

## **Arab Rules of Origin for the Purpose of Implementing the Agreement to Facilitate and Develop Trade among Arab States (GAFTA)**

For the purpose of implementing the provisions of Article (9) of the Agreement to Facilitate and Develop Trade among Arab States (GAFTA), which states that: "to treat the good as Arab for the purposes of this Agreement, it shall meet the rules of origin determined by the Council, and the value added as a result of its production in a party-state shall not be less than 40 percent of the value of the product when finished";

And the provisions of the Executive Program for the Establishment of an Arab Free Trade Zone, the rules of origin shall be considered as follows:

### **Rule 1: Definitions**

For the purpose of implementing the Arab Rules of Origin, the following terms and words shall be used within the following contextual designations:

- a) **Manufacturing:** operation or series of operations to which inputs are subjected too in the aim of producing material or products or goods.
- b) **Production inputs:** the raw material and/or the primary material, and/or the semi-manufactured products, and/or the intermediate products, used in the production of a good.
- c) **Product:** the manufactured product even if it were a production input to another production operation.
- d) **Good:** the final product resulting from mining or digging or agriculture or hunting or that resulting from a manufacturing process.
- e) **Underdeveloped Arab Countries:** countries designated by the Economic and Social Council.

### **Rule 2: Standard of Origin**

For the purpose of implementing the Arab Rules of Origin without impeaching Rule (5), the following products or goods are considered of national origin:

- 1) The products resulting from any of the parties in Rule (7) of the Rules of Origin.
- 2) The products whose production include an input (inputs) from another origin; products that are manufactured by any Arab

party-state while taking into account that the value added of these products should not be less than 40% as per the provisions of Rule (3) and Rule (4).

### **Rule 3: Principles for Calculating the Value Added**

The value added is calculated according to the following elements and principles:

- 1) **salaries and remunerations:** these include cash and in kind salaries, expenses of training, different benefits, end of service indemnity, and social security and insurance for all those working in production or in the administrative and technical bodies directly related to production, such as supervisors or quality control employees, or storage and packaging employees; or those indirectly related to production, such as the administrative and accounting bodies and the marketing employees.
- 2) **Consumption of immovable assets:** this includes the use of industrial buildings, material and equipment, as well as housing facilities owned by the company that are not included on the lease and are directly related to the activity of production, all that according to the percentage of consumption determined by the competent official authorities. The consumption of any asset does not enter into the value added when the book value reaches a sum of zero.
- 3) **Rent:** this includes the rent of locally used industrial lands, warehouses, industrial buildings, shops used for the marketing of products (showrooms for the display of the factory products), as well as the workers housing facilities that are not owned by the production plant.
- 4) **Cost of funding:** this includes expenses paid on loans used in the funding of immovable assets defined above or in the funding of a direct activity undertaken by the company; or cost of these loans according to the laws in vigor in each country.
- 5) **The intermediate raw material of national origin:** these include the basic or intermediate material used in production activities. The concept of national origin includes all that has been produced locally or that has been produced in one of the party- states and fulfills the requirements of national origin.
- 6) **Miscellaneous and sundry expenses:** these include laboratory analysis, research expenses, development expenses, insurance fees, risks incurred on buildings and machines, patents expenses and fees, copyrights, intellectual property, and the rent of machines used in the production process.

- 7) **Fuel, electricity and water:** this includes the different costs of fuel, electricity and water used in the production process.
- 8) **General and administrative expenses:** these include postage, fax, telephone, printing material, and subscriptions, etc.

**First: Clarification on the Calculation of the Value Added:** the value added is determined according to one of the following methods:

- 1) Either according to the ad valorem principle, which adds the elements of the value added:  

$$\text{Percentage of value added} = \frac{\text{value added (sum of elements 1 to 8)}}{\text{Final value of the product from the plant}} \times 100$$

Final value of the product from the plant  
 Ex-factory value of product = value added + foreign inputs  
 (minus imposed fees and taxes)

- 2) Or by using the final value of the product, which is calculated as follows:

Ex-factory final value of the product – value of imported inputs included in the manufacturing (minus fees and taxes)

Percentage of local value added = ----- x 100  
The  
 ex-factory final value of the product

The value added is calculated as being:

The difference between the value of the final product upon termination of the manufacturing process and the value of the imported inputs in the process of production (minus imposed taxes and fees). It does not include material of national origin or those imported from an Arab state party to the Agreement, or any Arab country with whom it has entered into an agreement of cooperation or integration, and are considered as local goods or material.

