

## The Legality and Development of Preferential Rules of Origin from the Perspective of Economic Effect

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### Abstract

This paper explores the legality of preferential rules of origin based on regulations relating to Article 24 of the GATT 1994 and from the perspective of economic effect. The preferential rules of origin—originally intended to be a neutral instrument to protect against trade deflection—were abused by preference-granting countries seeking policy instruments with which to protect their own political and economic interests. With the stagnation of the WTO Doha Round Negotiations, bilateral negotiations and the preferential trade arrangements have become the leading international economic activities. The preferences created through the above preferential arrangements, however, have been eroded substantially by the implementation of the rules of origin. It is therefore increasingly important to investigate whether the rules of origin contained in such preferential arrangements are consistent with the related regulations of the Article 24 of the GATT 1994. We find that it is possible that these are inconsistent with Article 24 (5) and 24 (8), if the rules of origin are too restrictive. Accordingly, we suggest that it would be better for Taiwan in future RTA/FTA negotiations to adopt looser rules of origin on account of networked global supply chains.

**Key Words:** regional trade agreements, preferential rules of origin, Agreement on Rules of Origin, trade deflection, trade restrictiveness