

Committee on Rules of Origin

**INTEGRATED NEGOTIATING TEXT FOR THE
HARMONIZATION WORK PROGRAMME**

CHAPTERS 84- 90 (MACHINERY)

Note by the Secretariat

Addendum

1. At its meeting on 10 May 1996, the Committee on Rules of Origin (CRO) decided to establish an Integrated Negotiating Text (INT) for the Harmonization Work Programme. The first INT was circulated in document G/RO/W/13 (24 May 1996), and had been periodically updated (G/RO/W/13/Rev.1-3, G/RO/W/13/Rev.3/Add.1 and 2). A further consolidated INT was circulated in document G/RO/41(3 September 1999), and has also been periodically updated (JOB(99)/5869, JOB(99)/7617, JOB(00)/1573, JOB(00)/3230, JOB(00)/5207 and JOB(00)/7194).
2. The attached addendum to document G/RO/45 is the latest update of the negotiating text for Chapters 84-90 and reflects the progress made by the CRO in March 2001.

ISSUES FOR DECISION; CHAPTERS 84 TO 90

Table of Contents

- Part 1: List of unresolved issues submitted to the CRO for decision
- Part 2: Generic issues for Chapters 84 to 90
- Part 3: Product specific issues for Chapters 84 to 90
- Part 4: Reorganised Chapter Rules and Notes for Chapters 84 to 90
- Part 5: Product specific rules of origin provided in the matrices

PART 1 : LIST OF UNRESOLVED ISSUES SUBMITTED TO THE CRO FOR DECISION

Chapters 84 to 90

ISSUE NO.	UNRESOLVED ISSUES SUBMITTED TO THE CRO FOR DECISION
Part 2: Generic Issues: Chapters 84 – 90	
No.1:	ORIGIN CONFERRING ASSEMBLY FOR GOODS OF CHAPTERS 84 TO 90 <i>It should be noted that if Option A/1 is finally taken: i) the scope of the split (sub)heading to address the parts to parts issue; ii) choice between CTH and CTSH to address the modification issue should yet be finalised as substantive issues. However, when the other options are taken these issues become only a single terminology issue on which no technical discussion is needed.</i>
No.2:	GIR 2(a): PRODUCTION OF COMPLETE OR FINISHED GOODS (INCLUDING SUB-ASSEMBLY) FROM FORGED OR CAST BLANKS
No.3:	GIR 2(a): MANUFACTURE OF A FINISHED ARTICLE OR PART (INCLUDING SUB-ASSEMBLY) FROM AN UNFINISHED ARTICLE OR PART OTHER THAN BLANK
No.4:	GIR 2(a): CHANGE OF CLASSIFICATION BY VIRTUE OF THE APPLICATION OF THE SECOND PART OF GIR 2(A) - COLLECTION OF PARTS
No.5:	ASSEMBLY OF THE COLLECTION OF PARTS CLASSIFIED BY VIRTUE OF THE APPLICATION OF THE SECOND PART OF GIR 2(a)
No.6:	CHANGE OF CLASSIFICATION BY VIRTUE OF PACKAGING OR REPACKAGING OF GOODS
No.7:	CHANGE OF CLASSIFICATION BY VIRTUE OF THE APPLICATION OF NOTE 4 TO SECTION XVI OF THE HS (FUNCTIONAL UNITS)
No.8:	CHANGE OF CLASSIFICATION BY VIRTUE OF: DEGRADATION BY AGEING OR CONSUMPTION OR ANY OTHER REASON
No.9:	CHANGE OF CLASSIFICATION BY VIRTUE OF: CHANGE OF USE
No.10:	CHANGE OF CLASSIFICATION BY VIRTUE OF: RECERTIFICATION OR RETESTING OF ARTICLES
No.11:	ORIGIN OF A DISASSEMBLED OR RECOVERED PART OR A REMOVED ARTICLE FROM THE GOOD THAT WOULD HAVE PERFORMED ITS ORIGINAL PURPOSE OR WOULD HAVE BEEN CAPABLE OF BEING RESTORED OR REPAIRED
No.12:	ORIGIN OF A RECOVERED OR COLLECTED PART OR A REMOVED ARTICLE FROM THE GOOD THAT CAN NO LONGER PERFORM ITS ORIGINAL PURPOSE NOR IS CAPABLE OF BEING RESTORED OR REPAIRED (PARTS OR ARTICLES COVERED BY THE WHOLLY OBTAINED GOODS DEFINITIONS)
[No.13:	REASSEMBLY OF THE DISASSEMBLED GOODS]
Part 3: Product specific issues	
CHAPTER 84:	
No.14:	ATTACHMENT OF ENGINES OR MOTORS TO PARTS
No.15:	ATTACHMENT OF COMPRESSORS TO PARTS OF MECHANICAL APPLIANCES FOR PROJECTING, DISPERSING OR SPRAYING LIQUIDS OR POWDERS, ETC. (8424.90)
No.16:	USE OF MACHINE-TOOLS OF HEADINGS 84.58 THROUGH [84.63] [84.65] FOR THE ASSEMBLY OF MACHINING CENTRES, UNIT CONSTRUCTION MACHINES (SINGLE STATION) OR MULTI-STATION TRANSFER MACHINES
No.17:	USE OF MACHINING CENTRES OR UNIT CONSTRUCTION MACHINES (SINGLE STATION) FOR THE ASSEMBLY OF MULTI-STATION TRANSFER MACHINES

ISSUE NO.	UNRESOLVED ISSUES SUBMITTED TO THE CRO FOR DECISION
No.18:	MANUFACTURE OF NUMERICALLY CONTROLLED MACHINE-TOOLS OF HEADINGS 84.58, 84.59, 84.60 AND 84.62 FROM NON-NUMERICALLY CONTROLLED MACHINE-TOOLS CLASSIFIED IN THE SAME HEADING
No.19:	PRODUCTION OF CIPHERING EQUIPMENT WITH THE MANUFACTURING OF THE CORRESPONDING PRINTED CIRCUIT BOARDS (HARDWARE) AND THE INTEGRATION OF THE CIPHERING CAPABILITIES (SOFTWARE)
No.20:	PRESENTATION OF DIGITAL AUTOMATIC DATA PROCESSING MACHINES CLASSIFIED IN SUBHEADINGS 8471.49 (PRESENTED IN THE FORM OF SYSTEM) FROM UNITS CLASSIFIED IN THE SAME HEADING
No.21:	ASSEMBLY OF DIGITAL PROCESSING UNITS WHICH DO NOT CONTAIN IN THE SAME HOUSING ANY OF THE STORAGE UNITS, INPUT UNITS OR OUTPUT UNITS (EX 8471.50(A)) FROM ANY OTHER UNITS CLASSIFIED OTHER THAN SUBHEADING 8471.50 INCLUDING OPTICAL DISK FILING SYSTEMS
No.22:	USING DIGITAL PROCESSING UNITS WHICH DO NOT CONTAIN IN THE SAME HOUSING ANY OF THE STORAGE UNITS, INPUT UNITS OR OUTPUT UNITS (EX 8471.50(a)) AS STARTING MATERIALS
No.23:	ASSEMBLY OF INPUT OR OUTPUT UNITS (OTHER THAN PRINTER UNITS) WHICH DO NOT CONTAIN THE STORAGE UNITS IN THE SAME HOUSING (EX 8471.60(a) OF SPLIT SUBHEADINGS (A) AND (B)) FROM ANY OTHER UNITS CLASSIFIED OTHER THAN SUBHEADING 8471.60 INCLUDING OPTICAL DISK FILING SYSTEMS
No.24:	USING INPUT OR OUTPUT UNITS (OTHER THAN PRINTER UNITS) WHICH DO NOT CONTAIN THE STORAGE UNITS IN THE SAME HOUSING (EX 8471.60(a) OF SPLIT SUBHEADINGS (A) AND (B)) AS STARTING MATERIALS
No.25:	ASSEMBLY OF PRINTER UNITS WHICH DO NOT CONTAIN THE STORAGE UNITS FROM ANY OTHER UNITS CLASSIFIED OTHER THAN SUBHEADING 8471.60 INCLUDING OPTICAL DISK FILING SYSTEMS
No.26:	USING PRINTER UNITS WHICH DO NOT CONTAIN THE STORAGE UNITS (SPLIT SUBHEADING (B), EX 8471.60(C)) AS STARTING MATERIALS
No.27:	ASSEMBLY OF PRINTER UNITS WHICH DO NOT INCORPORATE ONE OR MORE OF THE MEDIA TRANSPORT ASSEMBLY, COMMAND OR CONTROL ASSEMBLY OR PRINT MECHANISM ASSEMBLY (SPLIT SUBHEADING (A) EX 8471.60(c))
No.28:	USING PRINTER UNITS WHICH DO NOT INCORPORATE ONE OR MORE OF THE MEDIA TRANSPORT ASSEMBLY, COMMAND OR CONTROL ASSEMBLY OR PRINT MECHANISM ASSEMBLY (SPLIT SUBHEADING (A) EX 8471.60(c)) AS STARTING MATERIALS
No.29:	ATTACHMENT OF TWO OR MORE OF THE READ AND/OR WRITE UNITS, COMMON INTERFACE OR CONTROL UNITS TO STORAGE UNITS WHICH DO NOT CONTAIN MORE THAN ONE OF THE READ AND/OR WRITE UNITS, COMMON INTERFACE OR CONTROL UNITS (SUCH AS HARD DISK DRIVES) TO PRODUCE RAID (REDUNDANT ARRAY OF INEXPENSIVE DISKS) (SPLIT SUBHEADING (A) EX 8471.70(A))
No.30:	ATTACHMENT OF A CONTROL OR ADAPTER UNIT CONNECTED TO ONE OR MORE STORAGE UNITS TO OTHER STORAGE UNITS TO PRODUCE ASSEMBLIES CONTAINING IN THE SAME HOUSING A CONTROL OR ADAPTER UNIT CONNECTED TO ONE OR MORE STORAGE UNITS (SPLIT SUBHEADING (B) EX 8471.70(A))
No.31:	ASSEMBLY OF STORAGE UNITS OTHER THAN ASSEMBLIES WHICH CONTAINING IN THE SAME HOUSING A CONTROL OR ADAPTER UNIT CONNECTED TO ONE OR MORE STORAGE UNITS (SPLIT SUBHEADING (B) EX 8471.70(a)) FROM OTHER UNITS OF HEADING 84.71 OTHER THAN THOSE OF SUBHEADING 8471.70

ISSUE NO.	UNRESOLVED ISSUES SUBMITTED TO THE CRO FOR DECISION
No.32:	ASSEMBLY OF PLASMA DISPLAY PANELS, LASER PRINTER CARTRIDGES, INKJET CARTRIDGES, PRINTER HEADS OR SHEET FEEDERS FROM THEIR PARTS CLASSIFIED IN THE SAME SUBHEADING (8473.30)
No.33:	ASSEMBLY OF MEMORY MODULES (FOR EXAMPLE, SIMMs, DIMMs AND MEMORY BOARDS) FROM ELECTRONIC INTEGRATED CIRCUITS AND MICROASSEMBLIES (85.42)
No.34:	ATTACHMENT OF HEATING OR REFRIGERATING DEVICE TO AUTOMATIC GOODS-VENDING MACHINES
No.35:	ASSEMBLY OF BALL OR ROLLER BEARINGS (8482.10 THROUGH 8482.80) FROM FINISHED INNER OR OUTER RINGS OR RACES CLASSIFIED IN SUBHEADING 8482.99
No.36:	HEAT TREATMENT AND GRINDING TO MANUFACTURE INNER OR OUTER RINGS OR RACES OF BALL OR ROLLER BEARINGS (EX 8482.99(a))
No.37:	INCORPORATION OF BALL OR ROLLER BEARINGS INTO BEARING HOUSINGS
No.38:	MANUFACTURE OF MECHANICAL SEALS FROM OTHER ARTICLES CLASSIFIED IN ANOTHER SUBHEADING
No.39:	PACKAGING OR REPACKAGING OF GASKETS (SET)
CHAPTER 85:	
No.40:	ASSEMBLY OF ELECTRIC MOTORS AND GENERATORS FROM PARTS
No.41:	ASSEMBLY OF ELECTRIC GENERATING SETS AND ROTARY CONVERTERS FROM GENERATORS (85.01) AND PRIME MOVERS (STEAM TURBINES, GAS TURBINES, INTERNAL COMBUSTION ENGINES ETC. OF HEADINGS 84.06, 84.07, 84.08, 84.11, 84.12)
No.42:	ASSEMBLY OF BALLASTS FOR DISCHARGE LAMPS OR TUBES FROM ELECTRICAL TRANSFORMERS OR INDUCTORS
No.43:	ASSEMBLY OF PRIMARY BATTERIES AND ELECTRIC ACCUMULATORS FROM CELLS
No.44:	MANUFACTURE OF PARTS FOR THE GOODS OF HEADINGS 85.08, 85.09, 85.10, 85.16 THAT INCLUDE ELECTRIC MOTORS OR GENERATORS OF HEADING 85.01
No.45:	ASSEMBLY OF A "CAVITY" FROM ITS PARTS (ex 8516.90(b) for 8516.90
No.46:	ADDITION OR REMOVAL OF DEVICES THAT RESULTS IN A CHANGE OF CLASSIFICATION: WELDING MACHINES AND APPARATUS
No.47:	ASSEMBLY OF THE ELECTRICAL HEATING RESISTORS OF SUBHEADING 8516.80 FROM PARTS CLASSIFIED IN THE SAME HEADING
No.48:	FITTING OF ELECTRONIC ENCRYPTION SYSTEMS
No.49:	ASSEMBLY OF ELECTRIC SOUND AMPLIFIER SETS
No.50:	FINISHING OPERATIONS FROM COATED OR EVAPORATED AND SLITTED ROLL (MAGNETIC TAPES), FROM COATED OR EVAPORATED (MAGNETIC DISCS), OR FROM SPUTTERED AND SURFACE PROTECTED (OTHER PREPARED UNRECORDED MEDIA)
No.51:	RECORDING SOUND, IMAGE OR DATA
No.52:	PROGRAMMING AND CONTROL OF MAGNETIC "SWIPE" CARDS
No.53:	ATTACHING OR REMOVING RECEPTION APPARATUS TO MANUFACTURE THE TRANSMISSION APPARATUS FOR RADIO-TELEPHONY, ETC.
No.54:	ATTACHING OR REMOVING RADAR APPARATUS
No.55:	ASSEMBLY OF FINISHED OR COMPLETE TELEVISION RECEIVERS, VIDEO PROJECTORS OR VIDEO MONITORS FROM UNFINISHED OR INCOMPLETE GOODS CLASSIFIED IN THE SAME SUBHEADING AS THE COMPLETE OR FINISHED PRODUCT

