# ANNEX I

REFERRED TO IN ARTICLE 2.2

RULES OF ORIGIN

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RULES OF ORIGIN

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## SECTION I

## GENERAL PROVISIONS

Article 1

### *Definitions*

For the purposes of this Annex:

(a) **Party** means the Philippines, Iceland, Norway or the customs territory of Switzerland. Due to the customs union between Switzerland and Liechtenstein, goods originating in Liechtenstein shall be considered as originating in Switzerland;

(b) **production** means methods of obtaining goods including manufacturing, producing, assembling, raising, growing, breeding, mining, extracting, harvesting, fishing, trapping, gathering, collecting, hunting, capturing; and processing;

(c) **material** means any ingredient, raw material, component, part or accessory used in the production of goods;

(d) **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* (hereinafter referred to as "the WTO Agreement on Customs Valuation;

(e) **value of materials** means the customs value at the time of importation of the non-originating materials used, or, if this is not known and cannot be ascertained, the WTO Agreement on Customs Valuation shall apply;

(f) **ex-works price** means the price actually paid or payable for goods to the producer in the Party where the last working or processing was carried out, in accordance with the international commercial terms (incoterms), excluding internal taxes which may be repaid when goods are exported;

(g) **Harmonized System** respectively its abbreviation **HS** means the Harmonized Commodity Description and Coding System;

(h) **chapter**, **heading** and **subheading** means a chapter (two-digit code), heading (four-digit code) or subheading (six-digit code) of the Harmonized System.

## SECTION II

## CONCEPT OF "ORIGINATING GOODS"

Article 2

***General Requirements***

For the purposes of this Annex, goods shall be considered as originating in a Party if:

(a) they have been wholly obtained in a Party, in accordance with Article 3;

(b) the non-originating materials used in the production in a Party satisfy the requirements provided for in Article 4;

(c) they have been produced in a Party exclusively from materials originating in one or more Parties; or

(d) they have been produced in a Party exclusively from materials as specified in subparagraphs (a) to (c).

Article 3

***Wholly Obtained Goods***

The following goods shall be considered as wholly obtained in a Party:

(a) minerals and other naturally occurring substances not included in subparagraphs (b) to (f) extracted or taken from its soil, waters, seabed or beneath the seabed;

(b) vegetable products grown and harvested in that Party;

(c) live animals born and raised in that Party;

(d) goods obtained from live animals, raised in that Party;

(e) goods from slaughtered animals born and raised in that Party;

(f) goods obtained by hunting, trapping, fishing, aquaculture, gathering or capturing conducted in that Party;

(g) goods obtained in that Party by using cell cultures;[1]

[1] **Cell culture** means the cultivation of human, animal or plant cells under controlled conditions (such as defined temperatures, growth medium, gas mixture, and ph), outside a living organism.

(h) goods falling within Chapters 29 to 39 obtained by fermentation[2];

(i) goods of sea fishing and other marine products taken from the sea outside the territorial waters[3] of any country, by a vessel of that Party and goods produced exclusively therefrom on board a factory ship of that Party;

In this context, **factory ships of that Party** and **vessels of that Party** respectively mean factory ships and vessels, which are registered in that Party, sail under the flag of that Party and whose ownership, senior management and board of directors and nationality of masters, officers and crew are subject to that Parties' domestic laws, rules and regulations;

(j) goods extracted from the seabed or sub-soil outside the territorial waters of that Party if that Party has the rights to exploit that seabed or sub-soil in accordance with international law;

(k) waste and scrap resulting from production conducted in that Party;

(l) used goods collected in that Party provided that such goods are fit only for the recovery of raw materials and not for their original purpose;

(m) goods obtained or produced in that Party exclusively from the goods referred to in subparagraphs (a) to (l).

## Article 4

### *Sufficient Working or Processing*

1. Goods obtained from non-originating materials shall be considered to have undergone sufficient working or processing if the applicable product specific rule of the Appendix has been fulfilled.

