ANNEX I

REFERRED TO IN ARTICLE 2.8

RULES OF ORIGIN AND

ADMINISTRATIVE COOPERATION

ANNEX I

REFERRED TO IN ARTICLE 2.8

RULES OF ORIGIN AND ADMINISTRATIVE COOPERATION

TABLE OF CONTENTS

LIST OF APPENDICES

SECTION I

GENERAL PROVISIONS

ARTICLE 1

Definitions

For the purposes of this Annex:

(a) "chapter", "heading" and "subheading" means a chapter (two-digit code), heading (four-digit code) or subheading (six-digit code) of the Harmonized System (HS);

(b) "classified" refers to the classification of a product or material under a particular chapter, heading or subheading;

(c) "competent authority" means:

(i) for the EFTA States: the customs authorities of Iceland, Norway and Switzerland;

(ii) for Argentina, Secretaría de Industria y Comercio or its successors;

(iii) for Brazil, Secretaria Especial da Receita Federal do Brasil and Secretaria de Comércio Exterior or its successors;

(iv) for Paraguay: Ministerio de Industria y Comercio or its successors; and

(v) for Uruguay: Ministerio de Economía y Finanzas – Política Comercial and Dirección Nacional de Aduanas or its successors.

(d) "EFTA State" means Iceland, Norway or the customs territory of Switzerland[1];

(e) "MERCOSUR State" means Argentina, Brazil, Paraguay or Uruguay;

(f) "MERCOSUR" means Argentina, Brazil, Paraguay and Uruguay;

(g) "customs value" means the value as determined in accordance with the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (WTO Agreement on Customs Valuation);

(h) "ex-works price" means the price paid for a product to the manufacturer in the EFTA State or MERCOSUR State where the last working or processing

[1] In accordance with the Customs Treaty of 29 March 1923 between Switzerland and Liechtenstein, Switzerland shall represent Liechtenstein in matters covered by this Annex.

was carried out, in accordance with the international commercial terms "incoterms", provided that the price includes the value of all the materials used, direct and indirect costs and profit minus any internal taxes which are, or may be, repaid when the product obtained is exported;

(i) "goods" means both materials and products;

(j) "Harmonized System" or "HS" means the Harmonized Commodity Description and Coding System;

(k) "manufacture" means working or processing, including assembling;

(l) "material" means any ingredient, raw material, component or part used in the manufacture of a product;

(m) "product" means the manufactured or finished product, even if it is intended for later use in another manufacturing operation; and

(n) "value of the materials" means the customs value at the time of importation of the non-originating materials used including the freight and insurance to the place of import in an EFTA State or a MERCOSUR State or, if this is not known and cannot be ascertained, the first ascertainable price paid for the materials in a MERCOSUR State or an EFTA State, which may exclude all costs incurred in transporting the non-originating materials within a MERCOSUR State or an EFTA State such as freight, insurance and packing costs as well as any other known and ascertainable cost incurred there.

SECTION II

CONCEPT OF "ORIGINATING PRODUCTS"

ARTICLE 2

General Requirements

1. For the purposes of the Agreement, a product shall be considered as originating in an EFTA State or MERCOSUR if:

(a) it has been wholly obtained in an EFTA State or MERCOSUR, in accordance with Article 3 (Wholly Obtained Products);

(b) the non-originating materials used in the working or processing have undergone sufficient working or processing in an EFTA State or MERCOSUR, in accordance with Article 4 (Sufficient Working or Processing);

(c) it has been produced in an EFTA State or MERCOSUR exclusively from materials originating in an EFTA State or MERCOSUR including the provisions of Article 6 (Cumulation of Origin); or

(d) it has been produced in an EFTA State or MERCOSUR from materials as specified in subparagraphs (a) to (c).

2. For the purposes of this Annex where a product obtains originating status in Liechtenstein, the product shall be considered originating in Switzerland.