ISSUE NO.	UNRESOLVED ISSUES SUBMITTED TO THE CRO FOR DECISION
No.56:	ASSEMBLY OF TELEVISION RECEIVERS, VIDEO MONITORS VIDEO PROJECTORS ETC. OF HEADING 85.28 USING A NON-ORIGINATING CATHODE RAY TUBE
No.57:	MANUFACTURE OF ENERGY DISTRIBUTION DIRECTING SYSTEMS
No.58:	ASSEMBLY OF CATHODE RAY TUBE BLOCKS FROM CATHODE RAY TUBES
No.59:	MOUNTING OF DIODES, TRANSISTORS, OTHER SEMICONDUCTORS, INTEGRATED CIRCUITS ETC.
No.60:	MOUNTING OF MORE THAN 2 ITEMS OF HEADING 85.41
No.61:	PROGRAMMING DIODES, TRANSISTORS, SIMILAR SEMICONDUCTOR DEVICES AND OTHER GOODS OF HEADING 85.41 AND ELECTRONIC CIRCUITS AND MICRO-ASSEMBLIES OF HEADING 85.42
No.62:	PROGRAMMING UNMOUNTED OR MOUNTED ELECTRONIC INTEGRATED CIRCUITS AND MICROASSEMBLIES (E.G., ERASABLE PROGRAMMABLE READ ONLY MEMORY (EPROM) FOR FIRE DETECTION OR INTRUSION ALARM SYSTEMS OF 8531.90) OF HEADING 85.42
No.63:	TESTING OF DIODES, TRANSISTORS, SEMICONDUCTORS, INTEGRATED CIRCUITS ETC. OF HEADINGS 85.41, 85.42
No.64:	ASSEMBLY OF FLAME SENSORS FROM OTHER GOODS OF HEADING 85.41
No.65:	ASSEMBLY OF IGNITION WIRING SETS (8544.30)
No.66:	COMBINING INSULATED WIRE, CABLE OR OTHER INSULATED ELECTRIC CONDUCTORS OR OPTICAL FIBRE CABLES CLASSIFIED IN THE SAME HEADING; ASSEMBLY OF IGNITION WIRING SETS
No.67:	FITTING CONNECTORS (85.36) TO INSULATED ELECTRIC CONDUCTORS (8544.49 AND 8544.59)
CHAPTER 86:	
No.68:	CHANGE OF CLASSIFICATION BY ATTACHING FITTINGS TO TANKS, CASKS, CONTAINERS FOR COMPRESSED OR LIQUEFIED GAS, OF IRON OR STEEL, ETC. CLASSIFIED IN HEADINGS 73.09 THROUGH 73.11
CHAPTER 87:	
No.69:	MANUFACTURE OF A VEHICLE FROM A CHASSIS FITTED WITH ITS ENGINE
No.70:	MANUFACTURE OF MOUNTED BRAKE LININGS FROM BRAKE PADS AND LININGS OF SUBHEADING 6813.10
CHAPTER 88:	
<i>ISSUES OF THIS CHAPTER ARE COVERED BY THE GENERIC ISSUES FOR CHAPTERS 84 TO 90</i>	
CHAPTER 89:	
No.71:	ASSEMBLY OF A VESSEL OF HEADINGS 89.01 TO 89.05 FROM A HULL THAT DOES NOT HAVE THE ESSENTIAL CHARACTER OF A VESSEL OF A PARTICULAR KIND
No.72:	ASSEMBLY OF A COMPLETE OR FINISHED VESSEL CLASSIFIED A HEADING BETWEEN 89.01 AND 89.05 FROM A HULL OR AN INCOMPLETE OR UNFINISHED VESSEL THAT HAS THE ESSENTIAL CHARACTER OF THE VESSEL CONCERNED
No.73:	ASSEMBLY OF A COMPLETE OR FINISHED OTHER VESSEL OF HEADINGS 89.06 FROM A HULL OR AN INCOMPLETE OR UNFINISHED OTHER VESSEL OF HEADING 89.06
No.74:	ORIGIN OF VESSELS AND OTHER FLOATING STRUCTURES FOR BREAKING UP

ISSUE NO.	UNRESOLVED ISSUES SUBMITTED TO THE CRO FOR DECISION
CHAPTER 90:	
No.75:	PRODUCTION OF OPTICAL FIBRES FROM PREFORMS CLASSIFIED OUTSIDE HEADING 90.01
No.76:	PRODUCTION OF OPTICAL FIBRE BUNDLES FROM OPTICAL FIBRES
No.77:	PRODUCTION OF OPTICAL FIBRE CABLES OTHER THAN THOSE OF 8544.70 FROM OPTICAL FIBRES AND OPTICAL FIBRE BUNDLES
No.78:	POLISHING OF SPECTACLE LENSES OF GLASS OR OTHER MATERIALS OR OF OTHER OPTICAL ELEMENTS
No.79:	COATING OF WORKED OPTICAL ELEMENTS OF 9001.90
No.80:	MOUNTING OF LENSES, PRISMS, MIRRORS AND OTHER WORKED OPTICAL ELEMENTS
No.81:	PRODUCTION OF PARTS AND ACCESSORIES FOR BINOCULARS, MONOCULARS, TELESCOPES AND OTHER ASTRONOMICAL INSTRUMENTS FROM WORKED OPTICAL ELEMENTS OR MOUNTED OPTICAL ELEMENTS
No.82:	ATTACHMENT OF INTERCHANGEABLE LENSES TO CAMERAS, PROJECTORS AND PHOTOGRAPHIC ENLARGERS AND REDUCERS OF HEADINGS 90.06, 90.07 AND 90.08
No.83:	PRODUCTION OF FRAMES AND MOUNTINGS FOR SPECTACLES, GOGGLES AND THE LIKE FROM IDENTIFIABLE PARTS
No.84:	MOUNTING OF LENSES IN FRAMES TO PRODUCE SPECTACLES OR GOGGLES
No.85:	ASSEMBLY OF CATHETERS, CANNULAE AND THE LIKE USING RUBBER TUBING
No.86:	ASSEMBLY OF PARTS AND ACCESSORIES OF AUTOMATIC REGULATING OR CONTROLLING INSTRUMENTS AND APPARATUS USING CONTROL PANELS OR PROGRAMMABLE CONTROLLERS

U.S. PROPOSALS FOR CHAPTERS 84.85 AND 90

CHAPTER 84

Chapter Rules

1. Limitation on change in classification rules in the matrix.- Where satisfaction of the rules of this chapter results solely from the following circumstances, origin shall be determined as indicated herein:

[Explanation: Chapter rule 1 is intended to address the issues of when a non-origin-conferring operation occurs that results in a change of classification. The rule provides for a positive origin rule in those circumstances.]

A. Goods obtained by disassembly

- (1) A change of classification which results from the disassembly of the good that can perform its original purpose shall not be considered as the change required by the rule set forth in the matrix. The parts recovered from the good shall retain the country of origin of the good prior to disassembly.
- (2) A change of classification which results from the disassembly of the good that cannot perform its original purpose without being restored or repaired shall not be considered as the change required by the rule set forth in the matrix. The country of origin of the recovered parts shall be [one among the following options:]
 - [(a) the country where the parts are recovered;]
 - [(b) the country of origin of the good from which the parts are recovered;]
 - [(c) the initial country of origin of the parts.]

B. Packaging or repackaging - Where a change in classification results from packaging or repackaging, the origin of the good shall be the origin prior to such packaging or repackaging.

C. Application of GIR 2(a) - Collection of parts into kits – Where a change in classification results from the application of Harmonized System General Interpretative Rule 2(a) with respect to collections of parts that are presented as unassembled articles of another heading or subheading the individual parts shall retain their origin prior to such collection.

D. Application of note 4 to Section XVI - Presentation of separately packaged goods as functional units – Where a change in classification results from the application of note 4 to Section XVI of the Harmonized System to separately packaged goods presented together in a single shipment the separately packaged goods shall retain their origin prior to such presentation.

2. Additional Primary Rule – When chapter rule 1 does not apply and the other primary rules in this chapter are not met in the last country of production, the following shall be applied in sequence:

[Explanation: Chapter rule 2 is intended to provide for origin-conferring operations that do not result in a change of classification.]

A. Goods produced from forged or cast blanks - Where goods are produced from forged or cast blanks which had the essential character of the complete or finished goods and were classifiable, by application of Harmonized System General Interpretative Rule 2(a), in the same heading or subheading as the complete or finished goods:

(1) Provided the following criteria are met, the country of origin of the goods shall be the country in which the blank was finished:

(a) In its imported prefinished condition, the blank was not capable of functioning for its ultimate use and was not advanced beyond cleaning or working to remove flash, sprues, burrs or similar excess material, and

(b) In the country in which the goods were finished:

(i) The blank was configured to final shape by the removal of material (other than merely by honing or polishing or both), or by bending, hammering, pressing, stamping or similar forming process; and

(ii) The blank underwent one or more of the following processes:

1. Hardening to a minimum hardness of 38 degrees Rockwell C or equivalent standard of hardness; or

2. Assembly with five or more parts (other than parts of general use as defined in Note 2 to Section XV or similar parts of plastic (Chapter 39)).

[(2) [Chapter Residual Rule.]—If the criteria of subparagraph (1) above are not satisfied, the country of origin of the goods shall be the country of origin of the blank.]

[Explanation: Rule 2(A)(2) is a residual rule which reflects Rule 2(c) of Appendix 2.]

B. When the good is produced from materials or components that changed classification but did not satisfy the primary rule applicable to the good, the country of origin of the good is the country that furnished all or the major portions of that material or component.

[Explanation: Chapter rule 2(B) applies when a primary rule provides for an exception, i.e. “CTH except from heading 85.01.”]

C. The following rules apply only to goods classifiable under provisions for “parts” or “parts and accessories” and which are not described by name in the Harmonized System, applied in sequence.

[Explanation: Chapter rule 2(C) is to be applied to parts and accessories which are not provided for by name in the Harmonized System. For example, it would not

apply to subheading 8420.91 (which provides for cylinders which are classified as parts of rolling maCHInes) but it would apply to 8420.99 (which provides for other non enumerated parts of rolling maCHInes). The rule also applies to goods assembled from kits.]

- (1) Goods produced by assembly of 5 or more parts, other than parts provided for in rule 2(C)(3) shall have origin in the country of assembly.

[Explanation: Producing parts or accessories by assembling other parts will be an origin conferring event provided that (1) the assembly involves at least 5 parts and (2) operations other than those enumerated in chapter rule 2(C)(3) below are involved. Parts of general use and other parts referred to in chapter rule 2(C)(3) are not counted toward the requirements of this rule.]

- (2) Goods produced as a result of processing non-originating components other than parts provided for in rule 2(C)(3) into a device or apparatus capable of performing one or more new mechanical or electrical functions shall have origin in the country of such processing.

[Explanation: Producing parts which have a mechanical or electrical function which was not present in the materials used in their production will be an origin conferring event provided that operations other than those enumerated in chapter rule 2(C)(3) below are involved. Examples are attached as an annex to this document.]

- (3) The following parts shall not be counted for purposes of rule 2(C)(1) nor shall the operations described be deemed to result in a new mechanical or electrical function for purposes of rule 2(C)(2):

- (1) the attachment of maCHInery to a base;
- (2) the installation of maCHInery or apparatus into cabinets or similar encasements;
- (3) the attachment of parts of general use as defined in Note 2 to Section XV of the Harmonized System or similar parts of plastic (Chapter 39) ;
- (4) the attachment of handles, dials, knobs, hand cranks, and other consumer-operated controls;
- (5) the attachment of a power cord or change of mains voltage/frequency by adding transformer, adapter or converter;
- (6) the installation of batteries, accumulators, sensors, thermostats or other articles not designed to become a permanent part of the good;
- (7) the attachment of accessories or parts (including printed circuits with components assembled thereon), which serve only to enhance the operation of the maCHIne or device;

- (8) the addition of manuals, warranty cards, certificates of conformance to standards (with or without testing), or labels; or
- (9) the installation of software

[Explanation: These are minimal operations which, whether performed individually or in any combination, are insufficient to confer origin. Furthermore, the parts involved in these operations are not to be counted in applying the 5 parts assembly rule (chapter rule 2(C)(1)).]

Chapter Residual Rules

For purposes of Rule 2(c) [new (d)] of Appendix 2 the following residual rules shall be applied in sequence:

1. For goods classifiable under provisions for “parts” or “parts and accessories” and which are not described by name, the country of origin shall be the country of assembly provided the goods are produced by the assembly of two or more parts (other than parts of general use, as defined in Note 2 to Section XV or similar parts of plastic (Chapter 39)), and one or more of the parts (other than parts of general use, as defined in Note 2 to Section XV or similar parts of plastic (Chapter 39) satisfies the requirements for origin in the country of assembly. For purposes of this rule, the following parts shall not be counted nor shall the operations described be deemed to be origin conferring operations:

[Explanation: Producing parts or accessories by assembling 2 or more lesser parts will be an origin conferring event provided that (1) at least one of those parts had origin in the country of assembly and (2) operations other than those enumerated below are involved. This rule is to be applied only to parts or parts and accessories which are not provided for by name in the Harmonized System. For example, it would not apply to subheading 8420.91 (which provides for cylinders which are parts of rolling machines) but it would apply to 8420.99 (which provides for other non enumerated parts of rolling machines).]