2. For the purposes of paragraph 1, the operations provided for in Article 5 are in any case 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. It follows that if goods, which have acquired originating status in a Party in accordance with paragraph 1, are further processed in that Party and used as material in the production of other goods, no account shall be taken of the non-originating components of that material.

4. Notwithstanding paragraph 1, non-originating goods that do not undergo the required change in tariff classification as set out in the Appendix shall be considered as originating if the value of all non-originating materials used in their production that do

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[2] **Fermentation** is a biotechnological process in which human, animal or plant cells, bacteria, yeasts, fungi or enzymes are used in the production process.

[3] Territorial waters include internal waters and territorial sea.

not undergo the required change in tariff classification does not exceed 20 percent of the ex-works price of the goods and meet all other applicable requirements set forth in this Annex.

5. Paragraph 4 does not apply to goods which are wholly obtained in a Party in accordance with Article 3. However, if the relevant product specific rule of the Appendix provides for a rule where certain materials must be wholly obtained, the tolerance of paragraph 4 shall apply.

## Article 5

### *Minimal Operations*

1. Notwithstanding Article 4, goods shall not be considered as originating, if they have only undergone one or more of the following operations or processes:

(a) preserving operations to ensure that goods retain their 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, seeds 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 similar simple packaging operations;

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

(n) simple mixing of goods, whether or not of different kinds;

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

(p) 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 a Party on given goods shall be taken into account when determining whether the working or processing undergone by those goods are considered as minimal operations in accordance with paragraph 1.

Article 6

***Accumulation of Origin***

1. Goods originating in a Party, which are used as materials in the production of goods in another Party, shall be considered as originating in the Party where the last operation beyond those referred to in paragraph 1 of Article 5 have been carried out.

2. Goods originating in a Party, which are exported from one Party to another and do not undergo working or processing beyond those referred to in paragraph 1 of Article 5, shall retain their origin.

3. Where materials originating in two or more Parties are used in the production of goods and these materials have not undergone any working or processing beyond the operations referred to in Article 5, the origin of the goods is determined by the material with the highest customs value for that material in that Party.

Article 7

***Unit of Qualification***

1. For the purpose of determining the originating status, the unit of qualification of goods or materials shall be determined in accordance with the Harmonized System.

2. Pursuant to paragraph 1:

(a) if the goods are subject to a change in tariff classification or a specific manufacturing or processing operation set out in the Appendix, packaging materials and containers for retail sale, which are classified with the goods pursuant to General Rule 5 of the *General Rules for the Interpretation of the Harmonized System* (hereinafter referred to as "General Rules"), shall be disregarded. If the goods are subject to a value criterion set out in the Appendix, the value of such packaging materials and containers for retail sale shall be taken into account as the value of originating materials of a Party where the goods are produced or non-

originating materials, as the case may be, in calculating the value criterion;

(b) packing materials and containers for shipment used to protect goods during transportation, other than packaging materials and containers for retail sale, shall be disregarded in determining the origin of the goods;

(c) sets, as defined in General Rule 3, shall be considered originating if all component goods are originating. However, if a set is composed of originating and non-originating goods, the set as a whole shall be considered originating, provided that the value of the non-originating goods does not exceed 20 percent of the ex-works price of the set;

(d) when a consignment consists of a number of identical goods classified under the same heading, each product shall be taken individually into account when applying the provision on the Appendix;

(e) where goods satisfy the requirements of this Annex and are imported into a Party either in one or multiple shipments from another Party, in disassembled form, but classified as assembled goods pursuant to General Rule 2(a), the determination of origin shall be based on the assembled goods.

## Article 8

### *Accessories, Spare Parts and Tools*

1. In determining whether all the non-originating materials used in the production of goods undergo the applicable change in tariff classification or a specific manufacturing or processing operation set out in the Appendix, accessories, spare parts, tools and instruction and information material dispatched with a piece of equipment, machine, apparatus or vehicle, which are part of the normal equipment and included in its ex-works price, and which are not separately invoiced, shall be disregarded.