ARTICLE 3

Wholly Obtained Products

1. The following products shall be considered as wholly obtained in an EFTA State or MERCOSUR:

(a) minerals and other naturally occurring substances extracted or taken from a MERCOSUR State's or an EFTA State's soil, subsoil waters, seabed or beneath the seabed;

(b) plants and vegetable products grown and harvested there;

(c) live animals born and raised there;

(d) products from live animals raised there;

(e) products from slaughtered animals born and raised there;

(f) products obtained by hunting, trapping or fishing conducted there;

(g) products of aquaculture where the fish, crustaceans, molluscs and other aquatic invertebrates are born or raised there;

(h) products of sea fishing and other marine products taken by a vessel, registered in a MERCOSUR State or an EFTA State and flying its flag[2] and, where appropriate, having a fishing licence issued by a MERCOSUR State or an EFTA State;

(i) products manufactured exclusively from products referred to in subparagraph (h), on board a factory ship registered in a MERCOSUR State or EFTA State and flying its flag;

(j) mineral products and other non-living natural resources, taken or extracted from the seabed, subsoil, or ocean floor of:

(i) the exclusive economic zone of a MERCOSUR State or an EFTA State, in accordance with international law including the United Nations Convention on the Law of the Sea (UNCLOS);

(ii) the continental shelf of a MERCOSUR State or an EFTA State, in accordance with international law including UNCLOS; or

(iii) areas beyond national jurisdiction, where a MERCOSUR State or an EFTA State has exclusive exploitation rights, in accordance with international law including UNCLOS.

(k) waste and scrap resulting from manufacturing operations conducted there;

(l) used products collected there fit only for the recovery of raw materials and not for their original purpose; or

(m) products manufactured in an EFTA State or a MERCOSUR State exclusively from materials listed in subparagraphs (a) to (l).

2. Subparagraphs 1(h), (i) and (j) shall be without prejudice to the sovereign rights and obligations of an EFTA State or a MERCOSUR State under international law including UNCLOS, in particular with respect to the exclusive economic zone and continental shelf.

[2] Products of sea fishing or other marine products taken under subparagraphs (h) and (i) by chartered vessels sailing under the flag of an EFTA State or a MERCOSUR State are considered originating in the the EFTA State or a MERCOSUR State where the fishing licences are issued.

ARTICLE 4

Sufficient Working or Processing

1. A product obtained from non-originating materials shall be considered to have undergone sufficient working or processing if the applicable product-specific rules of Appendix 1 (Product-Specific Rules) are fulfilled.

2. Notwithstanding paragraph 1, the operations defined in Article 5 (Insufficient Working or Processing) shall be considered as insufficient to obtain originating status.

3. The product-specific rules referred to in paragraph 1 indicate the working or processing which must be carried out on non-originating materials used in manufacturing and concern only such materials. Therefore if a product, which has acquired originating status in an EFTA State or MERCOSUR in accordance with paragraph 1, is further processed and used as material in the manufacture of another product, no account shall be taken of the non-originating components of that material.

4. Notwithstanding paragraph 1, non-originating materials which do not fulfil the conditions set out in Appendix 1 (Product-Specific Rules) may be used, provided that their total value does not exceed 10% of the ex-works price of a product. This paragraph shall not be understood to allow for exceeding any of the percentages for the maximum content of non-originating materials as specified in Appendix 1 (Product-Specific Rules), and shall not apply to products falling within Chapters 50 to 63 of the Harmonized System.

5. The EFTA States and MERCOSUR shall, no later than five years from the entry into force of the Agreement, consider reviewing this Article with regard to the concept of average calculation of non-originating materials, in order to take into account fluctuations of costs or currency rates.

ARTICLE 5

Insufficient Working or Processing

1. Without prejudice to paragraph 3, the following operations shall be considered as insufficient working or processing to confer the status of originating products, whether or not the requirements of Article 4 (Sufficient Working or Processing) are satisfied:

(a) preserving operations to ensure that a product retains its condition during transport and storage;

(b) freezing or thawing;

(c) packaging and re-packaging;

(d) washing, cleaning, removal of dust, oxide, oil, paint or other coverings;

(e) ironing or pressing of textiles or textile products;

(f) simple painting and polishing;

(g) husking, partial or total bleaching, polishing and glazing of cereals and rice;

(h) colouring of sugar or forming sugar lumps;

(i) peeling and removal of stones, cores, pips and shells from fruits, nuts and vegetables;

(j) sharpening, simple grinding or simple cutting;

(k) sifting, screening, sorting, classifying, grading, matching;

(l) simple placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations;

(m) simple addition of water or dilution or dehydration or denaturation of products;

(n) affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging;

(o) simple mixing of products, whether or not of different kinds;

(p) simple assembly of parts of articles to constitute a complete article or disassembly of products into parts; or

(q) slaughter of animals.

