

RULES OF ORIGIN

CHAPTER I

GENERAL PRINCIPLES

ARTICLE 1 The determination of origin of the goods or products and the corresponding certification and verification procedures will be applied as established in this Annex.

ARTICLE 2 The Rules of Origin in this Annex are based on the general principle of substantial transformation characterised by the change of Customs classification heading. To that end, the Parties will utilise the Nomenclature of the Harmonised Commodity Description and Coding System, including the headings, subheadings and the corresponding numerical codes, the notes to the sections, chapters and subheadings, as well as the general rules of interpretation.

CHAPTER II

DETERMINATION OF ORIGIN

ARTICLE 3 DEFINITIONS.

For the purposes of this Annex, the following definitions shall apply:

Inputs means raw materials, intermediate goods and parts or components utilised in production.

Goods or products means inputs or finished articles.

Production means planting, extraction, harvesting, fishing, hunting, manufacturing, processing or assembly of goods or products.

Originating goods means goods, products or inputs which meet the Rules of Origin established in this Annex.

ARTICLE 4

The following shall be considered as originating goods or products in the Parties:

- a) Wholly produced products are:
 - i) Products from the mineral, plant or animal kingdoms (including those from hunting and fishing), extracted, harvested or gathered, born, bred or captured in the territories of the Parties, or in their territorial waters or in their exclusive economic zones;
 - ii) Products of the sea extracted beyond the territorial waters of the Parties and their exclusive economic zones by ships, wholly or partially owned by nationals of the Parties, legally chartered, leased or contracted under joint venture arrangements by enterprises established in the territories of the Parties;
 - iii) Products of factory ships, wholly or partially owned by nationals of the Parties, legally chartered, leased or contracted under joint venture arrangements by enterprises established in the territories of the Parties produced from goods or products of the sea, extracted by ships in accordance with the provisions in (i) and (ii) above;
 - iv) The slag, ashes, residues, waste or scrap, gathered or obtained from manufacturing and processing operations performed in the territories of the Parties, fit only for the recovery of raw materials, as long as they do not constitute toxic or hazardous wastes in accordance with national and international law on the matter;

- b) Goods produced in the territories of the Parties which are made solely from originating goods.
- c) Goods produced in the territories of the Parties which utilise non-originating inputs will meet the Rules of Origin criteria established in this Article, as follows:
 - i) Goods resulting from a substantial transformation process carried out in the territories of the Parties which process confers on them a new individuality characterised by their being classified in a Customs classification heading of Nomenclature of the Harmonised Commodity Description and Coding System, which is different from those in which all the non-originating inputs used in the process are classified; or
 - ii) Goods, other than goods resulting from an assembly process, in which the CIF value of the non-originating inputs utilised does not exceed 50% of the FOB price of the goods produced or the regional content is not less than 50% of the FOB price of the goods produced.
 - iii) Goods resulting from an assembly process in which the CIF value of non-originating inputs utilised does not exceed 50% of the FOB price of the goods produced or the regional content is not less than 50% of the FOB price of the goods produced.
- d) Goods produced in the territories of the Parties which incorporate inputs from third countries, and meet the specific origin requirement determined by the Joint Council.

This specific origin requirement shall prevail over the general criteria in this Annex.

The procedure to establish the specific origin requirements shall be determined by the Joint Council.

ARTICLE 5

The determination of the transaction value of the goods produced and the transaction value of the non-originating inputs shall be according to the Agreement on Customs Valuation of the WTO. The transaction value of the goods produced shall be on a FOB basis. The transaction value of the non-originating inputs shall be on a CIF basis.

To calculate the percentage of regional content of goods, the value of the non-originating inputs shall be subtracted from the transaction value of the goods produced, this difference being divided by the transaction value of the goods produced.

$$RC = \{(TV - MNV) / TV\} \times 100$$

where:

RC=	Regional Content
TV=	Transaction value of the goods produced
MNV=	Transaction value of non-originating inputs.