2. If the goods are subject to a value criterion, the value of the accessories, spare parts or tools shall be taken into account as the value of originating materials of a Party where the goods are produced or non-originating materials, as the case may be, in calculating the value criterion.

## Article 9

### *Neutral Elements*

Neutral elements, which are goods used in the production, testing or inspection of other goods but are not physically incorporated into those goods, shall be treated as originating material regardless of where they are produced.

Article 10

***Fungible Materials***

1. If originating and non-originating fungible materials are used in the production of goods, the determination of whether fungible materials used are originating shall be determined on the basis of an inventory management system. If required by domestic laws, rules and regulations, this system may be subject to prior authorisation by the respective customs authority.

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, and which cannot be distinguished from one another.

3. The inventory management system must ensure that the final goods obtaining originating status shall not be more than what would have been the case if the originating materials used to produce the final goods had been physically segregated from the non-originating materials.

4. Once an inventory management method has been chosen, it must be used through all the fiscal year or period.

5. A producer using an inventory management system must keep records of the operation of the system that are necessary for the customs authorities of the exporting Party to verify compliance with the provisions of this Annex.

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

## SECTION III

## TERRITORIAL REQUIREMENTS

Article 11

***Principle of Territoriality***

1. The conditions for acquiring originating status set out in the provisions of Section II must be fulfilled without any interruption in the territory of a Party.

2. If originating goods are returned to the exporting Party after having been exported to a non-Party without having undergone any operation there beyond those necessary to retain their condition, these goods shall keep their originating status.

3. Notwithstanding paragraph 1, the acquisition of originating status of goods in accordance with the provisions of Section II shall not be affected by operations carried out in a non-party under an outward processing procedure or a similar arrangement, if:

(a) the re-imported materials have been obtained from the exported materials;

(b) the total added value acquired in the non-party does not exceed 15 percent of the ex-works price of the goods; and

(c) the total value of the non-originating materials incorporated in the territory of the Party concerned, taken together with the total added value acquired outside the Party concerned, does not exceed the value allowed in accordance with the Appendix.

4. For the purposes of subparagraph 3 (b), the term **total added value** means all costs arising outside the Party concerned, including transport costs and the value of non-originating materials incorporated there.

Article 12

***Non-alteration***

1. Originating goods, for which preferential tariff treatment is requested in a Party, shall be the same goods as exported from another Party. They must not have been altered or transformed in any way or have undergone operations other than to retain their condition, adding or affixing marks, labels, seals or any documentation to ensure compliance with domestic requirements of the importing Party, prior to being declared for preferential tariff treatment.

2. Transit, storage of goods or consignments or splitting of consignments may take place in non-parties, provided they remain under customs supervision in those non-parties.

3. Compliance with paragraphs 1 and 2 shall be considered satisfied, unless the customs authorities of the importing Party have reason to believe otherwise. In such cases the customs authority of the importing Party may request the importer or his representative to provide appropriate evidence of compliance, which may be given by any means, including contractual transport documents such as bills of lading, packing lists or any other evidence related to the goods themselves.

## SECTION IV

## PROOF OF ORIGIN

Article 13

### *Origin Declaration*

1. For the purpose of obtaining preferential tariff treatment in the importing Party, a proof of origin in the form of an origin declaration set out below (without the footnotes) must be completed in English, in a legible and permanent form, by an exporter of a Party for goods originating in a Party.

> *"The exporter of the goods covered by this document (customs authorisation No…[4]) declares that, except where otherwise clearly indicated, the goods satisfy the Rules of Origin to be considered as originating under the PH-EFTA FTA (Country of Origin: .....[5])*
>
> *Place and Date[6]*
>
> ……
>
> *Signature above the Printed Name of the Authorised Signatory*

2. The origin declaration must be completed on an invoice, packing list, delivery note or any other relevant commercial document that identifies the exporter and the originating goods, and, except as provided in Article 14, bear the original signature of the exporter.