2. For the purposes of paragraph 1, "simple" describes operations or processes which need neither special skills nor machines, apparatus or equipment especially produced or installed to carry out the operation or process.

3. All operations or processes carried out in an EFTA State or MERCOSUR on a product shall be taken into account when determining whether these operations or processes are considered as insufficient working or processing in accordance with paragraph 1.

ARTICLE 6

Cumulation of Origin

1. A product originating in an EFTA State or MERCOSUR which is used as material in the manufacture of a product in another EFTA State or MERCOSUR, shall be considered as originating in the EFTA State or MERCOSUR where the last operations beyond those referred to in Article 5 (Insufficient Working or Processing) have been carried out.

2. A product originating in an EFTA State or MERCOSUR, which does not undergo working or processing in another EFTA State or MERCOSUR beyond those referred to in paragraph 1 of Article 5 (Insufficient Working or Processing), shall retain its origin.

3. Where materials originating in two or more EFTA States or MERCOSUR are used in the manufacture of a product and these materials have not undergone any working or processing beyond the operations referred to in Article 5 (Insufficient Working or Processing), the origin of the product is determined by the material with the highest value, or, if this cannot be ascertained, with the highest first ascertainable price paid for that material in that EFTA State or MERCOSUR State.

4. Subject to Appendix 5 (Extended Cumulation), if the EFTA State concerned and MERCOSUR either have a preferential trade agreement in accordance with Article XXIV of GATT 1994 or a trade arrangement in accordance with the Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries, of 28th November 1979 (Enabling Clause) with the same non-Party specified in Appendix 5 (Extended Cumulation), originating materials of that non-Party which are used as materials in the manufacture of a product in an EFTA State or MERCOSUR, shall be considered as originating in the EFTA State or MERCOSUR State where the last operation has been carried out, provided that the last operation goes beyond those referred to in Article 5 (Insufficient Working or Processing).

5. The Sub-Committee on Trade in Goods may submit its recommendations to the Joint Committee to update Appendix 5.

ARTICLE 7

Unit of Qualification

For the purposes of this Annex:

(a) the tariff classification of a particular product or material shall be determined according to the HS;

(b) where a product composed of a group or assembly of articles or components is classified pursuant to the terms of the HS under a single tariff heading, the whole shall constitute the particular product; and

(c) where a shipment consists of a number of identical products classified under the same tariff heading of the HS, each product shall be considered separately.

ARTICLE 8

Packaging Materials, Packing Materials and Containers

1. Packaging materials and containers in which a product is packaged for sale shall be disregarded in determining whether all the non-originating materials undergo the applicable change in tariff classification as set out in Appendix 1 (Product-Specific Rules). However, if the rule of Appendix 1 (Product-Specific Rules) applicable to the product contains a percentage for the maximum value of non-originating materials, the value of any non-originating packaging materials and containers shall be included in calculating the value of non-originating materials.

2. Packing materials and containers in which a product is packed for shipment shall be disregarded in determining the origin of that product.

ARTICLE 9

Accessories, Spare Parts and Tools

Accessories, spare parts and tools dispatched with a piece of equipment, machine, apparatus or vehicle, which are part of the normal equipment and included in the price thereof or which are not separately invoiced, shall be regarded as one with the piece of equipment, machine, apparatus or vehicle in question.

ARTICLE 10

Neutral Elements

Neutral elements, which have not entered into the final composition of the product, such as energy and fuel, plant and equipment, or machines and tools, shall not be taken into account when the origin of that product is determined.

ARTICLE 11

Accounting Segregation

1. If originating and non-originating fungible materials are used in the working or processing of a product, the determination of whether the materials used are originating may be determined on the basis of an accounting segregation system.

2. For the purposes of paragraph 1, “fungible materials” means materials that are of the same kind and commercial quality, with the same technical and physical characteristics, which cannot be distinguished from one another once they are incorporated into the finished product.

3. The accounting segregation system shall ensure that no more final products receive originating status than would have been the case if the materials had been physically segregated.

4. A producer using an accounting segregation system shall keep records of the operation of the system that are necessary for the respective competent authority to verify compliance with this Annex.

