

## ABSTRACT

Rules of origin are somehow overlooked but crucial feature of the free trade areas. They prevent trade deflection but they may also cause changes of producers' behavior. In the first part of this work the impact of restrictive rules of origin formulation will be described. In the later part the attention is focused on the rules of origin in the North American Free Trade Area (NAFTA), their specification as well as their impact on trade. The main aim is to measure the height of NAFTA's transaction costs connected with the preferential treatment. We use a new approach to estimate these costs, based on detailed elaboration of the Harmonized Schedule of the United States, detailed import data on HS6 level and comparison of gravity models' results in different preference margin groups. Our result suggests that NAFTA's compliance costs are somewhere between 4.6% and 4.9% percent of the import value