

APPENDIX 1

TO ANNEX I (RULES OF ORIGIN)

INTRODUCTORY NOTES TO THE LIST IN APPENDIX 2 TO ANNEX I (RULES OF ORIGIN)

Note 1 - General Introduction

The list sets out the conditions required for all products to be considered as sufficiently worked or processed within the meaning of Article 5 (Sufficient Working or Processing) of Annex I (Rules of Origin). There are four different types of rule, which vary according to the product:

- (a) through working or processing a maximum content of non-originating materials is not exceeded;
- (b) through working or processing the 4-digit Harmonized System heading or 6-digit Harmonized System sub-heading of the manufactured products becomes different from the 4-digit Harmonized System heading or 6-digit sub-heading respectively of the materials used;
- (c) a specific working and processing operation is carried out; and
- (d) working or processing is carried out on certain wholly obtained materials.

Note 2 - The Structure of the List

- 2.1. The first two columns in the list describe the product obtained. Column 1 gives the heading number or Chapter number used in the Harmonized System and column 2 gives the description of goods used in that system for that heading or Chapter. For each entry in the first two columns, a rule is specified in column 3. Where, in some cases, the entry in column 1 is preceded by an 'ex', this signifies that the rules in column 3 apply only to the part of that heading as described in column 2.
- 2.2. Where several heading numbers are grouped together in column 1 or a Chapter number is given and the description of products in column 2 is therefore given in general terms, the adjacent rules in column 3 apply to all products which, under the Harmonized System, are classified in headings of the Chapter or in any of the headings grouped together in column 1.
- 2.3. Where there are different rules in the list applying to different products within a heading, each indent contains the description of that part of the heading covered by the adjacent rules in column 3.

- 2.4. Where two alternative rules are set out in column 3, separated by “*or*”, it is at the choice of the exporter which one to use.

Note 3 - Examples of How to Apply the Rules

- 3.1. Article 5 (Sufficient Working or Processing) of Annex I (Rules of Origin), concerning products having acquired originating status which are used in the manufacture of other products, shall apply, regardless of whether this status has been acquired inside the factory where these products are used or in another factory in a Party.
- 3.2. Pursuant to Article 7 (Insufficient Working or Processing) of Annex I (Rules of Origin), the working or processing carried out must go beyond the list of operations mentioned in that Article. If it does not, the goods shall not qualify for the granting of the benefit of preferential tariff treatment, even if the conditions set out in the list below are met.

Subject to the provision referred to in Note 3.1, the rules in the list represent the minimum amount of working or processing required, and the carrying-out of more working or processing also confers originating status; conversely, the carrying-out of less working or processing cannot confer originating status.

Thus, if a rule provides that non-originating material, at a certain level of manufacture, may be used, the use of such material at an earlier stage of manufacture is allowed, and the use of such material at a later stage is not.

If a rule provides that non-originating material, at a certain level of manufacture, may not be used, the use of materials at an earlier stage of manufacture is allowed, and the use of materials at a later stage is not.

Example: when the list-rule for Chapter 19 requires that “non-originating materials of headings 11.01 to 11.08 cannot exceed 20% weight”, the use (i.e. importation) of cereals of Chapter 10 (materials at an earlier stage of manufacture) is not limited.

- 3.3. Without prejudice to Note 3.2, where a rule uses the expression “manufacture from materials of any heading”, then materials of any heading(s) (even materials of the same description and heading as the product) may be used, subject, however, to any specific limitations which may also be contained in the rule.

However, the expression “manufacture from materials of any heading, including other materials of heading ...” or “manufacture from materials of any heading, including other materials of the same heading as the product” means that materials of any heading(s) may be used, except those of the same description as the product as given in column 2 of the list.

- 3.4. When a rule in the list specifies that a product may be manufactured from more than one material, this means that one or more materials may be used. It does not require that all be used.
- 3.5. Where a rule in the list specifies that a product must be manufactured from a particular material, the condition does not prevent the use of other materials which, because of their inherent nature, cannot satisfy this.
- 3.6. Where, in a rule in the list, two percentages are given for the maximum value of non-originating materials that can be used, then these percentages may not be added together. In other words, the maximum value of all the non-originating materials used may never exceed the higher of the percentages given. Furthermore, the individual percentages must not be exceeded, in relation to the particular materials to which they apply.