5. An EFTA State or a MERCOSUR State may require that the application of the accounting segregation method by its producers is subject to a prior authorisation by its competent authorities.

6. The authorisation to use accounting segregation may be withdrawn by the competent authority at any time if the producer makes improper use of it.

ARTICLE 12

Sets

Sets, as defined in General Rule 3 of the HS, shall be regarded as originating when all component products are originating. Nevertheless, when a set is composed of originating and non-originating products, the set as a whole shall be regarded as originating, provided that the value of the non-originating products does not exceed 15% of the ex-works price of the set.

SECTION III

TERRITORIAL REQUIREMENTS

ARTICLE 13

Principle of Territoriality

1. The requirements for acquiring originating status set out in Section II shall be fulfilled without any interruption in an EFTA State or in MERCOSUR.

2. Notwithstanding paragraph 1, if an originating product is returned to the exporting EFTA State or MERCOSUR State after having been exported to a non-Party without having undergone any operation there, beyond those necessary to preserve it in good condition, that product shall retain its originating status.

ARTICLE 14

Non-alteration

1. Originating products, for which preferential tariff treatment is requested in an EFTA State or a MERCOSUR State, shall be the same products exported from another EFTA State or MERCOSUR State. They must not be altered or transformed in any way, or undergo operations other than those to preserve their condition, or to add or affix marks, labels, seals, or any documentation to ensure compliance with domestic requirements of the importing EFTA State or MERCOSUR State, prior to being declared for preferential tariff treatment.

2. Transit, storage, splitting of consignments, as well as the operations in accordance with paragraph 1, may take place in a non-Party, provided that they remain under customs control in that non-Party.

3. Paragraphs 1 and 2 shall be considered fulfilled, unless the customs authority of the importing EFTA State or MERCOSUR State has reason to believe the contrary. In such case, the customs authority of the importing EFTA State or MERCOSUR State may request the importer or his or her representative to provide appropriate evidence of compliance, which may be given by any means, including contractual transport documents such as bills of lading or factual or concrete evidence based on marking or numbering of packages or any other evidence.

ARTICLE 15

Exhibitions

1. Originating products sent for exhibition outside the EFTA States or MERCOSUR and sold after the exhibition for importation in an EFTA State or a MERCOSUR State shall benefit on importation from the provisions of the Agreement provided it is shown to the satisfaction of the customs authorities of the importing EFTA State or MERCOSUR State that:

(a) an exporter has consigned these products from an EFTA State or a MERCOSUR State to the non-Party in which the exhibition is held and has exhibited them there;

(b) the products have been sold or otherwise disposed of by that exporter to a person in an EFTA State or a MERCOSUR State;

(c) the products have been consigned during the exhibition or immediately thereafter in the state in which they were sent for exhibition; and

(d) the products have not, since they were consigned for exhibition, been used for any purpose other than demonstration at the exhibition.

2. A proof of origin shall be submitted to the customs authorities of the importing EFTA State or MERCOSUR State containing name and address of the exhibition.

3. Paragraph 1 applies to any trade, industrial, agricultural or crafts exhibition, fair or similar public show or display which is not organised for private purposes in shops or business premises with a view to the sale of foreign products, and during which the products remain under customs control.

SECTION IV

PROOF OF ORIGIN

ARTICLE 16

Proof of Origin

1. Products originating in an EFTA State or MERCOSUR shall, on importation into a MERCOSUR State or an EFTA State respectively, benefit from preferential treatment under the Agreement upon submission of:

(a) an origin declaration completed by an exporter established in an EFTA State or a MERCOSUR State[3] in accordance with Appendix 2 (Origin Declaration);

(b) an origin declaration completed by an exporter in a MERCOSUR State for consignments consisting of one or more packages containing originating products whose total value does not exceed 1000 US Dollars; or

(c) a certificate of origin issued by the competent authority of a MERCOSUR State, in accordance with Article 18 (Procedure for the Issuance of a Certificate of Origin).

2. For the purposes of paragraph 1, one or more EFTA States and, on the other side, one or more MERCOSUR States may agree to establish systems that allow proofs of origin listed in subparagraphs 1(a) to (c) to be issued or submitted electronically.

