

## Examples of Applications of Rules of Origin

### 1. Unassembled or Disassembled Goods

#### Example of a good imported to a Party in a disassembled form but classified as an assembled good (Article 33)

Company A produces Gas Turbine (HS8411.82) in Japan, which is an extremely large machine obtaining originating status, and plans to export it to Thailand under the Agreement. Company A exports it in a disassembled form (a group of lots) by reason of transportation. In this case, the Thai customs classifies the group of lots as an assembled good, “the article complete, presented disassembled”, i.e., an assembled gas turbine by virtue of Rule 2(a) of the General Rules for the Interpretation of the Harmonized System<sup>1</sup> (hereinafter referred to as “GRI 2(a)"). Its originating status is not lost and it is classified as Gas Turbine (HS8411.82).

### 2. Information Technology Goods

Information technology goods which are covered by attachment A or B of the Ministerial Declaration on Trade in Information Technology Products adopted in the Ministerial Conference of the WTO on 13 December 1996<sup>2</sup> (hereinafter referred to as “the attachment”) and which are exported without a certificate of origin under the Agreement, are provided duty-free treatment by each Party. When such information technology goods are used in the production of another good as materials, producers of the information technology materials are requested by a producer of that good to provide cost data to prove the origin of those materials. Since the producers of those materials are not requested to prove the origin of those materials as long as they export them as final goods and have difficulties in providing the data of those materials, the producer of the good may not be able to obtain the data of origin. The example shows that cost data to prove the origin of information technology materials used in the production of another good is not required and the burden of producers of both the good and materials is reduced.

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<sup>1</sup> General Rules for the Interpretations of the Harmonized System 2 (a)

2(a) Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as presented, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also be taken to include a reference to that article complete or finished (or falling to be classified as complete or finished by virtue of this Rule), presented unassembled or disassembled.

<sup>2</sup> Subparagraph (g) of Section 1 of Annex II (Product Specific Rules)

a good which is covered by Attachment A or B of the Ministerial Declaration on Trade in Information Technology Products adopted in the Ministerial Conference of the World Trade Organization on 13 December 1996 and is used as a material in the production of another good in a Party may be considered as an originating material of the Party, regardless of the applicable PSRs for the former good, provided that the former good is assembled in either Party, except where the former good is classified in subheading 8541.10 through 8542.90.

Example when using a material covered by the attachment except for HS 85.41 through 85.42 (subparagraph (g) of Section 1 of Annex 2)

Company A produces washing machines in Japan and plans to export them to Thailand under the Agreement.

The PSRs for washing machines (HS8450.11) under the Agreement are:

*A change to subheading 8450.11 through 8450.20 from any other subheading; or  
No required change in tariff classification to subheading 8450.11 through 8450.20,  
provided that there is a qualifying value content of not less than 40 per cent.*

Company A decided to choose the 40% value-added rule in this case.

Company A's manufacturing costs of the washing machine

Material/Parts	Sources	Originating Status	Value US\$
<b>Parts a</b>	<b>Japan</b>	<b>originating</b>	<b>100</b>
<b>Parts b (switch)</b>	<b>Thailand</b>	considered as originating (information technology good)	<b>40</b>
Parts c	China	non-originating	50
Parts d	India	non-originating	120
Parts e	S. Korea	non-originating	100
Other Costs	N/A	N/A	90
F.O.B. Price	--	--	500

Company A obtains Parts b (switch, HS8536.50) covered by the attachment from Company B in Thailand. If Company A obtains information which proves that Parts b (switch) was assembled in Thailand, Parts b is considered as an originating material pursuant to subparagraph (g) of Section 1 of Annex 2, and the calculation of Q.V.C. is:

$$\text{Q.V.C.} = \frac{\$500 - \$270 \text{ (Parts c, d and e)}}{\$500} \times 100 = 46\% \geq 40\%$$

The above calculation shows that the washing machine qualifies as an originating good.