Note 4 - General provisions concerning certain agricultural goods

- 4.1. Agricultural goods falling within Chapters 6, 7, 8, 9, 10 and 12 and heading 24.01 which are grown or harvested in a Party shall be treated as originating in that Party, even if grown from imported seeds, bulbs, rootstock, cuttings, grafts, shoots, buds, or other live parts of plants.
- 4.2. In cases where the content of non-originating sugar in a given product is subject to limitations, the weight of sugars of headings 17.01 (sucrose) and 17.02 (e.g. fructose, glucose, lactose, maltose, isoglucose or invert sugar) used in the manufacture of the final product and used in the manufacture of the non-originating products incorporated in the final product is taken into account for the calculation of such limitations.

Note 5 - Terminology used in respect of certain textile products

- 5.1. The term “natural fibres” is used in the list to refer to fibres other than artificial or synthetic fibres. It is restricted to the stages before spinning takes place, including waste, and, unless otherwise specified, includes fibres which have been carded, combed or otherwise processed, but not spun.
- 5.2. The term “natural fibres” includes horsehair of heading 05.11, silk of headings 50.02 and 50.03, as well as wool-fibres and fine or coarse animal hair of headings 51.01 to 51.05, cotton fibres of headings 52.01 to 52.03, and other vegetable fibres of headings 53.01 to 53.05.
- 5.3. The terms “textile pulp”, “chemical materials” and “paper-making materials” are used in the list to describe the materials, not classified in Chapters 50 to 63, which can be used to manufacture artificial, synthetic or paper fibres or yarns.
- 5.4. The term “man-made staple fibres” is used in the list to refer to synthetic or artificial filament tow, staple fibres or waste, of headings 55.01 to 55.07.

- 5.5. Printing (when combined with Weaving, Knitting/Crocheting, Tufting or Flocking) is defined as a technique by which an objectively assessed function, like colour, design or technical performance, is given to a textile substrate with a permanent character, using screen, roller, digital or transfer techniques.
- 5.6. Printing (as a standalone operation) is defined as a technique by which an objectively assessed function, like colour, design or technical performance, is given to a textile substrate with a permanent character, using screen, roller, digital or transfer techniques combined with at least two preparatory/finishing operations (such as scouring, bleaching, mercerizing, heat setting, raising, calendaring, shrink resistance processing, permanent finishing, decatizing, impregnating, mending and burling), provided that the value of all the materials used does not exceed 50% of the ex-works price of the product.

Note 6 - Tolerances applicable to products made of a mixture of textile materials

- 6.1. Where, for a given product in the list, reference is made to this Note, the conditions set out in column 3 shall not be applied to any basic textile materials used in the manufacture of this product which, taken together, represent 15% or less of the total weight of all the basic textile materials used. (See also Notes 6.3 and 6.4.)
- 6.2. However, the tolerance mentioned in Note 6.1 may be applied only to mixed products which have been made from two or more basic textile materials.

The following are the basic textile materials:

- silk;
- wool;
- coarse animal hair;
- fine animal hair;
- horsehair;
- cotton;
- paper-making materials and paper;
- flax;
- true hemp;
- jute and other textile bast fibres;
- sisal and other textile fibres of the genus Agave;
- coconut, abaca, ramie and other vegetable textile fibres;
- synthetic man-made filament fibres of polypropylene;
- synthetic man-made filament fibres of polyester;
- synthetic man-made filament fibres of polyamide;