- A. the attachment of machinery to a base;
- B. the installation of machinery or apparatus into cabinets or similar encasements;
- C. the attachment of parts of general use as defined in Note 2 to Section XV of the Harmonized System or similar parts of plastic (Chapter 39);
- D. the attachment of handles, dials, knobs, hand cranks, and other consumer-operated controls;
- E. the attachment of a power cord or change of mains voltage/frequency by adding transformer, adapter or converter;

- F. the installation of batteries, accumulators, sensors, thermostats or other articles not designed to become a permanent part of the good;
- G. the attachment of accessories or parts (including printed circuits with components assembled thereon), which serve only to enhance the operation of the maCHine or device;
- H. the addition of manuals, warranty cards, certificates of conformance to standards (with or without testing), or labels; or
- IJ. the installation of software

[Explanation: These are minimal operations which, whether performed individually or in any combination, are insufficient to confer origin]

- [2. When the good is produced from materials originating in a single country that did not undergo the change in classification or did not otherwise satisfy the primary rule applicable to the good, the country of origin is the country in which that material originated;
- 3. The country of origin shall be the country of origin of that [material] [functional element] that gives the good its essential character, to the extent to which the principle of essential character can be applied. Otherwise, the country of origin shall be the country in which the major portion of those materials originated, as determined on the basis of weight.]

CHAPTER 85

Chapter Rules

1. Limitation on change in classification rules in the matrix - Where satisfaction of the rules of this chapter results solely from the following circumstances, origin shall be determined as indicated herein:

[Explanation: Chapter rule 1 is intended to address the issues of when a non-origin-conferring operation occurs that results in a change of classification. The rule provides for a positive origin rule in those circumstances.]

A. Goods obtained by disassembly.--

- (1) A change of classification which results from the disassembly of the good that can perform its original purpose shall not be considered as the change required by the rule set forth in the matrix. The parts recovered from the good shall retain the country of origin of the good prior to disassembly.
- (2) A change of classification which results from the disassembly of the good that cannot perform its original purpose without being restored or repaired shall not be considered as the change required by the rule set forth in the matrix. The country of origin of the recovered parts shall be [one among the following options:]
 - [(a) the country where the parts are recovered;]
 - [(b) the country of origin of the good from which the parts are recovered;]
 - [(c) the initial country of origin of the parts.]

B. Packaging or repackaging - Where a change in classification results from packaging or repackaging, the origin of the good shall be the origin prior to such packaging or repackaging.

C. Application of GIR 2(a) - Collection of parts into kits - Where a change in classification results from the application of Harmonized System General Interpretative Rule 2(a) with respect to collections of parts that are presented as unassembled articles of another heading or subheading the individual parts shall retain their origin prior to such collection.

D. Application of note 4 to Section XVI - Presentation of separately packaged goods as functional units. - Where a change in classification results from the application of note 4 to Section XVI of the Harmonized System to separately packaged goods presented together in a single shipment the separately packaged goods shall retain their origin prior to such presentation.

2. Additional Primary Rule. - When chapter rule 1 does not apply and the other primary rules in this chapter are not met in the last country of production, the following shall be applied in sequence:

[Explanation: Chapter rule 2 is intended to provide for origin-conferring operations that do not result in a change of classification.]

A. Goods produced from forged or cast blanks. - Where goods are produced from forged or cast blanks which had the essential character of the complete or finished goods and were classifiable, by application of Harmonized System General Interpretative Rule 2(a), in the same heading or subheading as the complete or finished goods:

(1) Provided the following criteria are met, the country of origin of the goods shall be the country in which the blank was finished:

(a) In its imported prefinished condition, the blank was not capable of functioning for its ultimate use and was not advanced beyond cleaning or working to remove flash, sprues, burrs or similar excess material, and

(b) In the country in which the goods were finished:

(i) The blank was configured to final shape by the removal of material (other than merely by honing or polishing or both), or by bending, hammering, pressing, stamping or similar forming process; and

(ii) The blank underwent one or more of the following processes:

1. Hardening to a minimum hardness of 38 degrees Rockwell C or equivalent standard of hardness; or

2. Assembly with five or more parts (other than parts of general use as defined in Note 2 to Section XV or similar parts of plastic (Chapter 39)).

[(2) [Chapter Residual Rule.] If the criteria of subparagraph (1) above are not satisfied, the country of origin of the goods shall be the country of origin of the blank.]

[Explanation: Rule 2(A)(2) is a residual rule which reflects Rule 2(c) of Appendix 2.]

B. When a good of heading 85.23 is produced from a good of heading 85.24, the country of origin of the good is the country in which the good was first transformed into a good of heading 85.23.

[Explanation: The rule for heading 85.24 is CTH. This allows the process of recording on blank media to confer a new origin on the blank media, since blank media is classified in heading 85.23. Chapter rule 2(B) applies when the recorded media of heading 85.24 is transformed back to blank media of heading 85.23 (i.e., by erasure). The origin of the blank media thus produced will revert to the origin prior to the recording process.]

C. When the good is produced from materials or components that changed classification but did not satisfy the primary rule applicable to the good, the country of origin of the good is the country that furnished all or the major portions of that material or component.

[Explanation: Chapter rule 2(C) applies when a primary rule provides for an exception, i.e. “CTH except from heading 85.01.”]

- D. The following rules apply only to goods classifiable under provisions for “parts” or “parts and accessories” and which are not described by name in the Harmonized System, as applied in sequence.

[Explanation: Chapter rule 2(D) is to be applied to parts and accessories which are not provided for by name in the Harmonized System. The rule also applies to goods assembled from kits.]

- (1) Goods produced by assembly of 5 or more parts, other than parts provided for in rule 2(D)(3) shall have origin in the country of assembly.

[Explanation: Producing parts or accessories by assembling other parts will be an origin conferring event provided that (1) the assembly involves at least 5 parts and (2) operations other than those enumerated in chapter rule 2(D)(3) below are involved. Parts of general use and other parts referred to in chapter rule 2(D)(3) are not counted toward the requirements of this rule.]

- (2) Goods produced as a result of processing non-originating components other than parts provided for in rule 2(D)(3) into a device or apparatus capable of performing one or more new mechanical or electrical functions shall have origin in the country of such processing.

[Explanation: Producing parts which have a mechanical or electrical function which was not present in the materials used in their production will be an origin conferring event provided that operations other than those enumerated in chapter rule 2(D)(3) below are involved. Examples are attached as an annex to this document.]

- (3) The following parts shall not be counted for purposes of rule 2(D)(1) nor shall the operations described be deemed to result in a new mechanical or electrical function for purposes of rule 2(D)(2):

- (1) the attachment of machinery to a base;
- (2) the installation of machinery or apparatus into cabinets or similar encasements;
- (3) the attachment of parts of general use as defined in Note 2 to Section XV of the Harmonized System or similar parts of plastic (Chapter 39) ;
- (4) the attachment of handles, dials, knobs, hand cranks, and other consumer-operated controls;
- (5) the attachment of a power cord or change of mains voltage/frequency by adding transformer, adapter or converter;

- (6) the installation of batteries, accumulators, sensors, thermostats or other articles not designed to become a permanent part of the good;
- (7) the attachment of accessories or parts (including printed circuits with components assembled thereon), which serve only to enhance the operation of the maCHIne or device;
- (8) the addition of manuals, warranty cards, certificates of conformance to standards (with or without testing), or labels; or
- (9) the installation of software

[Explanation: These are minimal operations which, whether performed individually or in any combination, are insufficient to confer origin. Furthermore, the parts involved in these operations are not to be counted in applying the 5 parts assembly rule (chapter rule 2(D)(1)).]

Chapter Residual Rules

For purposes of Rule 2(c) [new (d)] of Appendix 2 the following residual rules shall be applied in sequence:

1. For goods classifiable under provisions for “parts” or “parts and accessories” and which are not described by name, the country of origin shall be the country of assembly provided the goods are produced by the assembly of two or more parts (other than parts of general use, as defined in Note 2 to Section XV or similar parts of plastic (Chapter 39)), and one or more of the parts (other than parts of general use, as defined in Note 2 to Section XV or similar parts of plastic (Chapter 39) satisfies the requirements for origin in the country of assembly. For purposes of this rule, the following parts shall not be counted nor shall the operations described be deemed to be origin conferring operations:

[Explanation: Producing parts or accessories by assembling 2 or more lesser parts will be an origin conferring event provided that (1) at least one of those parts had origin in the country of assembly and (2) operations other than those enumerated below are involved. This rule is to be applied only to parts or parts and accessories which are not provided for by name in the Harmonized System.]

- A. the attachment of maCHInery to a base;
- B. the installation of maCHInery or apparatus into cabinets or similar encasements;
- C. the attachment of parts of general use as defined in Note 2 to Section XV of the Harmonized System or similar parts of plastic (Chapter 39);
- D. the attachment of handles, dials, knobs, hand cranks, and other consumer-operated controls;
- E. the attachment of a power cord or change of mains voltage/frequency by adding transformer, adapter or converter;

- F. the installation of batteries, accumulators, sensors, thermostats or other articles not designed to become a permanent part of the good;
- G. the attachment of accessories or parts (including printed circuits with components assembled thereon), which serve only to enhance the operation of the machine or device;
- H. the addition of manuals, warranty cards, certificates of conformance to standards (with or without testing), or labels; or
- I. the installation of software

[Explanation: These are minimal operations which, whether performed individually or in any combination, are insufficient to confer origin.]

- [2. When the good is produced from materials originating in a single country that did not undergo the change in classification or did not otherwise satisfy the primary rule applicable to the good, the country of origin is the country in which that material originated;
- 3. The country of origin shall be the country of origin of that [material] [functional element] that gives the good its essential character, to the extent to which the principle of essential character can be applied. Otherwise, the country of origin shall be the country in which the major portion of those materials originated, as determined on the basis of weight.]

CHAPTER 90

Chapter Rules

1. Limitation on change in classification rules in the matrix.- Where satisfaction of the rules of this chapter results solely from the following circumstances, origin shall be determined as indicated herein:

[Explanation: Chapter rule 1 is intended to address the issues of when a non-origin-conferring operation occurs that results in a change of classification. The rule provides for a positive origin rule in those circumstances.]

A. Goods obtained by disassembly.--

- (1) A change of classification which results from the disassembly of the good that can perform its original purpose shall not be considered as the change required by the rule set forth in the matrix. The parts recovered from the good shall retain the country of origin of the good prior to disassembly.
- (2) A change of classification which results from the disassembly of the good that cannot perform its original purpose without being restored or repaired shall not be considered as the change required by the rule set forth in the matrix. The country of origin of the recovered parts shall be [one among the following options:]
 - [(a) the country where the parts are recovered;]
 - [(b) the country of origin of the good from which the parts are recovered;]
 - [(c) the initial country of origin of the parts.]

B. Packaging or repackaging.- Where a change in classification results from packaging or repackaging, the origin of the good shall be the origin prior to such packaging or repackaging.

C. Application of GIR 2(a) - Collection of parts into kits. - Where a change in classification results from the application of Harmonized System General Interpretative Rule 2(a) with respect to collections of parts that are presented as unassembled articles of another heading or subheading the individual parts shall retain their origin prior to such collection.

D. Application of note 4 to Section XVI - Presentation of separately packaged goods as functional units. - Where a change in classification results from the application of note 4 to Section XVI of the Harmonized System to separately packaged goods presented together in a single shipment the separately packaged goods shall retain their origin prior to such presentation.

2. Additional Primary Rule.- When chapter rule 1 does not apply and the other primary rules in this chapter are not met in the last country of production, the following shall be applied in sequence:

[Explanation: Chapter rule 2 is intended to provide for origin-conferring operations that do not result in a change of classification.]

A. Goods produced from forged or cast blanks.- Where goods are produced from forged or cast blanks which had the essential character of the complete or finished goods and were classifiable, by application of Harmonized System General Interpretative Rule 2(a), in the same heading or subheading as the complete or finished goods:

(1) Provided the following criteria are met, the country of origin of the goods shall be the country in which the blank was finished:

(a) In its imported prefinished condition, the blank was not capable of functioning for its ultimate use and was not advanced beyond cleaning or working to remove flash, sprues, burrs or similar excess material, and

(b) In the country in which the goods were finished:

(i) The blank was configured to final shape by the removal of material (other than merely by honing or polishing or both), or by bending, hammering, pressing, stamping or similar forming process; and

(ii) The blank underwent one or more of the following processes:

1. Hardening to a minimum hardness of 38 degrees Rockwell C or equivalent standard of hardness; or

2. Assembly with five or more parts (other than parts of general use as defined in Note 2 to Section XV or similar parts of plastic (Chapter 39)).

[(2) [Chapter Residual Rule.]-If the criteria of subparagraph (1) above are not satisfied, the country of origin of the goods shall be the country of origin of the blank.]

[Explanation: Rule 2(A)(2) is a residual rule which reflects Rule 2(c) of Appendix 2.]

B. When goods of heading 90.06, 90.07 or 90.08 are presented with interchangeable lenses, whether or not attached thereto, the interchangeable lenses and the goods of headings 90.06, 90.07 and 90.08 shall retain their origin prior to such presentation.

[Explanation: Chapter rule 2(B) is an origin retention rule which applies to photographic and cinematographic cameras and projectors, other image projectors and photographic enlargers and reducers which are presented with interchangeable lenses, whether or not those lenses are attached thereto. The rule in the matrix for these goods is "CTSH, except from interchangeable lenses." Chapter rule 2(B) reflects the fact that attachment of such lenses does not substantially transform either the lenses or the device.]

- C. When the good is produced from materials or components that changed classification but did not satisfy the primary rule applicable to the good, the country of origin of the good is the country that furnished all or the major portions of that material or component.

[Explanation: Chapter rule 2(C) applies when a primary rule provides for an exception, i.e. “CTH except from preforms.”]

- D. The following rules apply only to goods classifiable under provisions for “parts” or “parts and accessories” and which are not described by name in the Harmonized System, as applied in sequence.

[Explanation: Chapter rule 2(D) is to be applied to parts and accessories which are not provided for by name in the Harmonized System. The rule also applies to goods assembled from kits.]

- (1) Goods produced by assembly of 5 or more parts, other than parts provided for in rule 2(D)(3) shall have origin in the country of assembly.