3. The origin declaration may be completed when the goods to which it relates are exported, or after exportation. An origin declaration shall be valid for 12 months, from the date of completion.

4. Forwarding agents, customs brokers and other representatives of an exporter have to be empowered by such exporter to complete origin declarations. They must submit the said written authorisation to the customs authorities, at their request.

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

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4 Pursuant to Article 14, an Approved Exporter is not required to sign the origin declaration but must instead indicate the authorisation number. A non-Approved Exporter must affix his/her signature above the printed name and leave the field on authorisation number blank.

5 The origin of the goods must be indicated in this space (Philippines, Iceland, Norway or Switzerland). The use of ISO-Alpha-2 codes is permitted (PH, IS, NO or CH). Reference may be made to a specific column of the invoice packing list, delivery note or any other relevant commercial document that identifies the exporter and the originating goods in which the country of origin of the goods are referred to.

6 This information may be omitted if already contained in the document itself.

Article 14

***Approved Exporter***

1. The customs authority of the exporting Party may, subject to domestic requirements, authorise an exporter of that Party, hereinafter referred to as "Approved Exporter" to complete origin declarations without signature.

2. An exporter who applies for such authorisation must offer, to the satisfaction of the customs authority of the exporting Party, all guarantees necessary to verify the originating status of the goods as well as the fulfilment of any other requirement under this Annex.

3. The customs authority of the exporting Party shall provide, to the Approved Exporter, an authorisation number to be included in the origin declaration instead of the signature.

4. The customs authority of the exporting Party may verify the proper use of an authorisation and withdraw it at any time, if the exporter no longer meets the conditions or otherwise makes improper use of it. The withdrawal of an authorisation shall be made available to the customs authorities of the other Parties.

## SECTION V

## PREFERENTIAL TREATMENT

Article 15

***Importation Requirements***

1. Each Party shall grant preferential tariff treatment in accordance with the Agreement to originating goods of a Party imported from another Party, on the basis of an origin declaration referred to in Article 13.

2. In order to obtain preferential tariff treatment, the importer must, in accordance with the procedures applicable in the importing Party, request preferential tariff treatment at the time of importation of originating goods, whether or not the importer is in possession of an origin declaration.

3. If the importer is not in possession of an origin declaration at the time of importation, the importer may, in accordance with the domestic laws, rules and regulations of the importing Party, present the origin declaration at a later stage.

4. An origin declaration must be submitted to the customs authorities of the importing Party within 12 months from its completion. The expiration of this period may be suspended as long as the goods covered by that origin declaration remain under

customs control of the importing Party. After this period, an origin declaration may be accepted only in exceptional circumstances.

5. Notwithstanding paragraph 1, a Party may, in accordance with its domestic laws, rules and regulations, waive the requirement to present an origin declaration, and grant preferential tariff treatment.

6. An importer who has been granted preferential tariff treatment must keep the origin declaration and other relevant documents for three years after the date on which preferential tariff treatment was granted, or longer if required by the domestic laws, rules and regulations of the importing Party.

Article 16

***Importation by Instalments***

Where, at the request of an importer and on the conditions laid down by the customs authorities of the importing Party, dismantled or non-assembled goods within the meaning of General Rule 2(a) are imported by instalments, a single origin declaration must be submitted to the customs authorities upon importation of the first instalments.

Article 17

***Cooperation of Exporters and Importers with Customs Authorities***

1. Exporters and importers benefitting from the Agreement must, within the framework of the Agreement and subject to the domestic laws, rules and regulations of a Party, cooperate with the customs authority of that Party and submit, at its request, supporting documents regarding the fulfilment of the requirements of this Annex.

2. An exporter who has completed an origin declaration must:

(a) upon request of the customs authority of the exporting Party, submit the documents referred to in paragraph 5 of Article 13 to that authority, which may, at any time, carry out inspections and verify the exporters or the producer's accounts and take other appropriate measures; and

(b) when becoming aware of or having reason to believe that an origin declaration contains incorrect information, immediately notify the importer and the customs authority of the exporting Party of any change affecting the originating status of the goods covered by that origin declaration.