ARTICLE 17

Origin Declaration

1. An origin declaration in accordance with Appendix 2 (Origin Declaration) may be completed by an exporter established in an EFTA State or a MERCOSUR State for products originating in an EFTA State or a MERCOSUR State and otherwise fulfilling the requirements of this Annex.

2. The origin declaration shall be completed on an invoice or any other commercial document that identifies the exporter and the originating products and, except as provided for in Article 23 (Approved Exporter), bear the original signature of the exporter.

3. If products are invoiced in a currency other than US Dollars, the amount mentioned in subparagraph 1(b) of Article 16 (Proof of Origin) expressed in the national

[3] For exporters based in a MERCOSUR State, subparagraph 1(a) shall only apply after that MERCOSUR State has notified the EFTA States that the domestic laws and regulations required to implement subparagraph 1(a) have been enacted.

currency of the importing EFTA State or MERCOSUR State shall be applied in accordance with its domestic laws and regulations.

4. The origin declaration may be completed when the products to which it relates are exported, or after exportation. An origin declaration shall be valid for one year from the date of completion.

5. Forwarding agents, customs brokers and other persons have to be based in the same EFTA State or MERCOSUR State as the exporter and be authorised in writing by the exporter of the product to complete the origin declarations. They shall submit the authorisation to the competent authorities, upon their request.

6. An exporter who has completed an origin declaration shall keep a copy of the origin declaration and all documents supporting the originating status of the product, either in paper or electronic form, for at least three years from the date of completion.

ARTICLE 18

Procedure for the Issuance of a Certificate of Origin

1. A certificate of origin shall be issued by the competent authorities of the exporting MERCOSUR State upon written application by the exporter or, under the exporter's responsibility, by his or her authorised representative. The application form should contain a signed statement by the producer which indicates the characteristics and components of the final product as well as the manufacturing process.

2. The exporter or his or her authorised representative shall fill out both the certificate of origin and the application form, specimens of which appear in Appendix 3 (Certificate of Origin). These forms shall be completed in English and in accordance with the domestic laws and regulations of the exporting MERCOSUR State. If these forms are hand-written, they shall be completed in ink, in printed characters. The description of the products shall be given in the box reserved for this purpose without leaving any blank lines. Where the box is not completely filled, a horizontal line must be drawn below the last line of the description, the empty space being crossed through.

3. Notwithstanding paragraph 1, the competent authorities may authorise a government office or a representative commercial institution to issue the certificate of origin, in accordance with this Article.

4. A certificate of origin shall be issued by the competent authorities of a MERCOSUR State if it considers that the products concerned are originating in MERCOSUR and fulfil the other requirements of this Annex.

5. The exporter applying for the issuance of a certificate of origin shall be prepared to submit at any time, upon request of the competent authorities of the exporting MERCOSUR State where the certificate of origin is issued, all appropriate documents proving the originating status of the products concerned as well as the fulfilment of the other requirements of this Annex.

6. The competent authorities issuing a certificate of origin shall ensure that the forms referred to in paragraph 2 are duly completed. In particular, they shall check whether the space reserved for the description of the products has been completed in a manner that excludes any possibility of fraudulent additions.

7. A certificate of origin shall be issued by the competent authorities and made available to the exporter as soon as actual exportation has been effected or ensured.

8. The competent authorities issuing a certificate of origin shall keep the application form referred to in paragraph 2 for at least three years.

ARTICLE 19

Certificate of Origin Issued Retrospectively

1. Notwithstanding paragraph 6 of Article 18 (Procedure for the Issuance of a Certificate of Origin), if a certificate of origin has not been issued at the time of exportation of the products to which it relates and presented to the competent authorities of the EFTA States, it may be issued after exportation if:

(a) it was not issued at the time of exportation because of special circumstances; or

(b) the final destination of the products concerned was not known at the time of exportation and was determined during their transportation or storage and after possible splitting of consignments in accordance with paragraph 2 of Article 14 (Non-alteration).

2. For the purposes of paragraph 1, the exporter shall indicate in his or her application the place and date of exportation of the products to which the certificate of origin relates and state the reasons for his or her request.

3. The competent authorities may issue a certificate of origin retrospectively only after verifying that the information supplied in the exporter's application is consistent with the information in the corresponding file.

