



Ministry of Finance

Govt frames norms for enforcement of 'rules of origin' for imports under FTAs

August 23, 2020

Relevant to IO business

Background


- Finance Minister Nirmala Sitharaman in her Budget speech had stated that the government would review 'rules of origin' requirements, particularly for certain sensitive items, "so as to ensure that FTAs are aligned to the conscious direction of our policy"
- She had also said that it has been observed that imports under FTAs are on the rise and undue claims of FTA benefits have posed threat to the domestic industry and such imports require stringent checks

What are the new norms?

- The "rules of origin" provision prescribes for the minimal processing that should happen in the FTA country so that the final manufactured product may be called originating goods in that country
- Under this provision, a country that has inked an FTA with India cannot dump goods from some third country in the Indian market by just putting a label on it.
- It has to undertake a prescribed value addition in that product to export to India. Rules of origin norms help contain dumping of goods

Effect on FTA's

- India has inked FTAs with several countries, including Japan, South Korea, Singapore, and ASEAN members
- Under such agreements, two trading partners significantly reduce or eliminate import/customs duties on the maximum number of goods traded between them
- According to the notification, to claim preferential rate of duty under a trade agreement, the importer or his agent, at the time of filing bill of entry, has to make a



declaration in the bill that the imported products qualify as originating goods for preferential rate of duty under that agreement; and produce certificate of origin

Further changes

- The claim of preferential rate of duty may be denied by the proper officer without verification if the certificate of origin is incomplete or has any alteration not authenticated by the issuing authority or the certificate is produced after its validity period has expired
- The importer, it said, also has to possess all relevant information related to country of origin criteria, including the regional value content and submit the same to the proper officer on request

References:

1. <https://economictimes.indiatimes.com/news/economy/policy/govt-frames-norms-for-enforcement-of-rules-of-origin-for-imports-under-ftas/articleshow/77704156.cms?from=mdr>