- synthetic man-made filament fibres of polyacrylonitrile;
 - synthetic man-made filament fibres of polyimide;
 - synthetic man-made filament fibres of polytetrafluoroethylene;
 - synthetic man-made filament fibres of poly(phenylene sulphide);
 - synthetic man-made filament fibres of poly(vinyl chloride);
 - other synthetic man-made filament fibres;
 - artificial man-made filament fibres of viscose;
 - other artificial man-made filament fibres;
 - current-conducting filaments;
 - synthetic man-made staple fibres of polypropylene;
 - synthetic man-made staple fibres of polyester;
 - synthetic man-made staple fibres of polyamide;
 - synthetic man-made staple fibres of polyacrylonitrile;
 - synthetic man-made staple fibres of polyimide;
 - synthetic man-made staple fibres of polytetrafluoroethylene;
 - synthetic man-made staple fibres of poly(phenylene sulphide);
 - synthetic man-made staple fibres of poly(vinyl chloride);
 - other synthetic man-made staple fibres;
 - artificial man-made staple fibres of viscose;
 - other artificial man-made staple fibres;
 - yarn made of polyurethane segmented with flexible segments of polyether, whether or not gimped;
 - products of heading 56.05 (metallised yarn) incorporating strip consisting of a core of aluminium foil or of a core of plastic film whether or not coated with aluminium powder, of a width not exceeding 5 mm, sandwiched by means of a transparent or coloured adhesive between two layers of plastic film;
 - other products of heading 56.05;
 - glass fibres;
 - metal fibres;
 - mineral fibres.
- 6.3. In the case of products incorporating “yarn made of polyurethane segmented with flexible segments of polyether, whether or not gimped”, this tolerance is 20% in respect of this yarn.
- 6.4. In the case of products incorporating “strip consisting of a core of aluminium foil or of a core of plastic film whether or not coated with aluminium powder,

of a width not exceeding 5 mm, sandwiched by means of a transparent or coloured adhesive between two layers of plastic film”, this tolerance is 30% in respect of this strip.

Note 7 - Other tolerances applicable to certain textile products

- 7.1. Where, in the list, reference is made to this Note, textile materials (with the exception of linings and interlinings), which do not satisfy the rule set out in the list in column 3 for the made-up product concerned, may be used, provided that they are classified in a heading other than that of the product and that their value does not exceed 15% of the ex-works price of the product.
- 7.2. Without prejudice to Note 7.3, materials which are not classified within Chapters 50 to 63 may be used freely in the manufacture of textile products, whether or not they contain textiles.
- 7.3. Where a percentage rule applies, the value of non-originating materials which are not classified within Chapters 50 to 63 must be taken into account when calculating the value of the non-originating materials incorporated.

Note 8 - Definition of specific processes and simple operations carried out in respect of certain products of Chapter 27

- 8.1 For the purposes of headings ex 27.07 and 27.13, the “specific processes” are the following:
 - (a) vacuum-distillation;
 - (b) redistillation by a very thorough fractionation process;
 - (c) cracking;
 - (d) reforming;
 - (e) extraction by means of selective solvents;
 - (f) the process comprising all of the following operations: processing with concentrated sulphuric acid, oleum or sulphuric anhydride; neutralisation with alkaline agents; decolourisation and purification with naturally active earth, activated earth, activated charcoal or bauxite;
 - (g) polymerisation;
 - (h) alkylation; and
 - (i) isomerisation.
- 8.2 For the purposes of headings 27.10, 27.11 and 27.12, the “specific processes” are the following:

- (a) vacuum-distillation;
- (b) redistillation by a very thorough fractionation process;
- (c) cracking;
- (d) reforming;
- (e) extraction by means of selective solvents;
- (f) the process comprising all of the following operations: processing with concentrated sulphuric acid, oleum or sulphuric anhydride; neutralisation with alkaline agents; decolourisation and purification with naturally active earth, activated earth, activated charcoal or bauxite;
- (g) polymerisation;
- (h) alkylation;
- (i) isomerisation;
- (j) in respect of heavy oils of heading ex 27.10 only, desulphurisation with hydrogen, resulting in a reduction of at least 85% of the sulphur content of the products processed (ASTM D 1266-59 T method);
- (k) in respect of products of heading 27.10 only, deparaffining by a process other than filtering;
- (l) in respect of heavy oils of heading ex 27.10 only, treatment with hydrogen, at a pressure of more than 20 bar and a temperature of more than 250 °C, with the use of a catalyst, other than to effect desulphurisation, when the hydrogen constitutes an active element in a chemical reaction. The further treatment, with hydrogen, of lubricating oils of heading ex 27.10 (e.g. hydrofinishing or decolourisation), in order, more especially, to improve colour or stability shall not, however, be deemed to be a specific process;
- (m) in respect of fuel oils of heading ex 27.10 only, atmospheric distillation, on condition that less than 30% of these products distils, by volume, including losses, at 300 °C, by the ASTM D 86 method;
- (n) in respect of heavy oils other than gas oils and fuel oils of heading ex 27.10 only, treatment by means of a high-frequency electrical brush discharge; and
- (o) in respect of crude products (other than petroleum jelly, ozokerite, lignite wax or peat wax, paraffin wax containing by weight less than 0.75 % of oil) of heading ex 27.12 only, de-oiling by fractional crystallisation.

