

Chapter IV

Rules of Origin

Article 15 Originating Goods

For the purpose of this Agreement, a good shall be regarded as originating in China or in Chile when:

- (a) the good is wholly obtained or produced entirely in the territory of one Party, within the meaning of Article 16;
- (b) the good is produced entirely in the territory of one or both Parties, exclusively from materials whose origin conforms to the provisions of this Chapter; or
- (c) the good is produced in the territory of one or both Parties, using non-originating materials that conform to a regional value content not less than 40%, except for the goods listed in the Annex 3, which must comply with the requirements specified therein. All goods must meet the other applicable requirements of this Chapter.

Article 16 Wholly Obtained Goods

For the purpose of subparagraph (a) of Article 15, the following goods shall be regarded as wholly obtained or produced in the territory of one Party:

- (a) mineral products extracted from the soil or from the seabed of China or Chile;
- (b) plants and plants products harvested in China or Chile;
- (c) live animals, born and raised in China or Chile;
- (d) products from live animals raised in China or Chile;
- (e) products obtained by hunting, trapping or fishing in inland waters conducted in China or Chile;
- (f) products of sea fishing and other products taken from the territorial sea or the exclusive economic zone of China or Chile;²
- (g) products of sea fishing and other products taken from the sea beyond the exclusive economic zone by a vessel flying the flag of China or Chile;

² Products of sea fishing and other products, if exclusively taken by a vessel registered or recorded within a Party and flying its flag, from the sea within its exclusive economic zone shall be regarded as wholly obtained in that Party.

- (h) products manufactured on board a factory ship flying the flag of China or Chile, exclusively from products referred to in subparagraphs (f) and (g);
- (i) used articles collected in China or Chile fit only for the recovery of raw materials;
- (j) waste and scrap resulting from manufacturing operations conducted in China or Chile and are fit only for the recovery of raw materials;
- (k) products extracted from the seabed or beneath the seabed outside the territorial sea of China or Chile, provided that they have sole rights to exploit such seabed; and
- (l) products manufactured in China or Chile exclusively from products specified in subparagraphs (a) to (k).

Article 17 Regional Value Content (RVC)

1. The regional value content of a good shall be calculated on the basis of the following method:

$$RVC = \frac{V - VNM}{V} \times 100$$

where:

RVC means the regional value content expressed as a percentage;

V means the value of the good, as defined in the Customs Valuation Agreement, adjusted on an FOB basis; and

VNM means the value, as defined in the Customs Valuation Agreement, of the non-originating materials, adjusted on a CIF basis, except as provided in paragraph 4.

2. The percentage of regional value content shall not be less than 40%, except for the goods listed in Annex 3, which shall comply with the Product Specific Rules as provided under Article 18.

3. The value of the non-originating materials used by the producer in the production of a good shall not include, for purposes of calculating the regional value content of the good, pursuant to paragraph 1, the value of non-originating materials used to produce originating materials that are subsequently used in the production of the good.

4. When the producer of the good acquires a non-originating material within the Party's territory where it is located, the value of such material shall not include freight, insurance, packing costs, and any other costs incurred in transporting the material from the supplier's warehouse to the producer's location.

Article 18 Product Specific Rules

For the purpose of determining the origin of the goods, the goods listed in Annex 3 shall comply with the corresponding origin criteria specified therein.

Article 19 Operations that Do Not Confer Origin

1. The following operations shall be considered as insufficient working or processing to confer the status of originating products:

- (a) preserving operations to ensure that the products remain in good condition during transport and storage;
- (b) 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) simple painting and polishing operations;
- (f) husking, partial or total bleaching, polishing, and glazing of cereals and rice;
- (g) operations to color 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) simple 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 mixing of products, whether or not of different kinds;
- (n) simple assembly of parts of articles to constitute a complete article or disassembly of products into parts;
- (o) operations whose sole purpose is to ease port handling;
- (p) a combination of two or more operations specified in subparagraphs (a) to (o); and

- (q) slaughter of animals.
2. For purposes of this Article:
- (a) **simple**, generally describes activities which need neither special skills nor special machines, apparatus or equipment specially produced or installed for carrying out the activity; and
 - (b) **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.

Article 20 Accumulation

Where originating goods or materials of a Party are incorporated into a good in the other Party's territory, the goods or materials so incorporated shall be regarded to be originating in the latter's territory.

Article 21 De Minimis.

A good that does not conform to the tariff classification change, pursuant to the provisions of Annex 3, shall be considered to be originating even if the value of all non-originating materials used in its production not meeting the tariff classification change requirement does not exceed 8% of the value of the given good, determined pursuant to Article 17.