[Explanation: Producing parts or accessories by assembling other parts will be an origin conferring event provided that (1) the assembly involves at least 5 parts and (2) operations other than those enumerated in chapter rule 2(D)(3) below are involved. Parts of general use and other parts referred to in chapter rule 2(D)(3) are not counted toward the requirements of this rule.]

- (2) Goods produced as a result of processing non-originating components other than parts provided for in rule 2(D)(3) into a device or apparatus capable of performing one or more new mechanical or electrical functions shall have origin in the country of such processing.

[Explanation: Producing parts which have a mechanical or electrical function which was not present in the materials used in their production will be an origin conferring event provided that operations other than those enumerated in chapter rule 2(D)(3) below are involved. Examples are attached as an annex to this document.]

- (3) The following parts shall not be counted for purposes of rule 2(D)(1) nor shall the operations described be deemed to result in a new mechanical or electrical function for purposes of rule 2(D)(2):

- (1) the attachment of machinery to a base;
- (2) the installation of machinery or apparatus into cabinets or similar encasements;
- (3) the attachment of parts of general use as defined in Note 2 to Section XV of the Harmonized System or similar parts of plastic (Chapter 39) ;
- (4) the attachment of handles, dials, knobs, hand cranks, and other consumer-operated controls;

- (5) the attachment of a power cord or change of mains voltage/frequency by adding transformer, adapter or converter;
- (6) the installation of batteries, accumulators, sensors, thermostats or other articles not designed to become a permanent part of the good;
- (7) the attachment of accessories or parts (including printed circuits with components assembled thereon), which serve only to enhance the operation of the maCHIne or device;
- (8) the addition of manuals, warranty cards, certificates of conformance to standards (with or without testing), or labels; or
- (9) the installation of software

[Explanation: These are minimal operations which, whether performed individually or in any combination, are insufficient to confer origin. Furthermore, the parts involved in these operations are not to be counted in applying the 5 parts assembly rule (chapter rule 2(D)(1)).]

Chapter Residual Rules

For purposes of Rule 2(c) [new (d)] of Appendix 2 the following residual rules shall be applied in sequence:

1. For goods classifiable under provisions for “parts” or “parts and accessories” and which are not described by name, the country of origin shall be the country of assembly provided the goods are produced by the assembly of two or more parts (other than parts of general use, as defined in Note 2 to Section XV or similar parts of plastic (Chapter 39)), and one or more of the parts (other than parts of general use, as defined in Note 2 to Section XV or similar parts of plastic (Chapter 39) satisfies the requirements for origin in the country of assembly. For purposes of this rule, the following parts shall not be counted nor shall the operations described be deemed to be origin conferring operations:

[Explanation: Producing parts or accessories by assembling 2 or more lesser parts will be an origin conferring event provided that (1) at least one of those parts had origin in the country of assembly and (2) operations other than those enumerated below are involved. This rule is to be applied only to parts or parts and accessories which are not provided for by name in the Harmonized System.]

- A. the attachment of maCHInery to a base;
- B. the installation of maCHInery or apparatus into cabinets or similar encasements;
- C. the attachment of parts of general use as defined in Note 2 to Section XV of the Harmonized System or similar parts of plastic (Chapter 39);
- D. the attachment of handles, dials, knobs, hand cranks, and other consumer-operated controls;

- E. the attachment of a power cord or change of mains voltage/frequency by adding transformer, adapter or converter;
- F. the installation of batteries, accumulators, sensors, thermostats or other articles not designed to become a permanent part of the good;
- G. the attachment of accessories or parts (including printed circuits with components assembled thereon), which serve only to enhance the operation of the machine or device;
- H. the addition of manuals, warranty cards, certificates of conformance to standards (with or without testing), or labels; or
- I. the installation of software

[Explanation: These are minimal operations which, whether performed individually or in any combination, are insufficient to confer origin.]

- [2. When the good is produced from materials originating in a single country that did not undergo the change in classification or did not otherwise satisfy the primary rule applicable to the good, the country of origin is the country in which that material originated;
- 3. The country of origin shall be the country of origin of that [material] [functional element] that gives the good its essential character, to the extent to which the principle of essential character can be applied. Otherwise, the country of origin shall be the country in which the major portion of those materials originated, as determined on the basis of weight.]

ANNEX

EXAMPLES OF PROCESSING COMPONENTS INTO A DEVICE OR APPARATUS CAPABLE
OF PERFORMING A NEW MECHANICAL OR ELECTRICAL FUNCTION

The first two examples are based on products included in document 41.901:

- (1) Assembly of a video recording head for a video tape recorder (VCR) (8522.90) from the following 4 components:

Base (8522.90)
Printed circuit (8534.00)
Head **CHI**p (8522.90)
Head wire (8544.11)

Origin would be conferred on the country of assembly because the assembled head would have a new electrical function, e.g., converting variations in electrical current flow into a fluctuating magnetic field for video recording on magnetic tape.

- (2) Assembly of a plasma display panel for a plasma display unit of an automatic data processing ma**CHI**ne (8473.30) from the following 3 components (Issue No. 32):

Back panel (8473.30)
Front panel (8473.30)
NeXe gas

Origin would be conferred on the country of assembly because the assembled panel would have a new electrical function, e.g., converting an electrical current flow into electromagnetic energy in the visible light spectrum.

- (3) Assembly of a blade assembly unit for an electrical, hand operated, hedge trimmer (8508.80) from the following components:

Top plate (8508.90)
Cutting blade (8208)
Base plate (8508.90)
Parts of general use

Origin would be conferred on the country of assembly because the assembled unit would have a new mechanical function, e.g., converting horizontal motion into a shearing force.

- (4) Assembly of an impeller plate for a kitchen waste disposer from the following components:

Impeller plate (8509.90)
Impeller arm (8509.90)
Impeller arm cushion (8509.90)
Parts of general use

Origin would be conferred on the country of assembly because the assembled unit would have a new mechanical function, e.g., using centrifugal force to move the food waste from the center of the disposer chamber to the outside of the chamber where it forces the waste against the shredder ring.

ISSUES FOR DECISION

PART 2 : GENERIC ISSUES FOR CHAPTERS 84 TO 90

ISSUE No.1: ORIGIN CONFERRING ASSEMBLY FOR GOODS OF CHAPTERS 84 TO 90

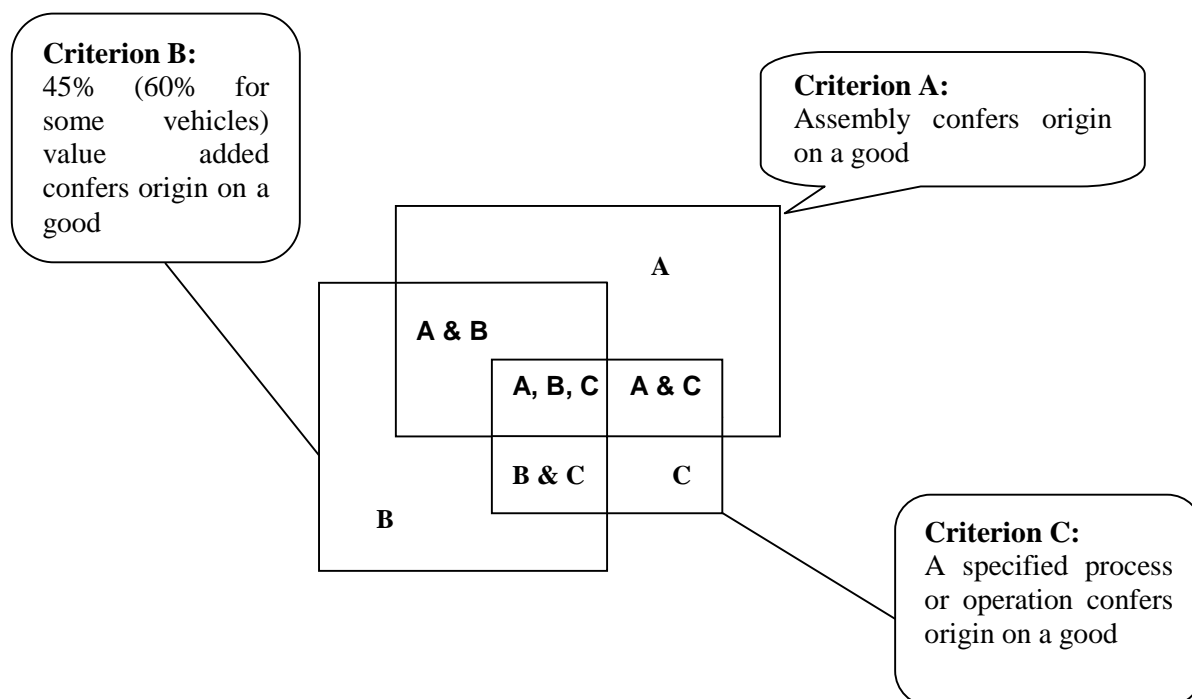
NOTE FOR GOODS ASSEMBLED FROM A COLLECTION OF PARTS

Goods assembled from a collection of parts classified as the assembled good by application of general interpretive Rule 2 shall have origin in the country of assembly, provided the assembly would have satisfied the requirements of the [primary] rule for the good had each of the parts been imported separately and not as a collection.

* *There was a growing consensus on the text above.*

NOTE

1. For goods of Chapters 84 to 90 three major criteria for substantial transformation have been proposed, i.e., assembly, expressed by a change of tariff classification, satisfaction of a definition or a requirement, or combination of both; specified processes or operations; and value added, with or without a change of tariff classification. Any of the proposed rules appears to be technically justifiable. These criteria are applicable to a different aspect of production of goods, for instance, focusing on the line of production (assembly) or the cost of production (value added) or a particular process or operation in the course of production. The relationship between these criteria would be illustrated as follows:



2. In this document the above-mentioned Criterion C (a specific process or operation which confers origin on a good: boxes C, A & C, B & C and A, B & C in the diagram) is, where appropriate, dealt with as product specific issues for each Chapter in Part 3. Thus generic issues for Chapters 84 to 90 (Part 2) cover first the different approaches between assembly and value added (Issue No.1).
3. The scope of the expression “assembly” varies from one to another. To compare the different proposals for origin conferring assembly the issues of assembly of articles from parts, parts from parts and articles from articles, including modification, are all treated as part of assembly issue (No.1), whether or not a change of tariff classification takes place.
4. It should be noted that if Option A/2 or B is finally taken a choice between CTH and CTSH and splitting a heading or subheading in the matrices comes to an issue of terminology (the same origin outcome is achieved by application of other primary rules or the residual rules). However, if Option A/1 is finally taken the proposed CTH rule and CTSH rule bring about the different origin outcome when a good is modified from articles classified in the same heading. The scope of the split heading or subheading will also be a crucial issue to address a manufacture of parts from parts. Thus the modification and the “parts to parts” issues become substantial issues.
5. The generic issues for Chapters 84 to 90 cover also four issues related to GIR 2(a) (blanks, non-blanks, collection of parts and assembly of the collected goods: Nos.2 to 5); six proposed limitations on change of classification rules (packaging, functional unit, degradation, change of use, recertification and disassembly: Nos.6 to 13).

OUTLINE OF THE PROPOSALS

6. The country attribution to the options proposed is as follows:

Option A: Assembly approach – assembly alone confers origin on a good

- A/1 Tariff shift rules and [general] [final] residual rules
 - A/1/a without negative standards for a non-origin-conferring assembly - (COL) (CAN) (MEX) (PHI) (HK)
 - A/1/b with negative standards for a non-origin-conferring assembly – (JPN) (CH)
 - A/1/c with limited negative standards for a non-origin-conferring assembly, as set out in subparagraphs (i), (ii), (iv), (v) and (vi) of paragraph 10, on pages 1111 and 1112 of G/RO/41 – **(CHI)**
- A/2 Tariff shift rules, definition or requirement of assembly and [general] [final] residual rules
 - A/2/a co-equal primary rules: a tariff shift rule or the definition of assembly (assembly from parts) – (SG)
 - A/2/b co-equal primary rules: a tariff shift rule or the definition of assembly (a new good having new characteristics) – (IND) (MOR)
 - A/2/c cascading approach: 1st tariff shift rules, 2nd subsidiary rules, 3rd the requirement of assembly (5 parts rule) with negative standards for a non-origin-conferring assembly, 4th specified processes (giving new mechanical or electrical functions) with negative standards for a non-origin-conferring assembly, 5th [Chapter residual] rule for assembly of less than 5 parts (use of at least one originating part) with negative standards for a non-origin-conferring assembly, and 6th [general] [final] residual rules – (US)

Option B: Value added approach - assembly alone does not always confer origin on a good; if the required value added is not a**CHI**eved, a [general] [final] residual rule is applied.