4. A certificate of origin issued retrospectively shall be endorsed with the phrase "ISSUED RETROSPECTIVELY".

5. The endorsement referred to in paragraph 4 shall be inserted in the "Remarks" box of the certificate of origin.

ARTICLE 20

Issuance of a Duplicate Certificate of Origin

1. In the event of theft, loss or destruction of a certificate of origin, the exporter may apply to the competent authorities which issued it for a duplicate completed on the basis of the export documents in their possession.

2. The duplicate issued in this way shall be endorsed with the term "DUPLICATE".

3. The endorsement referred to in paragraph 2 and the number of the original certificate of origin shall be inserted in the 'Remarks' box of the duplicate certificate of origin.

4. The duplicate, which must bear the date of issuance of the original certificate of origin, shall take effect as from that date.

ARTICLE 21

Issuance of a Proof of Origin on the Basis of a Proof of Origin Issued Previously

1. If originating products for which a proof of origin has been submitted are placed under customs control in an EFTA State or a MERCOSUR State, it shall be permitted to replace the original proof of origin by submitting one or more proofs of origin for the purpose of sending all or some of these products to another EFTA State or MERCOSUR State.

2. In the case of MERCOSUR, paragraph 1 applies only to the MERCOSUR States that have decided on its implementation and that have duly notified the Joint Committee thereof. In this case, the proof of origin shall be in accordance with Appendix 4 (Replacement Certificate of Origin).

ARTICLE 22

Supporting Documents

The documents referred to in paragraph 6 of Article 17 (Origin Declaration) and paragraph 5 of Article 18 (Procedure for the Issuance of a Certificate of Origin), in paper or electronic form, used for the purpose of proving that products covered by a proof of origin may be considered as originating and fulfil the other requirements of this Annex may consist, inter alia, of the following:

(a) direct evidence of the processes carried out by the exporter or supplier to obtain the goods concerned, contained for example in his accounts or internal book-keeping;

(b) documents proving the originating status of materials used, issued or made out in an EFTA State or a MERCOSUR State where these documents are used in accordance with its domestic laws and regulations;

(c) documents proving the working or processing of materials in an EFTA State or in MERCOSUR, issued or made out in an EFTA State or a MERCOSUR State, where these documents are used in accordance with its domestic laws and regulations; and

(d) certificates of origin or origin declarations proving the originating status of materials used, issued or made out in an EFTA State or in a MERCOSUR State in accordance with this Annex.

ARTICLE 23

Approved Exporter

1. The competent authorities of the exporting EFTA State or MERCOSUR State may, subject to its domestic laws and regulations, authorise an exporter of that EFTA State or MERCOSUR State to complete origin declarations without signature.

2. An exporter who requests such authorisation must offer to the satisfaction of the competent authorities of the exporting EFTA State or MERCOSUR State all guarantees necessary to verify the originating status of the products as well as the fulfilment of any other requirement under this Annex.

3. The competent authorities of the exporting EFTA State or MERCOSUR State shall provide, to the approved exporter, an authorisation number to be included in the origin declaration instead of the signature.

4. The competent authorities of the exporting EFTA State or MERCOSUR State may verify the proper use of an authorisation and withdraw it, if the exporter no longer meets the conditions or otherwise makes improper use of it.

SECTION V

PREFERENTIAL TREATMENT

ARTICLE 24

Importation Requirements

1. An EFTA State or a MERCOSUR State shall grant preferential tariff treatment in accordance with the Agreement to originating products imported from another MERCOSUR State or an EFTA State respectively, on the basis of a proof of origin referred to in Article 16 (Proof of Origin).

2. In order to obtain preferential tariff treatment, the importer shall, in accordance with the procedures applicable in the importing EFTA State or MERCOSUR State, request preferential tariff treatment at the time of importation of an originating product, whether or not the importer is in possession of a proof of origin.

3. If the importer is not in possession of a proof of origin at the time of importation, the importer may, in accordance with the domestic laws and regulations of the importing EFTA State or MERCOSUR State, present a proof of origin at a later stage.

4. A proof of origin shall be submitted to the customs authority of the importing EFTA State or MERCOSUR State within one year from its completion. The expiration of this period may be suspended as long as the products covered by that proof of origin remain under customs control of the importing EFTA State or MERCOSUR State. After this period, a proof of origin may only be accepted in exceptional circumstances.

