

SECTION I RULES OF ORIGIN

TITLE I

GENERAL PROVISIONS

Article 1

Definitions

For the purposes of this Annex:

- (a) “chapters”, “headings” and “sub-headings” mean the chapters, the headings (four-digit codes) and sub-headings (six-digit codes) used in the nomenclature of the HS;
- (b) “classified” refers to the classification of a product or material under a particular chapter, heading and sub-heading;
- (c) “consignment” means products, which are either sent simultaneously from one exporter to one consignee or covered by a single transport document covering their shipment from the exporter to the consignee or, in the absence of such a document, by a single invoice;
- (d) “customs value” means the calculated value 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);
- (e) “ex-works price” means the price paid or payable for the product ex-works to the manufacturer in a Party in whose undertaking the last working or processing is carried out, provided the price includes the value of all the materials used, minus any internal taxes returned or repaid when the product obtained is exported;
- (f) “goods” means materials, products, or articles;
- (g) “the HS” means the Harmonized Commodity Description and Coding System in force on the date of signature of this Agreement, including its general rules and legal notes;
- (h) “manufacture” means any kind of working or processing, including assembly or specific operations;
- (i) “material” means any ingredient, raw material, component or part, etc., used in the manufacture of a product;
- (j) “non-originating materials” means materials which do not qualify as originating under this Annex;

- (k) “Party” means Korea, Iceland, Norway and Switzerland. Due to the customs union between Switzerland and Liechtenstein, products originating in Liechtenstein are considered to be originating in Switzerland;
- (l) “product” means the product being manufactured, even if it is intended for later use as a material in another manufacturing operation;
- (m) “territories” includes territorial sea;
- (n) “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 first ascertainable price paid for the materials in a Party;
- (o) “value of originating materials” means the value of originating materials in accordance with the definition of sub-paragraph (n) applied *mutatis mutandis*;
- (p) “exporter” means a person located in the territory of a Party from where a good is exported by such a person;
- (q) “importer” means a person located in the territory of a Party where a good is imported by such a person; and
- (r) “producer” means a person that grows, mines, harvests, fishes, traps, hunts, manufactures, processes or assembles goods.

TITLE II

REQUIREMENTS FOR “ORIGINATING PRODUCTS”

Article 2

Origin Criteria

For the purpose of this Agreement, the following products shall be considered to be originating in a Party:

- (a) products wholly obtained in a Party within the meaning of Article 4;
- (b) products obtained in a Party incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the Party concerned within the meaning of Article 5;
or
- (c) products obtained in a Party exclusively from materials that qualify as originating pursuant to this Annex.

Article 3

Cumulation of Origin

1. Notwithstanding Article 2, materials originating in another Party within the meaning of this Annex shall be considered to be materials originating in the Party concerned, provided that they have undergone working or processing going beyond that referred to in Article 6.
2. Products originating in another Party within the meaning of this Annex, which are exported from one Party to another, shall retain their origin when exported in the same state or without having undergone in the exporting Party working or processing going beyond that referred to in Article 6.
3. For the purpose of paragraph 2, where materials originating in two or more of the Parties are used and those materials have undergone working or processing in the exporting Party not going beyond that referred to in Article 6, the origin is determined by the material with the highest customs value or, if this is not known and cannot be ascertained, with the highest first ascertainable price paid for that material in that Party.

Article 4

Wholly Obtained Products

For the purposes of Article 2(a), the following shall be considered to be wholly obtained in a Party:

- (a) mineral products extracted from their soil or from their seabed;
- (b) vegetable products grown harvested or gathered there;
- (c) live animals born and raised there;
- (d) products from live animals born and raised there;
- (e) products obtained by hunting, trapping or fishing conducted there;
- (f) products of sea fishing and other products taken from the sea outside the territorial sea of a country by a vessel flying the flag of a Party;
- (g) products manufactured on board a factory ship flying the flag of a Party, exclusively from products referred to in sub-paragraph (f);
- (h) articles collected there which can no longer perform their original purpose nor are capable of being restored or repaired and are fit only for disposal or recovery of parts or raw materials;

- (i) waste and scrap resulting from consumption or manufacturing operations conducted there, fit only for disposal or recovery of raw materials;
- (j) products extracted from the seabed or beneath the seabed outside their territorial sea, provided that they have sole rights to exploit such seabed; or
- (k) products manufactured there exclusively from products specified in subparagraphs (a) to (j).

Article 5

Sufficiently Worked or Processed Products

1. For the purposes of Article 2(b), products which are not wholly obtained are considered to be sufficiently worked or processed when the conditions set out in Appendix 2 are fulfilled. The conditions referred to above indicate the working or processing which shall be carried out on non-originating materials used in manufacturing and apply only in relation to such materials. Accordingly, it follows that if a product which has acquired originating status, regardless of whether this product has been manufactured in the same factory or in another factory in a Party, by fulfilling the conditions set out in Appendix 2, is used as material in the manufacture of another product, the conditions applicable to such other product do not apply to the product that is used as material, and therefore no account shall be taken of any non-originating materials incorporated into such a product used as a material in the manufacture of another product.