- B/1 Horizontal approach to whole Chapters 84 to 90 (60% for some complete vehicles or 45[X]% for others) – (EC) (BRA)
- ~~B/2 Product specific approach (60% for all goods of Chapters 84 and 86; 60% for some goods of Chapter 85; 60% of some goods of Chapter 87; 45%, 51% or 60% for some goods of Chapter 90) – (BRA)~~
- B/3 Product specific approach (45% for some goods of Chapter 85 only) – (TUR)
- B/4 Product specific approach (60% for some complete vehicles or 45% for other goods of Chapter 87 only) – (AUS)
- B/5 Product specific approach (40% for goods of 85.28 only) – (EGY)

7. The CRO is invited to decide what should be the conditions for assembly to be recognised as origin conferring.

OPTIONS

OPTION A : Assembly approach – assembly alone confers origin on a good

8. This approach sets out two types of criteria for assembly alone being a substantial transformation. These are as follows:

A/1 Origin conferring assembly is expressed exclusively by a change of tariff classification specified in the matrix as a primary rule;

If origin of a good is not determined by a change of tariff classification a [general] [final] residual rule is applied;

A/1/a if a change of tariff classification rule is satisfied origin is conferred without condition; (COL) (CAN) (MEX) (PHI) (HK)

A/1/b if a change of tariff classification rule is satisfied origin is conferred, subject to the negative standards for a non-origin-conferring assembly; (JPN) (CH)

A/2 Origin conferring assembly is expressed by both a change of tariff classification specified in the matrix as a primary rule and the satisfaction of a definition or a requirement of assembly provided in the Chapter notes as a [primary] [or Chapter residual] rule;

A/2/a the criterion of a change of tariff classification and satisfaction of a definition of assembly (assembly from parts) are considered co-equal primary rules, thus time sequence determines the applicable primary rule to a good;

if origin is not determined either by the change of classification rule or satisfaction of the definition of assembly a [general] [final] residual rule is applied; (SG)

A/2/b the criterion of a change of tariff classification and satisfaction of a definition of assembly (a new good having new characteristics) are considered co-equal primary rules, thus time sequence determines the applicable primary rule to a good;

if origin is not determined either by the change of classification rule or satisfaction of the definition of assembly a [general] [final] residual rule is applied; (IND) (MOR)

A/2/c a cascading structure is taken for this product sector, thus when the criterion of a change of tariff classification is not met satisfaction of a requirement of assembly (“5 parts” rule) is required as a [primary] [Chapter residual] rule;

for several headings, prior to applying the “5 parts” rule, the country of origin of the excepted good from a change of tariff classification rule is considered to be the country of origin of a good in question (a subsidiary rule);

when the processes undergone give a good one or more new mechanical or electrical functions such processes confer origin on the good where it was processed;

[as a Chapter residual rule,] when the “5 parts” rule is not satisfied use of at least one originating part confers origin;

if neither a requirement of assembly (“5 parts” rule), the specified processes (giving new mechanical or electrical functions) nor a [Chapter residual] rule (use of at least one originating part) is satisfied, or if any of the negative standards for a non-origin-conferring assembly is applicable, a [general] [final] residual rule is applied; (US)

9. Proposed definitions or requirements of assembly as being origin conferring are as follows:

A/2/a Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation; (SG)

A/2/b An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation. (IND) (MOR)

A/2/c Goods produced by assembly of 5 or more parts (other than parts of general use, as defined in Note 2 to Section XV or similar parts of plastic (Chapter 39)) shall have origin in the country of assembly; or

Goods produced as a result of processing non-originating components into a device or apparatus capable of performing one or more new mechanical or electrical functions shall have origin in the country of such processing; or

/Residual rule/.— Goods produced by the assembly of less than 5 parts (other than parts of general use, as defined in Note 2 to Section XV of the HS or similar parts of plastic (Chapter 39)), and one or more of whose parts (other than parts of general use, as defined in Note 2 to Section XV of the HS or similar parts of plastic (Chapter 39)) satisfies the requirements for origin in the country of assembly, shall have origin in the country of assembly. (US)

10. To prevent simple assembly from conferring origin on goods by the Chapter [residual] rules, the following processes or operations are identified by the proponents as the negative standards:

- “(i) the attachment of machinery to a base; (US) (CH) (JPN)
- (ii) the [installation (US)] [attachment (JPN)] of machinery or apparatus into cabinets or similar encasements; (US) (CH) (JPN)
- (iii) the attachment of parts of general use (as defined in [Note 2 to Section XV of the HS or similar parts of plastic (Chapter 39) (US)] [note 1(g) to Section XVI of the HS) (CH) (JPN)]; (US) (CH) (JPN)
- (iv) the attachment of handles, dials, knobs, hand cranks, and other consumer-operated controls; (US) (CH) (JPN)
- (v) the attachment of a power cord; (US) (CH)
- (vi) installation of batteries, accumulators, [sensors, thermostats (TUR)] or [other (US)] [similar (JPN)] articles not designed to or supplied become a permanent part of the good; (US) (CH) (JPN)

- (vii) the attachment of accessories or parts (including printed circuits with components assembled thereon), which serve only to enhance the operation of the machine or device; (US)

It should be noted that there are two approaches to deal with the negative standards for a non-origin-conferring assembly described above. One (US) is to limit the scope of the negative standards for a non-origin-conferring assembly to the specific rules, such as blank rules or the “5 parts” rule. By this approach any origin outcome determined by a change of tariff classification is unchallengeable unless Chapter Note 1 (limitation on change of classification rules) denies the results. Another (JPN, CH) approach is to regard these negative standards for a non-origin-conferring assembly as comprehensive notes applicable not only to change of classification rules but to any other supplementary criteria. (Sec)

OPTION B : Value added approach - assembly alone does not always confer origin on a good

11. Assembly is considered to be a substantial transformation only when:

B/1 Horizontal approach to whole Chapters 84 to 90 (EC)

- (a) with a few exceptions, the increase in value acquired as a result of working and processing and, if applicable, the incorporation of parts originating in the country of manufacture represents at least 60 (for some complete vehicles) or 45 (for others) percent of the ex-works price of the good is carried out;
- (b) with a few exceptions, a specified change of tariff classification (transformation to a good directly from raw materials or to an article from parts other than parts suitable for use solely or principally with the article) takes place.
- (c) if neither the required value added nor the change of tariff classification rule is satisfied a [general] [final] residual rule is applied;

B/2 Product specific approach (all goods of Chapters 84 and 86; Some goods of Chapters 85, 87 and 90) (BRA)

- (a) the increase in value acquired as a result of working and processing and, if applicable, the incorporation of parts originating in the country of manufacture represents at least the specified percentage of the product is carried out;
- (b) The figures of ad valorem percentages required are as follows: for goods of Chapters 84 and 86, of headings 85.01, 85.03, 85.38, 87.01 to 87.06, 90.08 and 90.09, and of subheadings 8504.21, 8504.22, 8504.23, 8504.33, 8504.34, 8504.40, 8504.90, 8532.10, 8532.29, 8536.10, 8536.20, 8536.49, 8537.10 and 8537.20 at least 60 percent; for goods of headings 90.06 and 90.10 at least 51 percent; and for goods of headings 90.18 to 90.22 at least 45 percent;
- (c) for Chapter 85 additional specific requirements are set forth for each heading or subheading to which the value added rule is proposed, thus the value added and the specific requirements should be satisfied;
- (d) however, for goods of Chapters 88 and 89 and for goods which are not covered by the value added rule in Chapters 85, 87 and 90, a change of tariff classification rule is applicable;

- (e) if neither the required value added nor the change of tariff classification rule is satisfied a [general] [final] residual rule is applied;

B/3 Product specific approach (Some goods of Chapter 85 only) (TUR)

- (a) for goods of headings/subheadings 8504.10 to 8504.40, 8509.10, 8509.40, 8509.90, 8511.30 to 8511.50, 8511.90, 8512.20, 8512.30, 8512.90, 8516.10, 8516.29, 8516.60, 8516.79 to 8516.90, 8517.90, 8518.40, 8529.10, 8529.90, 85.34, 8535.21, 85.36, 8537.20, 8544.11 to 8544.41, 8544.51, 8544.59, 8544.70 and 85.46, the increase in value acquired as a result of working and processing and, if applicable, the incorporation of parts originating in the country of manufacture represents at least 45 percent of the ex-works price of the good is carried out;
- (b) however, for Chapters 84, 86 to 90, a change of tariff classification rule is applicable. As an exceptional case, for goods of ex 8471.60(a) of split subheadings (A) and (B) the “5 parts” rule, the specified process rule, the use of one originating part rule are applicable when the CTH rule is not met;
- (c) to prevent simple assembly from conferring origin on goods of these Chapters, the following 5 processes or operations are identified as the negative standards:
 - “(i) the attachment of a power cord, change of mains voltage/frequency by adding transformer, adapter or converter;
 - (ii) installation of batteries, accumulators, sensors, thermostats or [other (US)] [similar (JPN)] articles not designed to or supplied become a permanent part of the good;
 - (iii) presetting, adding, changing parameters and settings of a programme in a machine, equipment or electronic equipment;
 - (iv) Adding manuals, warranty cards, conformance certificates to standards with or without test, adding brand, name and/or model labels or relabeling;
 - (v) Loading new software, version or different user language;”
- (d) if neither the required value added nor the change of tariff classification rule is satisfied, or the “5 parts” rule, the specified process rule or the use of one originating part rule is not met for the goods of ex 8471.60(a) of split subheadings (A) and (B), or if any of the negative standards for a non-origin-conferring assembly is applicable, a [general] [final] residual rule is applied;

B/4 Product specific approach (Chapter 87 only) (AUS)

- (a) for whole Chapter 87, the increase in value acquired as a result of working and processing and, if applicable, the incorporation of parts originating in the country of manufacture represents at least 60 (for some complete vehicles) or 45 (for others) percent of the ex-works price of the good is carried out;
- (b) however, a cascading structure is taken for Chapters 84 to 86, 88 to 90, thus when the criterion of a change of tariff classification is not met satisfaction of a requirement of assembly (“5 parts” rule) is required as a [primary] [Chapter residual] rule;

“Goods produced by assembly of 5 or more parts (other than parts of general use, as defined in note 1(g) to Section XVI of the HS) shall have origin in the country of assembly; or

/Residual rule/.—Goods produced by the assembly of less than 5 parts (other than parts of general use, as defined in note 1(g) to Section XVI of the HS), and one or more of the parts (other than parts of general use, as defined in note 1(g) to Section XVI of the HS) satisfies the requirements for origin in the country of assembly, shall have origin in the country of assembly”;

- (c) to prevent simple assembly from conferring origin on goods by the Chapter [residual] rules, the following 7 processes or operations are identified as the negative standards:

- “(i) the attachment of machinery to a base;
- (ii) the [installation (US)] [attachment (JPN)] of machinery or apparatus into cabinets or similar encasements;
- (iii) the attachment of parts of general use (as defined in note 1(g) to Section XVI of the HS);
- (iv) the attachment of handles, dials, knobs, hand cranks, and other consumer-operated controls;
- (v) the attachment of a power cord, [change of mains voltage/frequency by adding transformer, adapter or converter (TUR)]
- (vi) installation of batteries, accumulators, [sensors, thermostats (TUR)] or [other (US)] [similar (JPN)] articles not designed to or supplied become a permanent part of the good;
- (vii) the attachment of accessories or parts (including printed circuits with components assembled thereon), which serve only to enhance the operation of the machine or device;”

- (d) if neither a requirement of assembly (“5 parts” rule) nor a [Chapter residual] rule (use of at least one originating part) is satisfied, or if any of the negative standards for a non-origin-conferring assembly is applicable, a [general] [final] residual rule is applied;

B/5 Product specific approach (television or video monitors of heading 85.28 only) (EGY)

- (a) for television or video monitors of heading 85.28, the 40 percent value added is applicable;
- (b) however, other headings of Chapters 84 to 90, a change of tariff classification rule is applicable;
- (c) if neither the required value added nor the change of tariff classification rule is satisfied a [general] [final] residual rule is applied.

JUSTIFICATIONS FOR THE PROPOSED APPROACHES

Option A:

Option A/1:

12. This approach is to maximise the exclusive use of a change of tariff classification criterion as a primary rule for determining the country of origin of goods in Chapters 84 to 90. The change of tariff classification is the best practicable approach to address assembly of goods because it is a technical criterion based on clear distinctions between parts and articles and expresses with specificity the changes which take place by reason of assembly.

13. In principle, modification of machines or manufacture of articles from the similar articles classified in another subheading of the same heading is an origin conferring event. Technically such a change could be even more difficult than manufacturing a new machine from the parts proper. It may not easily occur in real commerce, but once it does this is considered as substantial transformation. Thus for most articles' headings or subheadings a CTSH rule as the minimum change within the nomenclature is proposed.

14. Parts classified in a "parts heading or subheading"¹ should be assembled directly from raw materials, unless a split heading or subheading subdivides the parts concerned.

15. Providing a definition or requirement for assembly is as difficult as defining substantial transformation. Considering variety of goods covered in Chapters 84 to 90 it is not relevant to place a threshold by number of parts used for the assembly.

16. The A/1/a approach (COL) (CAN) (MEX) (PHI) (HK) does not need the negative standards for a non-origin-conferring assembly, because Chapter Note 1 (Limitations on change of classification rules) takes care of the issue of non-origin-conferring assembly.

17. The A/1/b approach (JPN) (CH) takes the negative standards for a non-origin-conferring assembly, because Chapter Note 1 (Limitations on change of classification rules) alone is not enough to takes care of the issue of non-origin-conferring assembly.

Option A/2:

18. This approach is: to utilise the clarity of a change of tariff classification criterion by which most of complete articles assembled from parts are conferred origin; and to address the issues of assembly of "parts to parts" by satisfaction of a definition or a requirement, instead of applying immediately a [general] [final] residual rule.

¹ For the purposes of this document:

For Chapters 84 and 85: "parts" means parts suitable for use solely or principally with a particular machines or with a number of machines of the same heading as provided in Note 2 (b) to HS Section XVI, and other parts classified according to Note 2 (c) to HS Section XVI.

For Chapters 86 to 88 and 90: "parts" means parts which are suitable for use solely or principally with the articles of the Chapter concerned.

For Chapter 89: Chapter 89 excludes all separately presented parts (other than hulls) and accessories of vessels or floating structures, even if they are clearly identifiable as such. Such parts and accessories are classified in the appropriate headings elsewhere in the Nomenclature. "A hull, an unfinished or incomplete vessel, assembled, unassembled or disassembled, or a complete vessel unassembled or disassembled, is to be classified in heading No. 89.06 if it does not have the essential character of a vessel of a particular kind. (Note 1 to Chapter 89)"

19. Considering unique characteristics of goods of Chapters 84 to 90, a change of tariff classification alone is not relevant to deal with assembly of parts. It appears unrealistic to require the assembly of parts from raw materials only or to split all the possible parts in the parts headings or subheadings. This approach gives broader opportunities for a part to be originating in the country of production.

20. For complete articles, when a [general] [final] residual rule is applied it requires [value] [volume] [weight] of parts to be aggregated country by country. Taking into account number of parts used for assembly of goods of Chapters 84 to 90, i.e., for some goods thousands or tens of thousands parts are used, this appears to be too burdensome to the manufacturers or traders. Therefore, as far as possible origin should be conferred, prior to applying a [general] [final] residual rule, on a complete article where the assembly of the article is completed.