5. Notwithstanding paragraph 1, an EFTA State or a MERCOSUR State may, in accordance with its domestic laws and regulations, waive the requirements to present a proof of origin in the case of products:

(a) sent as small packages from private persons to private persons; or

(b) forming part of a travellers' personal luggage.

6. The EFTA States and the MERCOSUR States shall notify each other, through the EFTA Secretariat and the MERCOSUR Secretariat, when the value limits applied for the purposes of paragraph 5 change.

ARTICLE 25

Importation by Instalments

Where, upon request of an importer and on conditions laid down by the customs authority of the importing EFTA State or MERCOSUR State, a dismantled or non-assembled product within the meaning of General Interpretative Rule 2(a) of the HS is imported by installments, an origin declaration or certificate of origin may be submitted to the customs authority upon importation of the first instalment. Alternatively, an origin declaration or certificate of origin may be submitted for each imported instalment.

ARTICLE 26

Cooperation of Exporters and Importers with the Competent Authorities

1. Exporters and importers benefitting from the Agreement shall, within the framework of the Agreement and subject to the domestic laws and regulations of the EFTA State or the MERCOSUR State concerned, cooperate with the competent authorities of the EFTA State or the MERCOSUR State where they are established and submit, upon request of the competent authorities, supporting documents regarding the fulfilment of the requirements of this Annex.

2. An exporter who has completed an origin declaration or requested the issuance of a certificate of origin shall:

(a) keep a copy of the proof of origin and all supporting documents for at least three years from the date of completion or issuance, or longer if required by the domestic laws and regulations of the exporting EFTA State or MERCOSUR State;

(b) upon request of the competent authorities of the exporting EFTA State or MERCOSUR State, submit the documents referred to in subparagraph 3 (a) to those authorities, which may, at any time, carry out inspections and verify the exporters or the producer's accounts and take other appropriate measures; and

(c) when becoming aware of or having reason to believe that a proof of origin contains incorrect information, immediately notify the importer and the competent authorities of the exporting EFTA State or MERCOSUR State of any change affecting the originating status of each product covered by that proof of origin.

3. An importer who has requested or has been granted preferential tariff treatment shall:

(a) keep the proof of origin and other relevant documents for at least three years from the date on which preferential treatment was granted, or longer if required by the domestic laws and regulations of the importing EFTA State or MERCOSUR State;

(b) upon request of the customs authority of the importing EFTA State or MERCOSUR State, submit the documents referred to in paragraph 2 of Article 14 (Non-alteration) to those authorities; and

(c) when becoming aware of or having reason to believe that a proof of origin contains incorrect information, immediately notify the competent authorities of the importing EFTA State or MERCOSUR State of any change affecting the originating status of each product covered by that proof of origin.

ARTICLE 27

Denial of Preferential Treatment

1. An importing EFTA State or an importing MERCOSUR State may deny preferential tariff treatment or recover unpaid customs duties in accordance with its domestic laws and regulations where a product does not meet the requirements of this Annex or where the importer or exporter fails to demonstrate compliance with the relevant requirements of this Annex.

2. Slight discrepancies between the statements made in the proof of origin and those made in other documents submitted to the customs authorities for customs clearance or obvious formal errors, such as typing errors in a proof of origin, shall not as such render the proof of origin invalid.

ARTICLE 28

Non-Party Invoicing

No EFTA State or MERCOSUR State shall reject a claim for preferential tariff treatment for the sole reason that the invoice was issued in a non-Party.

SECTION VI

ADMINISTRATIVE COOPERATION

ARTICLE 29

Verification of Proofs of Origin

1. Subsequent verifications of proofs of origin shall be carried out at random or whenever the competent authorities of the importing EFTA State or MERCOSUR State have reasonable doubts as to the authenticity of such documents, the originating status of the products concerned or the fulfilment of the other requirements of this Annex.

2. The verification request may question the authenticity of a proof of origin, the originating status of the product concerned or the fulfilment of other requirements of this Annex. It shall identify the reasons for the inquiry and include a copy of the proof of origin and, if appropriate, any other document or information giving reason to believe that the proof of origin could be invalid.

3. The importing EFTA State or MERCOSUR State shall submit the verification request to the exporting EFTA State or MERCOSUR State within 34 months from the completion of the proof of origin. The exporting EFTA State or MERCOSUR State shall not be obliged to conduct verifications based on verification requests received after that deadline.