The value of the of the final product is calculated at an ex-works price provided that this does not include amounts paid for custom duties or local production duties that might have incurred on the product or on its production inputs.

The value of the inputs in a production process is calculated based on the c.i.f price according to the customs value adopted by the state upon arrival of the material to the country of production and does not

include the value of the cost of internal transportation or other expenses that are not directly related to the production process.

**Rule 4:**

The criterion of the value added percentage is applied according to the provisions of the Agreement and is used as basis for determining the Rules of Origin of Arab goods, all the while taking into consideration any of the following criteria:

- a) Criterion of modification of the Customs article, on condition that it clearly includes all paragraphs and sub-paragraphs.
- b) Criterion of production operations, on condition that it clearly mentions the operation which determines the origin of the related goods.

**Rule 6:**

All parties should enter into future negotiations in order to capitalize on the benefits of the Agreement and to establish a synergy between their Rules of Origin, in addition to the agreements they will enter into with one another and/or with international and regional economic groups, all the while respecting their commitments to one another.

**Rule 7: Wholly Produced or Obtained**

Within the meaning of Rule 2 (a), the following shall be considered as wholly produced

or obtained in the exporting Member State:

- (a) Mineral products extracted from its soil, its water or its seabed;
- (b) Agricultural products harvested there;
- (c) Animals born and raised there;
- (d) Products obtained from animals raised there;
- (e) Products obtained by hunting or fishing conducted there;
- (f) Products of sea fishing and other marine products taken from the sea by its vessels;
- (g) Products processed and/or made on board its factory ships exclusively from products referred to in paragraph (f) above;
- (h) Used articles collected here, fit only for the recovery of raw materials;
- (i) Waste and scrap resulting from manufacturing operations conducted there;
- (j) Goods produced there exclusively from the products referred to in paragraph (a) to (i) above.

**Rule 8: Secondary Operations**

For the purpose of Rule 2 (b) of the Rules of Origin, any of the following operations are considered minor manufacturing operations and are insufficient to consider the product of national origin.

a) Operations for the preservation of goods for transportation or storage (ventilation) or removal of damaged parts or similar operations.

b) Operations of packing or minor assembly and operations for preparing the good for retail sale (packaging or repackaging).

c) Minor manufacturing operations, such as:

1) Mere dilution with water or any other substance or simple adding and mixing of two substances or more.

2) Cleaning, including removal of rust, grease, paint or any other coating.

3) Trimming and cutting off excess material.

4) Testing, marking, sorting, or grading.

5) Painting, washing or sterilizing.

6) Textile decorative processes incidental to the production of textile goods, other than apparel, such as edge pinking, whipping, folding and rolling, fringing, fringe knotting, piping, bordering, minor embroidery, hemstitching, embossing, dyeing or printing, or other similar processes

### **Rule 9**

The implementation procedures related to the national Rules of Origin set by the Arab states shall not represent any hindrance to the commercial exchange between these states.

### **Rule 10**

The implementation of the Arab Rules of Origin shall not result in the emergence of confining or disfiguring or infringing factors within the Arab trade. It also shall not impose unnecessary strict condition or demand the fulfillment of a specific condition that is not related to manufacturing as being a primary condition in determining the country of origin.

### **Rule 11**

The Rules of Origin pertaining to each Arab state are implemented in a harmonized, unified, fair and practical manner.

### **Rule 12**

The rules of origin in Arab states are based on a positive standard (rules that confer origin). The use of the negative standard is permissible as part of a clarification of a positive standard or in

individual cases where a positive determination of origin is not necessary.

### **Rule 13**

In line with the principle of transparency, the Arab states shall inform the General Secretariat of the laws, regulations and provisions related to the implementation of the Rules of Origin in these states. This should be done starting from and during the transition period till the drafting and establishment of the detailed Rules of Origin.

### **Rule 14**

Arab states shall not retroactively apply any modifications effected on the national Rules of Origin or any new Rules of Origin.

### **Rule 15**

Any administrative procedure undertaken by an Arab state with respect to determining origin and is considered as a violation of the agreed upon rules is liable to review by a technical body specialized in settlement of disputes, and that according to the provision of Chapter 4 of the Agreement to Facilitate and Develop Trade Among Arab States.

### **Rule 16**

**Proof of origin:** according to the Arab Rules of Origin, products of national origin and that are exchanged between parties and for the purpose of benefiting from the Agreement and the Executive Program for the Establishment of the Arab Free Trade Zone should be supplemented by a national certificate of origin consistent with the adopted form (annexed) and should meet all the conditions and fields stated therein.