21. The A/2/a approach (SG) takes the method of application of rules same as the chemical Chapters, thus a change of tariff classification rule and satisfaction of the definition are considered co-equal primary rules. This definition does not specify how many parts should be used for the assembly. Attaching one part to another part can be interpreted as assembly, as long as a good is assembled from parts. Therefore, by easy satisfaction of the definition all the goods of Chapters 84 to 90 would have the country of origin of the place where the assembly took place.

22. However, this approach does not accept assembly of “articles to articles (modification)” as an origin conferring event. Assembly must take place from parts to parts or parts to articles.

23. The A/2/b approach (IND) (MOR) is similar to the A/2/a approach. However, this approach addresses all the issues of assembly, including “parts to articles”, “parts to parts” and “articles to articles (modification)” by the definition of assembly, which requires materials to result in a new good having new characteristics. It is difficult to quantify the criteria to judge whether “new” characteristics are acquired. Attaching two parts may give a new characteristic to a good; assembling hundreds of parts may not change their characteristics. Thus designation of how many parts should be used for assembly does not provide a rational result.

24. The A/2/c approach (US) takes a cascading structure to determine the country of origin. The first rule (a change of classification rule) confers origin of most of complete articles; the second rule (subsidiary rule) designates a significant parts supplying country as the country of origin; the third rule (“5 parts” rule) takes care of parts assembled from parts (normally no change of tariff classification unless split is proposed), articles modified from another articles and the some complete goods which failed to meet a change of classification rule; the fourth rule (specified processes) focuses on specific processes which give new mechanical or electrical functions to a good; the fifth rule ([Chapter residual] rule) covers any good which failed to meet the foregoing if at least one originating part is used; the last rule is a [general] [final] residual rule.

25. The above mentioned fourth rule is not an assembly rule, but a process rule. Goods produced as a result of processing non-originating components into a device or apparatus capable of performing one or more new mechanical or electrical functions shall have origin in the country of such processing.

26. Assembly of article to article by modification is an origin conferring event by application of a “5 parts” rule or a [Chapter residual] rule (use of at least one originating part).

27. This approach also addresses the issue of non-origin-conferring assembly by providing negative standards for a non-origin-conferring assembly for the definition or requirement (the 3rd, 4th and 5th rules) as a safety valve.

Option B :

Option B/1: (EC)

28. This approach does not need any complex rules at a Chapter level. For almost all headings of Chapters 84 to 90 both a tariff shift rule and the 45 or 60% value added rule are proposed.

29. There are many possible assemblies involved, from very simple or so-called screw-driver operations to highly sophisticated assemblies, which may include the use of subassemblies and of parts which may possess the character of the complete or finished goods. It cannot be concluded, as a general rule, that a change of tariff classification from parts classified in a separate “parts” heading or subheading of Chapters 84 to 88 and 90 to the corresponding complete or finished articles always reflects a substantial transformation.

30. The value added criterion is simple and user-friendly. This criterion is free from the complexity of the HS structure, such as the consideration of functional units (Note 4 to Section XVI). To administer this criterion merely the information of the value of non-originating goods used may be required, instead of identifying the originating status of goods used and their tariff classification.

31. This approach is as simple as the approach offered by option A. However, option A does not offer clear and transparent method to determine whether or not substantial transformation takes place. In fact, the option A approach confers origin on any single good which is worked under the name of “assembly”, thus that approach does not offer rational safety valves to prevent non-origin-conferring assembly from conferring origin. This approach is supplemented by [general] [final] residual rules.

32. For the purposes of calculating the percentage of the value added requested:

- (a) The term “ex works price” shall mean the price paid for the product obtained to the manufacturer in whose undertaking the last working or processing is carried out. The ex-works price shall include the value of all materials used in manufacture and all costs (material costs as well as other costs) effectively incurred by the manufacturer. Internal taxes which are, or may be, repaid when such product is exported or commercial price reductions shall not be taken into account.
- (b) The terms “value acquired as a result of working and processing” and “incorporation of parts originating in the country of manufacture” shall mean the increase in value resulting from the assembly itself, together with any preparatory, finishing and checking operations, and from the incorporation of any parts originating in the country where the operations were carried out, including profit and general costs borne in that country as a result of these operations.

Option B/2: (BRA)

33. For goods of Chapters 84 and 86, for goods of headings 85.01, 85.03 and 85.38, and of subheadings 8504.21, 8504.22, 8504.23, 8504.33, 8504.34, 8504.40, 8504.90, 8532.10, 8532.29, 8536.10, 8536.20, 8536.49, 8537.10 and 8537.20, for goods of headings 87.01 to 87.06, and for goods of headings 90.06 and 90.10, the value added approach is most suitable to address a substantial transformation. The figures of ad valorem percentages vary from a good to another; 45% and 51% for some goods of Chapter 90, 60% for goods of Chapters 84 and 86, and some goods of Chapters 85, 87 and 90.

34. For these goods a change of classification rule does not appropriately address a substantial transformation. However, for other goods a change of tariff classification properly addresses a substantial transformation.

Option B/3: (TUR)

35. For goods of headings/subheadings 8504.10 to 8504.40, 8509.10, 8509.40, 8509.90, 8511.30 to 8511.50, 8511.90, 8512.20, 8512.30, 8512.90, 8516.10, 8516.29, 8516.60, 8516.79 to 8516.90, 8517.90, 8518.40, 8529.10, 8529.90, 85.34, 8535.21, 85.36, 8537.20, 8544.11 to 8544.41, 8544.51, 8544.59, 8544.70 and 85.46, the value added approach is most suitable to address a substantial transformation. For these goods a change of classification rule does not appropriately address a substantial transformation.

36. For the purposes of calculating the percentage of the value added requested:

- (a) The term “ex works price” shall mean the price paid for the product obtained to the manufacturer in whose undertaking the last working or processing is carried out. The ex-works price shall include the value of all materials used in manufacture and all costs (material costs as well as other costs) effectively incurred by the manufacturer. Internal taxes which are, or may be, repaid when such product is exported or commercial price reductions shall not be taken into account.
- (b) The terms “value acquired as a result of working and processing” and “incorporation of parts originating in the country of manufacture” shall mean the increase in value resulting from the assembly itself, together with any preparatory, finishing and checking operations, and from the incorporation of any parts originating in the country where the operations were carried out, including profit and general costs borne in that country as a result of these operations.

37. For the other goods of Chapter 85 and goods of Chapters 84, 86 to 90, a change of tariff classification is sufficient to address a substantial transformation. However, this criterion should be subject to 5 negative standards to address the issue of non-origin-conferring assembly.

Option B/4: (AUS)

38. For goods of Chapter 87, the value added approach is most suitable to address a substantial transformation. For these goods a change of classification rule does not appropriately address a substantial transformation.

39. For the purposes of calculating the percentage of the value added requested:

- (a) The term “ex works price” shall mean the price paid for the product obtained to the manufacturer in whose undertaking the last working or processing is carried out. The ex-works price shall include the value of all materials used in manufacture and all costs (material costs as well as other costs) effectively incurred by the manufacturer. Internal taxes which are, or may be, repaid when such product is exported or commercial price reductions shall not be taken into account.
- (b) The terms “value acquired as a result of working and processing” and “incorporation of parts originating in the country of manufacture” shall mean the increase in value resulting from the assembly itself, together with any preparatory, finishing and checking operations, and from the incorporation of any parts originating in the

country where the operations were carried out, including profit and general costs borne in that country as a result of these operations.

40. For goods of Chapters 84 to 86, 88 to 90, a change of tariff classification properly address a substantial transformation. When a change of tariff classification rule is not satisfied, a “5 parts” rule should apply, subject to the 7 proposed negative standards for a non-origin-conferring assembly. When assembly of less than 5 parts is carried out, at least one originating part should be used, subject to the said negative standards. Otherwise a [general] [final] residual rule determines the country of origin.

Option B/5: (EGY)

41. For television or video monitors of heading 85.28, the value added approach is most suitable to address a substantial transformation. For these goods a change of classification rule does not appropriately address a substantial transformation. However, for other goods a change of tariff classification properly addresses a substantial transformation.

Relevant HS Codes :

All headings of Chapters 84 to 90, except for 8548.10 (waste and scrap of primary cells)

ISSUE NO. 2:

GIR 2(a) : PRODUCTION OF COMPLETE OR FINISHED GOODS (INCLUDING SUB-ASSEMBLY) FROM FORGED OR CAST BLANKS

NOTE :

42. The General Rule for the Interpretation of the Harmonized System (GIR) 2(a) provides as follows:

“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.”

43. According to the Explanatory Note (I) to the GIR 2(a), “the first part of rule 2(a) extends the scope of any heading which refers to a particular article to cover not only the complete article but also that article incomplete or unfinished, provided that, as presented, it has the essential character of the complete or finished article”. The Explanatory Note (II) to the GIR 2(a) defines the term “blank” as follows:

“The term “blank” means an article, not ready for direct use, having the approximate shape or outline of the finished article or part, and which can only be used, other than in exceptional cases, for completion into the finished article or part (e.g., bottle preforms of plastics being intermediate products having tubular shape, with one closed end and one open end threaded to secure a screw type closure, the portion below the threaded end being intended to be expanded to a desired size and shape.”

OPTION A : Yes, provided (by required processes)

44. Not all changes from forged or cast blanks to finished goods or parts are considered as substantial transformation. A Chapter Note is proposed to specify the conditions of processes or operations by which the blanks substantially change their characters. A change of classification rule should be complemented by the Chapter Note to express substantial transformation. In Chapters 84 to 90 this Chapter Note would be applicable mostly to parts.

45. If the Chapter Note is not satisfied, the country of origin of the goods shall be the country of origin of the blank.

46. The Chapter Note should be:

Option A/1: (CH)

“A. Goods produced from forged or cast blanks

Where goods are produced from forged or cast blanks which had the essential character of the complete or finished goods and were classifiable, by application of HS General Interpretative Rule 2(a), in the same heading or subheading as the complete or finished goods:

- (1) Provided the following criteria are met, the country of origin of the goods shall be the country in which the blank was finished:

In the country in which the goods were finished:

- (i) The blank was configured to final shape by the removal of material (other than merely by honing or polishing or both), or by bending, hammering, pressing, stamping or similar forming process; and
- (ii) The blank underwent one or more of the following processes:
 - 1. Heat treatment or thermochemical treatment, such as glowing, tempering, hardening; or
 - 2. Assembly with five or more parts (other than parts of general use as defined in Note 1(g) to Section XVI of the HS); or
 - 3. Surface treatment, such as coating, compressing, condensing, impregnating or insulating;

- (2) If the criteria of subparagraph (1) above are not satisfied, the country of origin of the goods shall be the country of origin of the blank.”

Option A/2: (US)

“A. Goods produced from forged or cast blanks

Where goods are produced from forged or cast blanks which had the essential character of the complete or finished goods and were classifiable, by application of HS General Interpretative Rule 2(a), in the same heading or subheading as the complete or finished goods:

- (1) Provided the following criteria are met, the country of origin of the goods shall be the country in which the blank was finished:

- (a) In its imported prefinished condition, the blank was not capable of functioning for its ultimate use and was not advanced beyond cleaning or working to remove flash, sprues, burrs or similar excess material, and
 - (b) In the country in which the goods were finished:
 - (i) The blank was configured to final shape by the removal of material (other than merely by honing or polishing or both), or by bending, hammering, pressing, stamping or similar forming process; and
 - (ii) The blank underwent one or more of the following processes:
 - 1. Hardening to a minimum hardness of 38 degrees Rockwell C [or Vickers H-V-3-70] or equivalent standard of hardness; or
 - 2. Assembly with five or more parts (other than parts of general use as defined in Note 2 to Section XV or similar parts of plastic (Chapter 39)
- (2) If the criteria of subparagraph (1) above are not satisfied, the country of origin of the goods shall be the country of origin of the blank.”

Option A/3 : (AUS)(CAN)(PHI)

“A. Goods produced from forged or cast blanks

Where goods are produced from forged or cast blanks which had the essential character of the complete or finished goods and were classifiable, by application of HS General Interpretative Rule 2(a), in the same heading or subheading as the complete or finished goods:

- (1) Provided the following criteria are met, the country of origin of the goods shall be the country in which the blank was finished:
 - In its imported prefinished condition, the blank was not capable of functioning for its ultimate use and was not advanced beyond cleaning or working to remove flash, sprues, burrs or similar excess material, **or to permit locationing in finishing machinery**
- (2) If the criteria of subparagraph (1) above are not satisfied, the country of origin of the goods shall be the country of origin of the blank.”

OPTION B : Yes, provided (by the value added rule) (EC) (TUR – some goods of Chapter 85) (AUS – goods of Chapter 87) (EGY – 85.28)

47. When a blank is finished in one country, provided that the required value added (40% (EGY), 45% (EC, BRA, TUR, AUS), [x]% (BRA) or 60% (EC, BRA, AUS)) is **achieved** in that country as a result of working and processing and, if applicable, the incorporation of parts originating in that country, origin should be conferred on that article.

48. The proposed value added rules are as follows:

“the increase in value acquired as a result of working and processing and, if applicable, the incorporation of parts originating in the country of manufacture represents at least 60 (for

some complete vehicles) or 45 [X(BRA)] (for others) percent of the ex-works price of the good is carried out” (EC) (TUR) (AUS) (BRA)

~~“the increase in value acquired as a result of working and processing and, if applicable, the incorporation of parts originating in the country of manufacture represents at least 60% for all goods of Chapters 84 and 86; 60% for some goods of Chapter 85; 60% of some goods of Chapter 87; 45%, 51% or 60% for some goods of Chapter 90” (BRA)~~

“40% value added” (EGY)

49. If neither the required value added nor the change of tariff classification rule is satisfied a [general] [final] residual rule is applied. (EC) (TUR) (BRA) (EGY)

OPTION C: No (JPN) (IND)

50. A change of tariff classification criterion has a built-in mechanism to refrain simple processes or operations from conferring origin on a finished good or part manufactured from a blank that has the essential character of that good or part. Such changes from blank to the finished good or part should be regarded as insubstantial transformation. Thus no exception of this principle is acceptable.