- 8.3 For the purposes of headings ex 27.07 and 27.13, simple operations, such as cleaning, decanting, desalting, water separation, filtering, colouring, marking, obtaining a sulphur content as a result of mixing products with different sulphur contents, or any combination of these operations or like operations, do not confer origin.

Note 9 - Definition of specific processes and simple operations carried out in respect of certain products

- 9.1. Products falling within Chapter 30 obtained in a Party by using cell cultures shall be considered as originating in that Party. "Cell culture" is defined as the cultivation of human, animal and plant cells under controlled conditions (such as defined temperatures, growth medium, gas mixture, pH) outside a living organism.

- 9.2. Products falling within Chapters 29 (except for: 2905.43-2905.44), 30, 32, 33 (except for: 33.01, 3302.10) 34, 35 (except for: 35.01, 3502.11-3502.19, 3502.20, 35.05), 36, 37, 38 (except for: 3809.10, 38.23, 3824.60, 38.26) and 39 (except for: 39.16-39.26) obtained in a Party by fermentation shall be considered as originating in that Party.

- **Fermentation:** "Fermentation" is a biotechnological process in which human, animal or plant cells, bacteria, yeasts, fungi or enzymes are used to produce products falling within Chapters 29 to 39.

- 9.3. The following processing operations are considered sufficient according to paragraph 1 of Article 5 (Sufficient Working or Processing) for products falling within Chapters 28, 29 (except for: 2905.43-2905.44), 30, 32, 33 (except for: 3302.10, 33.01) 34, 35 (except for: 35.01, 3502.11-3502.19, 3502.20, 35.05), 36, 37, 38 (except for: 3809.10, 38.23, 3824.60, 38.26) and 39 (except for: 39.16-39.26):

- **Chemical reaction:** A "chemical reaction" is a process (including a biochemical process) which results in a molecule with a new structure by breaking intramolecular bonds and by forming new intramolecular bonds, or by altering the spatial arrangement of atoms in a molecule. A chemical reaction may be expressed by a change of the "CAS number".

The following processes should not be considered for purposes of origin: (a) dissolving in water or other solvents; (b) the elimination of solvents including solvent water; or (c) the addition or elimination of water of crystallization.

A chemical reaction as defined above is to be considered as origin conferring.

- **Mixtures and Blends:** The deliberate and proportionally controlled mixing or blending (including dispersing) of materials, other than the addition of diluents, to conform to predetermined specifications which

results in the production of a good having physical or chemical characteristics which are relevant to the purposes or uses of the good and are different from the input materials is to be considered as origin conferring.

- **Purification:** Purification is to be considered as origin conferring provided that the purification occurs in one or both of the Parties and results in one of the following criteria being satisfied:
 - (a) purification of a good resulting in the elimination of at least 80% of the content of existing impurities; or
 - (b) the reduction or elimination of impurities resulting in a good suitable for one or more of the following applications:
 - (i) pharmaceutical, medicinal, cosmetic, veterinary, or food grade substances;
 - (ii) chemical products and reagents for analytical, diagnostic or laboratory uses;
 - (iii) elements and components for use in micro-electronics;
 - (iv) specialised optical uses;
 - (v) biotechnical use (e.g. in cell culturing, in genetic technology, or as a catalyst);
 - (vi) carriers used in a separation process; or
 - (vii) nuclear grade uses.
- **Change in particle size:** The deliberate and controlled modification in particle size of a good, other than by merely crushing or pressing, resulting in a good having a defined particle size, defined particle size distribution or defined surface area which is relevant to the purposes of the resulting good, and having different physical or chemical characteristics from the input materials is to be considered as origin conferring.
- **Standard materials:** Standard materials (including standard solutions) are preparations suitable for analytical, calibrating or referencing uses having precise degrees of purity or proportions which are certified by the manufacturer. The production of standard materials is to be considered as origin conferring.
- **Isomer separation:** The isolation or separation of isomers from a mixture of isomers is to be considered as origin conferring.