2. Notwithstanding paragraph 1, non-originating materials which, according to the conditions set out in Appendix 2, should not be used in the manufacture of a product may nevertheless be used, provided that:

- (a) for products except for those falling within Chapters 50 to 63 of the HS, their total value does not exceed 10 per cent of the ex-works price of the product; and
- (b) for products falling within Chapters 50 to 63 of the HS, their total weight of basic textile material used does not exceed 10 per cent of the total weight of all the basic textile materials used; and
- (c) any of the percentages given in Appendix 2 for the maximum value of non-originating materials are not exceeded through the application of this paragraph.

3. Paragraph 2 shall not apply to a non-originating material used in the production of a good provided for in Chapters 1 through 24 of the HS unless the non-originating materials is provided for in a different subheading from that of the good for which the origin is being determined under this Article.

4. For the purposes of fulfilling the conditions set out in Appendix 2, the processes may be carried out by one or more producers within one Party. Supporting documents proving

the working or processing shall be maintained by the exporter or the producer of the final product.

5. Paragraphs 1 to 4 shall apply except as provided for in Article 6.

Article 6

Insufficient Working or Processing Operations

1. Without prejudice to paragraph 2, the following operations shall be considered to be insufficient working or processing to confer the status of originating products, whether or not the requirements of Article 5 are satisfied:

- (a) preserving operations to ensure that the products remain in good condition during transport and storage;
- (b) changes of packaging, breaking-up and assembly of packages;
- (c) washing, cleaning, removal of dust, oxide, oil, paint or other coverings;
- (d) ironing or pressing of textiles;
- (e) simple¹ painting and polishing operations;
- (f) husking, partial or total bleaching, polishing, and glazing of cereals and rice;
- (g) operations to colour sugar or form sugar lumps;
- (h) peeling, stoning and shelling of fruits, nuts and vegetables;
- (i) sharpening, simple grinding or simple cutting;
- (j) sifting, screening, sorting, classifying, grading, matching; (including the making-up of sets of articles);
- (k) simple² placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations;
- (l) affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging;
- (m) simple mixing³ of products, whether or not of different kinds;

¹ “simple” generally describes activities which need neither special skills nor machines, apparatus or equipment especially produced or installed for carrying out the activity.

² See footnote 1.

³ “simple mixing” generally describes activities which need neither special skills nor machines, apparatus or equipment especially produced or installed for carrying out the activity. However, simple mixing does not include chemical reaction. Chemical reaction means a process (including a

- (n) simple⁴ assembly of parts of articles to constitute a complete article or disassembly of products into parts;
- (o) simple⁵ testing or calibrations;
- (p) slaughter of animals; or
- (q) a combination of two or more operations specified in sub-paragraphs (a) to (p).

2. All operations carried out in a Party on a given product shall be considered together when determining whether the working or processing undergone by that product is to be regarded as insufficient within the meaning of paragraph 1.

Article 7

Unit of Qualification

1. The unit of qualification for the application of the provisions of this Annex shall be the particular product which is considered as the basic unit when determining classification using the nomenclature of the HS.

2. Where, under General Rule 5 of the HS, packaging is included with the product for classification purposes, it shall be included for the purposes of determining origin.

Article 8

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 9

Sets

Notwithstanding the rules set out in Appendix 2, sets, as defined in General Rule 3 of the HS, shall be regarded as originating when all component products are originating.

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.

⁴ See footnote 1.

⁵ See footnote 1.

However, 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 per cent of the ex-works price of the set.

Article 10

Neutral Elements

In order to determine whether a product originates, it shall not be necessary to determine the origin of the following which might be used in its manufacture:

- (a) energy and fuel;
- (b) plant and equipment, including goods to be used for their maintenance;
- (c) machines, tools, dies and moulds; and
- (d) any other goods which do not enter into and which are not intended to enter into the final composition of the product.

Article 11

Segregation of Materials

1. Where identical and interchangeable originating and non-originating materials are used in the manufacture of a product, those materials shall be physically segregated, according to their origin, during storage. "Identical and interchangeable materials" means materials being of the same kind and commercial quality, possessing the same technical and physical characteristics, and which once they are incorporated into the finished product cannot be distinguished from one another for origin purposes.

2. A producer facing considerable costs or material difficulties in keeping separate stocks of identical and interchangeable originating and non-originating materials used in the manufacture of a product, may use the so-called "accounting segregation" method for managing stocks.

3. The accounting method shall be recorded, applied and maintained in accordance with generally accepted accounting principles applicable in the Party in which the product is manufactured. The method chosen must:

- (a) permit a clear distinction to be made between originating and non-originating materials acquired and/or kept in stock; and
- (b) guarantee that no more products receive originating status than would be the case if the materials had been physically segregated.

4. The producer using this facilitation shall assume full responsibility that origin declarations are completed for the quantity of products considered as originating and for keeping all documentary evidence of origin of the materials. At the request of the customs authorities, the producer shall provide satisfactory information on how the stocks have been managed.

5. A Party may require that the application of the method for managing stocks as provided for in this Article is subject to prior authorization by customs authorities.