Relevant HS Codes:

All headings of Chapters 84 to 90, except for 8548.10 (waste and scrap of primary cells)

ISSUE No.3 :

GIR 2(a) : MANUFACTURE OF A FINISHED ARTICLE OR PART (INCLUDING SUB-ASSEMBLY) FROM AN UNFINISHED ARTICLE OR PART OTHER THAN BLANK

NOTE:

51. The General Rule for the Interpretation of the Harmonized System (GIR) 2(a) provides as follows:

“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.”

52. According to the Explanatory Note (I) to the GIR 2(a), “the first part of rule 2(a) extends the scope of any heading which refers to a particular article to cover not only the complete article but also that article incomplete or unfinished, provided that, as presented, it has the essential character of the complete or finished article”. The Explanatory Note (II) to the GIR 2(a) defines the term “blank” (See the draft template for “blanks”). Therefore, this issue covers an article or part which is incomplete or unfinished, and have the essential character of the complete or finished article or part, except blanks.

OPTION A: Yes, provided

Option A/1: (CH)

53. Not all changes from incomplete or unfinished goods to complete or finished goods are considered as substantial transformation. A Chapter Note is proposed to specify the conditions of

processes or operations by which the incomplete or unfinished goods substantially change their characters. A change of classification rule should be complemented by the Chapter Note to express substantial transformation. Once origin is conferred by this Chapter Note, the negative standards for a non-origin-conferring assembly proposed as part of Chapter [residual] rule do not apply.

54. The Chapter Note should be:

“Finished goods or parts produced from unfinished goods or parts, other than blanks:

Whenever the change of classification rules set out for goods of chapters 84 to 90 and 93 are not determinant of the country of origin of the good, the following substantial transformation rules are to be applied:

- (a) A finished good or part produced from a non-originating unfinished good or part classified in the same heading or subheading as the finished good or part shall originate in the country in which the good or part was finished, provided:
 - (i) The unfinished good or part is not functioning for its ultimate use in its imported condition and has undergone at least two or more of the following processes:
 - assembly by built-up such as but not limited to welding, soldering, shrinking, bolting, glueing, fitting, fixing, spooling, winding, connecting, wiring, coupling; or
 - heat treatment or thermochemical treatment such as glowing, tempering, hardening; or
 - treatment for the purpose of shaping, forming such as cold or warm forming; or
 - mechanical treatment, refining of form-, positional- and surface tolerances of functional finished shapes such as turning, milling, drilling, broaching, grinding, polishing, honing, eroding; or
 - surface treatment such as coating, compressing, condensing, impregnating (excluding temporary conservation for transport and/or storage purpose), insulating; or
 - system engineering, software-development and application;
 - and
 - (ii) The finished good or part has undergone final testing such as but not limited to balancing, spinning, voltage testing, performance- or isolation test.
- (b) A finished good or part, produced from a non-originating good or part, classified in the same subdivision as the finished good or part which do not satisfy the conditions mentioned in Rule 2.B.(1) (a) above shall originate in the country contributing most to the product in terms of total value of parts (including an unfinished good) and related processing activities.”

55. If the Chapter Note is not satisfied a [general] [final] residual rule is applied.

Option A/2 : (CAN)

56. It is not necessary to set out a Chapter Note to deal with this issue only. A “5 parts” rule or a Chapter [residual] rule requiring use of at least one originating part may confer origin on a good that

is manufactured from an article that has the essential character of that good. However, a “simple” assembly operation should not confer origin on any good. ~~The proposed negative standards can properly prevent the non-origin conferring assembly from conferring origin.~~

57. ~~The negative standards for a non-origin conferring assembly should be:~~

~~“the following shall not be considered origin conferring operations:~~

- ~~(i) the attachment of maCHInery to a base;~~
- ~~(ii) the installation of maCHInery or apparatus into cabinets or similar encasements;~~
- ~~(iii) the attachment of parts of general use (as defined in Note 2 to Section XV of the HS or similar parts of plastic (Chapter 39));~~
- ~~(iv) the attachment of handles, dials, knobs, hand cranks, and other consumer operated controls;~~
- ~~(v) the attachment of a power cord;~~
- ~~(vi) installation of batteries, accumulators, or other articles not designed to or supplied become a permanent part of the good;~~
- ~~(vii) the attachment of accessories or parts (including printed circuits with components assembled thereon), which serve only to enhance the operation of the maCHIne or device;”~~

58. If the “5 parts” rule or a Chapter [residual] rule is not satisfied or if any of the negative standards for a non-origin-conferring assembly is applicable, a [general] [final] residual rule is applied.

59. When a finished good is capable of performing one or more new mechanical or electrical functions that good has origin where the good is finished subject to the negative standards for a non-origin-conferring assembly. The proposed process rule is as follows:

“Goods produced as a result of processing non-originating components into a device or apparatus capable of performing one or more new mechanical or electrical functions shall have origin in the country of such processing.”

Option A/3: (SG) (IND) (MOR)

60. It is not necessary to set out a Chapter Note to deal with this issue only. If finishing operations are undergone with the assembly defined under the proposed definition, the assembly confers origin on a good that is manufactured from an article that has the essential character that good.

61. The definition of assembly that confers origin on a good is as follows:

- Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation; (SG)
- An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation; (IND) (MOR)

62. If the definition is not satisfied a [general] [final] residual rule is applied.

Option A/4: (EC) (BRA – all goods of Chapters 84 and 86; some goods of Chapters 85, 87 and 90) (TUR – some goods of Chapter 85) (AUS – goods of Chapter 87) (EGY – 85.28)

63. When an incomplete or unfinished article is completed or finished in one country, provided that the required value added (40% (EGY), 45% (EC, BRA, TUR, AUS), [x]% (BRA) or 60% (EC, BRA, AUS)) is achieved in that country as a result of working and processing and, if applicable, the incorporation of parts originating in that country, origin should be conferred on that article.

64. The proposed value added rules are as follows:

“the increase in value acquired as a result of working and processing and, if applicable, the incorporation of parts originating in the country of manufacture represents at least 60 (for some complete vehicles) or 45 [x] (for others) percent of the ex-works price of the good is carried out” (EC) (TUR) (AUS) (BRA)

~~“the increase in value acquired as a result of working and processing and, if applicable, the incorporation of parts originating in the country of manufacture represents at least 60% for all goods of Chapters 84 and 86; 60% for some goods of Chapter 85; 60% of some goods of Chapter 87; 45%, 51% or 60% for some goods of Chapter 90” (BRA)~~

“40% value added” (EGY) (SEN)

65. If neither the required value added nor the change of tariff classification rule is satisfied a [general] [final] residual rule is applied. (EC) (TUR) (EGY) (SEN)

66. Origin conferred by application of the value added rule should not be nullified by the negative standards for a non-origin-conferring assembly. When neither the required value added nor the change of tariff classification rule is met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence. (AUS)

Note for Option A:

67. The similar issues have been raised in the product-specific proposals which recognise the further working or assembly of incomplete or unfinished goods classified in the same heading or subheading as an origin conferring event. These are examined in more detail in the part 2 of this document (product specific issues).

OPTION B : No

68. A change of tariff classification criterion has a built-in mechanism to refrain simple processes or operations from conferring origin on a complete or finished good manufactured from an incomplete or unfinished article that has the essential character of that good. Such changes from incomplete or unfinished stage to complete or finished should be regarded as insubstantial transformation. Thus no exception of this principle is acceptable. (JPN) (US)

Relevant HS Codes :

All headings of Chapters 84 to 90, except for 8548.10 (waste and scrap of primary cells)

ISSUE No.4 : CHANGE OF CLASSIFICATION BY VIRTUE OF THE APPLICATION OF THE SECOND PART OF GIR 2(A) - COLLECTION OF PARTS

NOTE :

69. The General Rule for the Interpretation of the Harmonized System (GIR) 2(a) provides as follows:

“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.”

70. This issue arises by virtue of the second part of GIR 2(a) when non-originating articles are presented unassembled or disassembled (a set of parts classified as articles). This issue is still valid even if some parts are missing from the set of parts when presented, as long as those presented parts as a whole have the essential character of the complete or finished article concerned (First part of GIR 2(a)). However, this issue is not valid when parts are separately presented to Customs, i.e., parts are classified as parts.

OPTION A : Yes, collecting parts is an origin conferring event under the specified conditions (IND) (SEN)

71. The legal requirements of the Harmonized System should be strictly observed in order to apply the Harmonized Rules of Origin. The Agreement provides that the change of tariff classification criterion should be based on the Harmonized System. This means that the HS is being used not only to identify a good by classification but also to judge whether or not a good undergoes a substantial transformation by a change of classification. Therefore if the HS is not sufficient for the origin determination purposes, supplementary criteria should be elaborated instead of modifying the HS. The Customs officials and traders are familiar with the current HS in force, thus if the HS is applied for the origin determination purposes different from the way which is applicable to the classification purposes, the Customs officials and traders would be confused.

72. A set of parts, which has the essential character of the complete or finished article, is considered to have substantially transformed from individual parts, when these parts collected take a form of a set with a manual or an instructional document for assembly and a guarantee by the supplier.

73. Similar to a do-it-yourself kit or unassembled furniture, handy electronics equipment is commonly found in this form in a market. Origin of these sets must be the country where they are collected and arranged as sets with a guarantee by the supplier; otherwise the same set would have different origin depending on the place where it is finally assembled.

OPTION B : No, collecting parts is not an origin conferring event (US) (AUS) (JPN) (EC) (BRA) (CAN) (**CHI**)

74. Collection of parts should not be considered as substantial transformation. Collection of parts requires storing and regrouping of goods only; thus assembly or working or processing on the parts are not necessary. Parts may be grouped together, but an individual part is still the same part.

75. The Chapter Note/Chapter Rule/Legal Note should be :

“[Where a change in classification results from the application of HS General Interpretative Rule 2(a) with respect to collections of parts that are presented as unassembled articles of another heading or subheading the individual parts shall retain their origin prior to such collection. (For goods assembled from collections of parts, Note 2.C shall apply.) (US) (AUS)]”

or

“[A change of classification which results from the application of Rule 2(a) of the General Rules for the Interpretation of the HS (GIR 2(a)), with respect to a collection of parts, shall not be considered as the change required by the rule set forth in the matrix. (Sec)]” Origin of the collected parts should be determined as a good by a [general] [final] residual rule.

Relevant HS Codes :

All headings of Chapters 84 to 90, except for 8548.10 (waste and scrap of primary cells)

ISSUE No.5 : ASSEMBLY OF THE COLLECTION OF PARTS CLASSIFIED BY VIRTUE OF THE APPLICATION OF THE SECOND PART OF GIR 2(A)

There was a growing consensus on the proposed text (see page 1108)

OPTION A : Yes. (by an assembly definition)

Option A/1: (SG)

76. Any assembly from parts confers origin on the assembled goods.

77. The Chapter rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.”

Option A/2: (MOR)

78. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation.

79. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B : Yes, provided

Option B/1 : (by a value added rule) (EC) (BRA) (TUR – some goods of Chapter 85) (AUS – goods of Chapter 87) (EGY – 85.28)

80. When the collected parts are assembled, provided that the required value added (40% (EGY), 45% (EC, BRA, TUR, AUS), [x]% (BRA) or 60% (EC, BRA, AUS)) is achieved in that country as a result of working and processing and, if applicable, the incorporation of parts originating in that country, origin should be conferred on that article.

81. The proposed value added rules are as follows:

“the increase in value acquired as a result of working and processing and, if applicable, the incorporation of parts originating in the country of manufacture represents at least 60 (for some complete vehicles) or 45 [x] (for others) percent of the ex-works price of the good is carried out” (EC) (TUR) (AUS) (BRA)

“the increase in value acquired as a result of working and processing and, if applicable, the incorporation of parts originating in the country of manufacture represents at least [X]% for all goods of Chapters 84, 85, 86 and 90; 60% of some goods of Chapter 87” (BRA)

"40% value added" (EGY) (SEN)

82. If neither the required value added nor the change of tariff classification rule is satisfied a [general] [final] residual rule is applied. (EC) (TUR) (BRA) (EGY)

83. Origin conferred by application of the value added rule should not be nullified by the negative standards for a non-origin-conferring assembly. When the required value added rule is not met or the value added rule is not set out, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence. (AUS)

Option B/2: (by a cascading approach) (US)

84. When a collection of parts occurred in one country, the individual parts shall retain their origin prior to such collection by application of a Chapter [Legal] Note. If the collected parts are assembled there is no change in classification after the assembly. Thus a change of classification rule is not applicable. Origin of the assembled good from the collected parts is determined by application of the “5 parts” rule with negative standards for a non-origin-conferring assembly, the specified processes with negative standards for a non-origin-conferring assembly, or the use of at least one originating part with negative standards for a non-origin-conferring assembly.

85. The Chapter [Legal] Note should be:

“[Where a change in classification results from the application of HS General Interpretative Rule 2(a) with respect to collections of parts that are presented as unassembled articles of another heading or subheading the individual parts shall retain their origin prior to such collection. (For goods assembled from collections of parts, Note 2.C shall apply.)]”

Option B/3: (by a Chapter Note and a change of tariff classification rule) (JPN) (CAN) (HK) (CH) (CHI)

86. Assembly of the collected parts should be treated the same as assembly of separately imported parts. Application of a change of tariff classification rule should not be foregone depending on whether or not parts are presented together and satisfy the requirements of GIR 2(a). Therefore, a Chapter Note should be set out to deal with this question first, and a change of tariff classification rule determines origin of the collected parts.

87. The Chapter Note should be:

“A good assembled from a collection of parts that are classified by virtue of the application of GIR 2(a) in the same heading or subheading as the good shall have origin in the country where, subject to paragraph [next], the relevant rule or note set out in the Appendix is satisfied.

The change of classification that may be required by the relevant rule in the matrices is considered to have taken place in the country in which the good is assembled from the collection of parts.”