**Issuing and certifying a certificate of origin:** the certificate of origin is granted to Arab goods of national origin (each country should state the list the party that issues and certifies the certificates of origin in it).

The certificate of origin should include the name and address of the manufacturer, as well as the number and date of the shipping invoice signed by the exporter.

The sample form of the certificate of origin should be filled in typeset; and the description of the goods should be done in the designed space in the form without leaving any option for striking or adding.

The certificate of origin is issued by the country of origin of the good upon exportation of the good. In exceptional circumstances, it may be issued after exportation or from the country of export when an error or

an omission occurs in the certificate. In this case, the certificate should be marked to reflect the circumstances in which it was issued.

Both the party that certifies the certificate of origin and the exporting party should keep a copy of the certificate and the documents annexed to it for a period of three years from the date of the issuance of the certificate and that in accordance to the rules upheld by both parties.

The certificate of origin is considered as valid for a period of four months from the date of its issuance in the exporting country and should be presented during this same period.

The certificate of origin should be presented to the customs authorities of the importing country at the time of the extraction of goods, on condition that the certificate has not exceeded a four months period from the date of its issuance.

In case the certificate of origin was lost or damaged, the exporter has the right to ask the issuing authorities to issue another copy of the certificate according to the exporting documents held in their premises. In this case the term "non-original copy" "to replace damaged or lost copy" should be clearly written on it.

A clear and non-removable mark of origin should be placed on the products according to the nature of the products.

## **Rule 17**

### **Direct Transportation**

Products originating from one of the parties are transported directly without having to pass through a region other than the Arab region. However, these products may be transported through other territories with, should the occasion arise, trans-shipment or temporary warehousing in such territories, provided that they remain under the surveillance of the customs authorities in the country of transit or warehousing and do not undergo operations other than unloading, reloading or any operation designed to preserve them in good condition.

## **Rule 18**

### **Administrative Cooperation**

The competent authorities (those responsible of certifying the certificates of origin) in the party-states should provide one another with samples of the stamps that are to be used in the certification of the certificates of origin, as well as with the addresses of the

authorities responsible for issuing these certificates. A copy of the stamps and addresses should be provided to the General Secretariat of the League of Arab States.

**Rule 19**

a) The competent authorities in the party-states should work together and cooperate in reviewing the certificates of origin form and content wise.

b) The competent authority of a party-state may ask its counterpart in the other state to perform an additional preliminary review of the records of the certificate of origin while stating in the request the elements that require further clarification. In this case, the products pertaining to the certificate of origin under additional review are allowed to enter the importing country through the submittal of a temporary retainer (refundable) for outstanding fees and taxes according to the arrangements and procedures in force in the importing country.

## **Rule 20**

### **Settlement of Disputes**

Any dispute or conflict that may arise regarding the implementation of the Arab Rules of Origin is referred to Committee for the Settlement of Disputes. The Committee shall investigate the complaints and treat them; and shall suggest the necessary procedures to deal with them and to make sure that they are not repeated including ceasing all kinds of transactions with the exporter who has deliberately violated the Rules of Origin or the records of the certificates of origin. While doing this, the Committee shall respect the rules and regulations in force in every party-state and will notify the other party with these procedures in due time.

## **Rule 21**

### **Final Provisions**

These rules are considered binding to the party-states and should be implemented during a period of three months from the date of their ratification by the Economic and Social Council.

## **Rule 22**

### **Special Treatment for Underdeveloped Arab States**

Without violating the provisions of Rule (3) of the Arab Rules of Origin, patents and the fees paid for their use are accounted as part of the Arab value added when being calculated in underdeveloped Arab States.

## **Form of the Arab Certificate of Origin**

### **Form and Content of the Certificate of Origin**

- The Form should be unified and should bear the logo of the League of Arab States and the exporting countries.
- The certificate of origin should include ample information on the product and should also include its type, weight, number of packages, trademark and value.
- The certificate should include the name of the producing company, the name of the exporter, if the exporter is other than the producing company, and the name of the importer.
- The certificate should mention the number and date of manufacturing.
- The final value of the product should be determined, the ex-factory price without adding fees, taxes and profits.

- The certificate should not contain blanks that could be manipulated.
- The stamps should be clear and visible.
- The authorities that issue and certify the certificate in each state should be mentioned, and the General Secretariat of the League of Arab States should be informed of the names of these authorities so that they may be distributed to the party-states.