4. The customs authority of the importing EFTA State or MERCOSUR State may suspend the granting of preferential treatment to the products concerned while awaiting the results of the verification. Release of the products shall be offered to the importer subject to any precautionary measures judged necessary by the customs authority of the importing EFTA State or MERCOSUR State.

5. The verification shall be carried out by the competent authorities of the exporting EFTA State or MERCOSUR State. For this purpose, they shall have the right to call for any evidence and to carry out any inspections of the exporter's and the producer's accounts or any other check considered appropriate.

6. A request for verification of the importing EFTA State or MERCOSUR State shall be provided to the competent authorities of the exporting EFTA State or MERCOSUR State by certified or registered mail, via electronic means or any other method previously notified by an EFTA State or a MERCOSUR State. The requested EFTA State or MERCOSUR State shall promptly confirm the receipt of the request through electronics means.

7. The requesting EFTA State or MERCOSUR State shall be informed of the results of the verification within 12 months from the date of the verification request, unless another time period is agreed on justified grounds. The notification shall include findings

and facts and, if appropriate, supporting documents and other information. If the requesting EFTA State or MERCOSUR State receives no reply within that time limit, or if the reply does not contain sufficient information to conclude whether a product is originating or whether the proof of origin is valid, the requesting EFTA State or MERCOSUR State may deny preferential tariff treatment to the consignment covered by the proof of origin in question or recover unpaid customs duties.

8. Where the requested EFTA State or MERCOSUR State is unable to meet the deadline referred to in paragraph 7, it shall, upon request within that deadline, be granted an extension of the deadline.

ARTICLE 30

Cooperation between Competent Authorities

1. The competent authorities of the EFTA States or MERCOSUR States shall provide each other, by communication between the EFTA Secretariat and the MERCOSUR Secretariat, where applicable, with specimen impressions of stamps used by their competent authorities for the issuance of certificates of origin and with the addresses of the competent authorities responsible for verifying those certificates and origin declarations.

2. Where the competent authority of the exporting MERCOSUR State designates other entities or bodies to carry out the issuance of certificate of origin, the exporting MERCOSUR State shall notify in writing the EFTA States through the EFTA Secretariat of its designees.

3. The competent authorities of the EFTA States and the MERCOSUR States shall provide each other with information on the composition of the authorisation number for approved exporters, where established by an EFTA State or a MERCOSUR State.

4. The EFTA States and the MERCOSUR States shall endeavour to resolve technical matters related to the implementation or application of this Annex, to the extent possible, through direct consultations between the competent authorities or in the Sub-Committee on Trade in Goods.

ARTICLE 31

Confidentiality

Any information which is by nature confidential or which is provided on a confidential basis shall not be disclosed by the competent authority of an EFTA State or a MERCOSUR State without the explicit permission of the person or authority providing it.

ARTICLE 32

Dispute Settlement

1. Without prejudice to Chapter 15 (Dispute Settlement) of the Agreement, where disputes arise in relation to the verification procedures set out in Article 29 (Verification of Proofs of Origin), or a disagreement with regard to paragraph 1 of Article 27 (Denial of Preferential Treatment), which cannot be settled between the competent authorities requesting a verification and the competent authorities responsible for carrying out this verification or where they raise a question as to the interpretation of this Annex, they shall be submitted to the Sub-Committee on Trade in Goods.

2. Disputes between the importer and the competent authorities of the importing EFTA State or MERCOSUR State shall be settled under the domestic laws and regulations of the importing EFTA State or MERCOSUR State.

SECTION VII

FINAL PROVISIONS

ARTICLE 33

Penalties

Appropriate penalties shall be imposed on any person who draws up, or causes to be drawn up, a document which contains incorrect information for the purpose of obtaining preferential treatment for a product.

ARTICLE 34

Products in Transit or Storage

This Annex may be applied to products which, on the date of entry into force of the Agreement, are either in transit or in temporary storage in a customs warehouse or free zone under customs control if an origin declaration or certificate of origin is completed retrospectively up to six months from the entry into force of the Agreement, provided that this Annex, in particular Article 14 (Non-alteration), has been fulfilled.

ARTICLE 35

Explanatory Notes

The EFTA States and MERCOSUR may consider the need for explanatory notes regarding the interpretation, application and administration of this Annex.