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

(a) upon request of the customs authority of the importing Party, submit the documents referred to in paragraph 3 of Article 12 to that authority; and

(b) when becoming aware of or having reason to believe that the origin declaration contains incorrect information, immediately notify the customs authorities of the importing Party of any change affecting the originating status of the goods covered by an origin declaration.

Article 18

***Denial of Preferential Treatment***

1. The importing Party may deny preferential tariff treatment or recover unpaid customs duties in accordance with its domestic laws, rules and regulations where goods do not meet the requirements of this Annex or where the importer or exporter fails to demonstrate compliance with the relevant requirements.

2. A typographical error in the origin declaration shall not invalidate this document if it is duly established that this document does in fact correspond to the imported goods.

## SECTION VI

## ADMINISTRATIVE COOPERATION

Article 19

***Verification of Origin Declarations***

1. The customs authority of the exporting Party shall carry out verifications of origin declarations on request of the importing Party.

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

3. The importing Party shall submit the verification request to the exporting Party within 36 months from the completion of the origin declaration. The exporting Party is not obliged to conduct verifications based on verification requests received after that deadline.

4. The customs authority of the importing Party may, subject to its domestic laws, rules and regulations, suspend preferential tariff treatment to goods covered by an origin

declaration until the verification procedure has been finalised. Nonetheless, the goods shall be released, subject to domestic laws, rules and regulations, provided that the goods are not held because of an import prohibition, or restriction and that there is no suspicion of fraud.

5. The customs authority of the exporting Party may request evidence, carry out inspections at the exporter's or producer's premises, check the exporter's and the producer's accounts and take other appropriate measures to verify compliance with this Annex.

6. The requesting Party shall be informed of the results and findings of the verification within six months from the date of the verification request. If the requesting Party receives no reply within that period, or if the reply does not clearly state whether the goods are originating or whether the origin declaration is valid, the requesting Party may deny preferential tariff treatment to the consignment covered by the origin declaration in question.

7. Where the requested Party is unable to meet the deadline referred to in paragraph 6 due to circumstances beyond the control of its customs authority, it shall inform the requesting Party in writing prior to the deadline. The requested Party shall extend the deadline by another six months.

Article 20

***Notifications and Cooperation***

1. The Parties shall provide each other, through the EFTA Secretariat, with:

(a) the addresses of the customs authorities of the Parties responsible for verifications referred to in Article 19 and the addresses of the relevant authorities for other issues related to the implementation or application of this Annex; and

(b) information on the interpretation, application and administration of this Annex, where needed.

2. The Parties shall make available the information on authorisation numbers allocated to Approved Exporters, pursuant to Article 14.

3. The Parties shall endeavour to resolve technical matters related to the interpretation, the implementation or application of this Annex, to the extent possible, through direct consultations between the customs authorities referred to in subparagraph (1) (a) or in the Sub-Committee on Trade in Goods. If the matters remain unresolved, they may be submitted to the Joint Committee for resolution.

Article 21

***Confidentiality***

Any information which is by nature confidential or which is provided on a confidential basis shall not be disclosed by the Parties' authorities without the explicit permission of the person or authority providing the information.

## SECTION VII

## FINAL PROVISIONS

Article 22

***Penalties***

Each Party shall ensure, in accordance with its domestic laws, rules and regulations that appropriate penalties, sanctions or other measures are imposed for violations of the laws, rules and regulations related to this Annex.

Article 23

***Transitional Provisions for Goods in Transit or Storage***

The provisions of this Agreement may be applied to goods, which, on the date of entry into force of this Agreement, are either in transit or in temporary storage in a customs warehouse or free zone under customs control. For such goods, an origin declaration may be completed retrospectively up to six months after the entry into force of this Agreement, provided that the provisions of this Annex and in particular Article 12 have been fulfilled.

Article 24

***Review***

Unless otherwise agreed, the Parties shall review this Annex and the Appendix five years from the entry into force of the Agreement.

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