Article 22 Sets

Sets, as defined in General Rule 3 of the Harmonized System, shall be regarded as originating when all the components of the sets 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 total value of the set, determined pursuant to Article 17.

Article 23 Accessories, Spare Parts, and Tools

Accessories, spare parts, or tools presented as part of the good upon importation shall be disregarded when determining the origin of the good, provided that:

- (a) the accessories, spare parts, or tools are classified with and not invoiced separately from the good; and
- (b) the quantities and the value of said accessories, spare parts, or tools are the normal ones for the good.

Article 24 Packaging Materials and Containers for Retail Sale

If the goods are subject to a change in tariff classification criteria set out in Annex 3, the origin of the packaging materials and containers in which goods are packaged for retail sale shall be disregarded in determining the origin of the goods, provided that the packaging materials and containers are classified with the goods. However, if the goods are subject to a regional value content requirement, the value of the packaging materials and containers used for retail sale shall be taken into account when determining the origin of the goods.

Article 25 Packing Materials and Containers for Shipment

The packing materials and containers used to protect a good during its transportation, shall not be taken into account when determining the origin of the good.

Article 26 Neutral Elements

1. In order to determine whether a product originates, the origin of the neutral elements defined in paragraph 2 shall not be taken into account.
2. Neutral element mean articles used in the production of a good which are, not physically incorporated into it, neither form part of it, including:
 - (a) fuel, energy, catalysts and solvents;
 - (b) equipment, devices, and supplies used for testing or inspecting the goods;
 - (c) gloves, glasses, footwear, clothing, safety equipment and supplies;
 - (d) tools, dies and molds;
 - (e) spare parts and materials used in the maintenance of equipment and buildings;
 - (f) lubricants, greases, compounding materials and other materials used in production or used to operate equipment and buildings; and
 - (g) any other goods that are not incorporated into the good but whose use in the production of the good can reasonably be demonstrated to be a part of that production.

Article 27 Direct Transport

1. Preferential tariff treatment provided for in this Agreement shall be applied to goods which satisfy the requirements of this Chapter and are directly transported between the Parties.
2. Notwithstanding paragraph 1, where the transit of goods takes place through non-Parties for storage, with or without transshipment, a maximum length of time not

exceeding three months shall be imposed on the duration of stay of the goods since its entry into non-Parties.

3. To be eligible for preferential tariff treatment, goods shall not undergo any processing or production process in a non-Party except for loading, unloading, reloading, packing, packaging, repackaging or any other operation necessary for preservation in good condition or transportation.

4. Compliance with the provisions set out in paragraph 2 and 3 shall be authenticated by presenting to the customs authorities of the importing Party either with customs documents of the non-Parties or with any other documents so provided to the satisfaction of the customs authorities of the importing Party.

Article 28 Exhibitions

1. Preferential tariff treatment as provided for under this Agreement shall be granted to originating products, sent for exhibition in a non-Party and sold after the exhibition for importation in China or Chile when the following conditions are met to the satisfaction of the customs authorities of the importing Party:

- (a) an exporter has consigned these products from China or Chile to the non-Party where the exhibition has actually taken place;
- (b) the products have been sold or otherwise disposed of by that exporter to a person in China or Chile;
- (c) the products have been consigned during the exhibition or immediately thereafter in the state in which they were sent for exhibition;
- (d) the products have not been used for any purpose other than demonstration at the exhibition since they were consigned for exhibition; and
- (e) the products have remained during the exhibition under customs authorities control.

2. For the purpose of application of paragraph 1, a certificate of origin shall be issued in accordance with the provisions of Chapter V and submitted to the customs authorities of the importing Party, with the name and address of the exhibition being attached thereon. Where necessary, additional documentary evidence related to the exhibition may be required.

3. Paragraph 1 shall apply to any trade, industrial, agricultural or crafts exhibition, fair or similar public show or display which is not organized for private purposes in shops or business premises with a view to the sale of foreign products.

Article 29

Definitions

For the purposes of this Chapter:

CIF means the value of the good imported, inclusive of the cost of freight and insurance up to the port or place of entry into the country of importation;

Customs Valuation Agreement means the *Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994*, which is part of the WTO Agreement;

FOB means the value of the good free on board, independent of the means of transportation, at the port or site of final shipment abroad;

material means a good that is used in the production or transformation of another good, including a part or an ingredient;

production means growing, raising, mining, harvesting, fishing, trapping, hunting, manufacturing, processing, or assembling a good; and

producer means a person who grows, raises, mines, harvests, fishes, hunts, manufactures, processes or assembles a good.