii) The earliest ascertainable price paid for the materials, parts or produce of undetermined origin in the territory of the Contracting States where the working or processing takes place.
- (b) In order to determine whether or not a product originated in the territory of a Contracting State it shall not be necessary to establish whether the power and fuel, plant and equipment, and machines and tools used to obtain such products, originate in third countries.

Rule 12 : Direct consignment

The following shall be considered as directly consigned from the exporting Contracting State to the importing Contracting State:

- (a) if the products are transported without passing through the territory of any non-Contracting State:
- (b) the products whose transport involves transit through one or more intermediate non-Contracting States with or without transshipment or temporary storage in such countries, provided that:
 - (i) the transit entry is justified for geographical reason or by considerations related exclusively to transport requirements;
 - (ii) the products have not entered into trade or consumption there;

- (iii) the products have not undergone any operation there other than unloading and reloading or any operation required to keep them in good condition;
- (iv) the products have remained under the customs control in the country of transit.

Rule 13 : Treatment of packing

When determining the origin of products, packing should be considered as forming a whole with the product it contains. However, packing may be treated separately if the national legislation so requires.

Rule 14 : Procedures for Issuance and Verification of Certificate of origin

Detailed operational certification procedures for implementation of these Rules of Origin are at **Annex-B**.

Rule 15 : Prohibitions

Any Contracting State may prohibit importation of products containing any inputs originating from States with which it does not have economic and commercial relations.

Rule 16 : Consultation and Co-operation between Contracting States

- (a) The Contracting States will do their best to co-operate in order to specify origin of inputs in the Certificate of origin.
- (b) The Contracting States will take measures necessary to address, to investigate and, where appropriate, to take legal and/or administrative action to prevent circumvention to these Rules through false declaration concerning country of origin or falsification of original documents.
- (c) The Contracting States will co-operate fully, consistent with their domestic laws and procedures, in instances of circumvention or alleged circumvention of these Rules to address problems arising from circumvention including facilitation of joint plant visits, inspection and contacts by representatives of Contracting States upon request and on a case-by-case basis.

- (d) If any Contracting State believes that the rules of origin are being circumvented, it may request consultation to address the matter or matters concerned with a view to seeking a mutually satisfactory solution. Each State will hold such consultations promptly.

Rule 17 : Review

These rules may be reviewed as and when necessary upon request of any Contracting State and may be open to such modifications as may be agreed upon by the SAFTA Ministerial Council.