OPTION C: No (IND)

88. The legal requirements of the Harmonized System should be strictly observed in order to apply the Harmonized Rules of Origin. The Agreement provides that the change of tariff classification criterion should be based on the Harmonized System. This means that the HS is being used not only to identify a good by classification but also to judge whether or not a good undergoes a substantial transformation by a change of classification. Therefore if the HS is not sufficient for the origin determination purposes, supplementary criteria should be elaborated instead of modifying the HS. The Customs officials and traders are familiar with the current HS in force, thus if the HS is applied for the origin determination purposes different from the way which is applicable to the classification purposes, the Customs officials and traders would be confused.

89. A collection of parts, which has the essential character of the complete or finished article, is considered to have substantially transformed from individual parts, when these parts collected take a form of a set with a manual or an instructional document for assembly and a guarantee by the supplier.

90. Origin of these collections, even though finally assembled elsewhere, must be the country where they are collected and arranged as sets with a guarantee by the supplier; otherwise the same set would have different origin depending on the place where it is finally assembled.

Relevant HS Codes :

All headings of Chapters 84 to 90, except for 8548.10 (waste and scrap of primary cells)

ISSUE No.6: CHANGE OF CLASSIFICATION BY VIRTUE OF PACKAGING OR REPACKAGING OF GOODS

NOTE:

91. It should be noted that the proposed General Rule 5 (minimal operations or processes) provides one of the minimal operations or processes as follows:

“[(iii) operations or processes that concern the packaging or presentation of goods for sale.]”

92. This issue refers to a change of classification by virtue of packaging or repackaging. Therefore, this issue does not cover whether or not the “value acquired as a result of working or processing” includes the cost of packaging or repackaging. It should also be noted that the Secretariat (Tariff and Trade Affairs Directorate) is of the view (NC0008E1) that a repackaging would not lead to a change of classification. At its 23rd Session the HS Committee took note of this. However, to ensure that in all cases a packaging or repackaging cannot be considered as an origin conferring event a Chapter Note is proposed.

OPTION A: Yes.

93. If a change of classification by virtue of packaging and repackaging is not an origin conferring event, such a change should be explicitly excluded from a change of classification rule.

Otherwise, once a change of tariff classification rule is set forth in the matrix and the rule is satisfied by any cause, origin should be conferred.

OPTION B: No. (US) (AUS) (SEN) **(BRA)**(**CAN**)(**EC**) (**CHI**)

94. A change of classification by virtue of packaging and repackaging should not be considered as substantial transformation. Packaging and repackaging does not require any assembly or working or processing on the good itself. A good may be packed or repacked, but the good is still the same good.

95. The Chapter Note/Chapter Rule/Legal Note should be:

[Where a change in classification results from packaging or repackaging the origin of the good shall be the origin prior to such packaging or repackaging. (US) (AUS)]

The Philippines raised the point of "packaging" in the electronics sector, as to whether or not this is within the ambit of "packaging" in this issue. A review of "packaging" in the HS apparently would cover "packaging" in the electronics sector, for which the Philippines indicated, that being the case, it could not join the consensus.

Relevant HS Codes :

All headings of Chapters 84 to 90, except for 8548.10 (waste and scrap of primary cells)

ISSUE No.7: CHANGE OF CLASSIFICATION BY VIRTUE OF THE APPLICATION OF NOTE 4 TO SECTION XVI OF THE HS (FUNCTIONAL UNITS)

96. Note 4 to Section XVI provides as follows :

“4. Where a **maCH**ine (including a combination of **maCH**ines) consists of individual components (whether separate or interconnected by piping, by transmission devices, by electric cables or by other devices) intended to contribute together to a clearly defined function covered by one of the headings in Chapter 84 or Chapter 85, then the whole falls to be classified in the heading appropriate to that function.”

97. Note 3 to Chapter 90 provides as follows :

“3. The provisions of Note 4 to Section XVI apply to this Chapter.”

OPTION A: Yes. (IND) (**CAN**)(**PHI**)

98. The legal requirements of the Harmonized System should be strictly observed in order to apply the Harmonized Rules of Origin. The Agreement provides that the change of tariff classification criterion should be based on the Harmonized System. This means that the HS is being used not only to identify a good and but to set forth a rule of origin for that particular good. The Customs officials and traders are familiar with the current HS in force, thus if the HS is applied for the origin determination purposes different from the way which is applicable to the classification purposes, the Customs officials and traders would be confused.

99. A set of components, which was intended to contribute together to a clearly defined function covered by one of the headings in Chapters 84, 85 and 90, is considered to have substantially transformed from individual components, when these components take a form of a set with a guarantee by the supplier.

100. When a change of tariff classification rule is set forth in the matrix and that rule is satisfied by any cause, origin should be conferred.

OPTION B: Yes, provided

Option B/1: (SG) (MOR) (~~CHI~~)

101. If forming functional units takes place in the course of the assembly defined under the proposed definition, the assembly confers origin on the goods recognised as a functional unit.

102. The definition of assembly that confers origin on a good is as follows:

- Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation; (SG)
- An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation. (MOR)

103. If the definition is not satisfied a [general] [final] residual rule is applied.

Option B/2: (EC) (BRA) (TUR – some goods in Chapter 85) (EGY – 85.28 only)

104. The application of Note 4 to Section XVI appears to be very complex. Origin determination should not be subjected to such a difficult criterion. When a functional unit is formed in one country, provided that the required value added (40% or 45%) is ~~a~~**CHI**ieved in that country as a result of working and processing and, if applicable, the incorporation of parts originating in that country, origin should be conferred on that article. Option C may have a danger to lead to multiple countries of origin for a single good.

105. The proposed value added rules are as follows:

“the increase in value acquired as a result of working and processing and, if applicable, the incorporation of parts originating in the country of manufacture represents at least 45 [x] per cent of the ex-works price of the good is carried out” (EC) (TUR) (BRA)

~~“the increase in value acquired as a result of working and processing and, if applicable, the incorporation of parts originating in the country of manufacture represents at least 60% for all goods of Chapter 84; 60% for some goods of Chapter 85; 45%, 51% or 60% for some goods of Chapter 90” (BRA)~~

“40% value added” (EGY)

106. If the required value added is not satisfied a [general] [final] residual rule is applied.

OPTION C: No. (US) (JPN) (AUS)

107. It is difficult to justify that goods made up as a functional unit by, for example, connecting electric cables, piping, transmission devices, and presented together with the separate packaging in a single shipment has been substantially transformed from the components. Those goods are not considered as a single good in terms of origin determination. Therefore, each component should retain its origin prior to such presentation.

108. The Chapter Note should be :

“Where a change in classification results from the application of Note 4 to Section XVI to separately packaged goods presented together in a single shipment, the separately packaged goods shall retain their origin prior to such presentation.”

Relevant HS Codes :

All headings of Chapters 84, 85 except for 8548.10 (waste and scrap of primary cells) and 90

COMBINED MACHINES OF CHAPTER 84 AND 85

	Multi-function maCHInes	Composite maCHInes	Functional units
How many maCHInes are connected as a unit ?	1 only	2 or more fitted together	Several components
What are the criteria to classify ?	Principal function (Note 3 to Sec. XVI)	Principal function	Clearly defined function covered by one heading of Chapters 84 or 85 (Note 4 to Sec. XVI)
How many functions ?	Separate complementary or alternative functions (2 or more)		1 only
Are they attached permanently ?	Yes	Yes	No (Can be connected with, e.g. cables or pipes)
Notes			Components which fulfil auxiliary functions and which do not contribute to the function of the whole are to be classified in their own appropriate heading. Applicable also to Chap.90 (Note 3 to Chap.90)

~~ISSUE NO.8: CHANGE OF CLASSIFICATION BY VIRTUE OF: DEGRADATION BY AGEING OR CONSUMPTION OR ANY OTHER REASON~~

NOTE

~~109. — Origin of vessels and other floating structures for breaking up (Issue No.74) is taken as a product specific issue. This issue arises when used goods are classified in a heading or subheading different from the one initially classified, due to declining the capacity, etc. If there is no change in tariff classification the goods retain their origin until they become waste and scrap as defined in Appendix 1. So far no proposal has been made to accept consumption as an origin conferring event.~~

~~OPTION A: — Yes.~~

~~110. — So far there is no Member who supports this option. However, the TCRO has not decided yet that degradation by ageing or consumption or any other reason is not an origin conferring event.~~

~~OPTION B: — No.~~

~~111. — A change of classification by virtue of degradation by ageing or consumption or any other reason is not considered as substantial transformation.~~

~~112. — The Chapter Note/Chapter Rule/Legal Note should be :~~

~~[[Unless otherwise provided] a change of classification which results from degradation of the good by ageing or consumption or any other reason shall not be considered as the change required by the rule set forth in the matrix. (SEN)]~~

Relevant HS Codes :

~~All headings of Chapters 84 to 90, except for 8548.10 (waste and scrap of primary cells) and 89.08 (vessels and other floating structures for breaking up)~~

Headings mentioning numerically specified capacity, size, etc. in the subheading text:

~~84.02, 84.06, 84.07, 84.10, 84.11, 84.14, 84.18, 84.23, 84.43, 84.46, 84.47, 84.50, 84.51, 84.60, 84.71, 85.01, 85.02, 85.04, 85.32, 85.33, 85.35, 85.36, 85.37, 85.39, 85.44, 88.02~~

~~ISSUE No.9 : CHANGE OF CLASSIFICATION BY VIRTUE OF: CHANGE OF USE~~

NOTE

~~113. — It is understood that application of the HS GIR and other legal notes provides that the actual use of a good would not result in a re-classification. It should also be noted that the Secretariat (Tariff and Trade Affairs Directorate) is of the view (NC0008E1) that a change of use of a good would not lead to a change of classification. At its 23rd Session the HS Committee took note of this. However, to ensure that in all cases a change of use cannot be considered as an origin conferring event a Chapter Note is proposed.~~

~~114. — This issue is different from the issue of modification of goods. Modification is considered as part of assembly processes; a change of use is considered to be a case caused by a cross border transfer of goods which might be classified in a different heading or subheading depending on the intended use in the importing country.~~

~~OPTION A : Yes.~~

~~115. — So far there is no Member who supports this option. However, the TCRO has not decided yet that a change of classification by a change of use is not an origin conferring event.~~

~~OPTION B : No.~~

~~116. — A change of classification by virtue of a change of use is not considered as substantial transformation.~~

~~117. — The Chapter Note/Chapter Rule/Legal Note should be :~~

~~[a change of classification which results from the change of use **[without accompanying processing,]** of the good shall not be considered as the change required by the rule set forth in the matrix. (SEN)] (CAN) (CHI)~~

Relevant HS Codes :

~~All headings of Chapters 84 to 90~~

~~ISSUE No.10 : CHANGE OF CLASSIFICATION BY VIRTUE OF: RECERTIFICATION OR RETESTING OF ARTICLES~~

NOTE

~~118. — It should be noted that there is an opinion that the classification of a maCHine does not depend on certification presented by the manufacturers or traders. Consequently, the recertification or retesting of a maCHine will not lead to a reclassification of the maCHine, but a rectification of the classification.~~

~~OPTION A : Yes.~~

~~119. — So far there is no Member who supports this option. However, the TCRO has not decided yet that a change of classification by recertification or retesting a good is not an origin conferring event.~~

~~OPTION B : No. (US) (CH)~~

~~120. — A change of classification by virtue of recertification or retesting is not considered as substantial transformation.~~

~~121. — When a good is exported, it would be very difficult to physically examine each product as to whether the precise tariff classification is given; thus the Customs authority trusts to a certain extent certification provided by the manufacturers or traders. Therefore, once a classification of the good is determined in one country and exported to another country, that classification is usually referred to in the importing country. When the good is classified differently in the importing country as a result of recertification or retesting and re-exported to the third country, a change of tariff classification rule may be satisfied even though the good itself is unchanged.~~

~~122. — The Chapter Note/Chapter Rule/Legal Note should be :~~

~~{a change of classification which results from the recertification or retesting **[,without accompanying processing,]** of the good shall not be considered as the change required by the rule set forth in the matrix. (Sec)}~~

Relevant HS Codes :

All headings of Chapters 84 to 90, in particular:

Headings mentioning numerically specified capacity, size, etc. in the subheading text:

~~84.02, 84.06, 84.07, 84.10, 84.11, 84.14, 84.18, 84.23, 84.43, 84.46, 84.47, 84.50, 84.51, 84.60, 84.71, 85.01, 85.02, 85.04, 85.32, 85.33, 85.35, 85.36, 85.37, 85.39, 85.44, 88.02~~

~~ISSUE No.11 : ORIGIN OF A DISASSEMBLED OR RECOVERED PART OR A REMOVED ARTICLE FROM THE GOOD THAT WOULD HAVE PERFORMED ITS ORIGINAL PURPOSE OR WOULD HAVE BEEN RESTORED OR REPAIRED~~

NOTE

123. It has been agreed that disassembly is not an origin conferring event. This issue deals with origin of a disassembled (recovered) part or a removed article from the good that would have performed its original purpose or would have been restored or repaired. Thus this issue covers parts or articles which are not subject to Definitions f), g) and h) of the wholly obtained goods.

124. Chapter Note/Rule was proposed to cover this issue as follows:

“Disassembly (*not origin conferring*)

A change of classification which results from the disassembly of the good shall not be considered as the change required by the rule set forth in the matrix. (Basket 1)

[(1) A change of classification which results from the disassembly of the good that can perform its original purpose shall not be considered as the change required by the rule set forth in the matrix. The parts recovered from the good shall retain the country of origin of the good prior to disassembly.

(2) A change of classification which results from the disassembly of the good that cannot perform its original purpose without being restored or repaired shall not be considered as the change required by the rule set forth in the matrix. The country of origin of the recovered parts shall be (one among the following options (US):

[(a) the country where the parts are recovered] (SEN)

[(b) the country of origin of the good from which the parts are recovered] (CAN)

(c) the initial country of origin of the parts]. (IND)]”

OPTION A: (by Chapter Note/Rule (a)) (SEN)

125. A change of classification which results from the disassembly of the good that would have performed its original purpose or would have been restored or repaired shall not be considered as the change required by the rule set forth in the matrix. However, the parts recovered from the good or the articles removed from the good should have origin in the country where the parts or the articles are recovered. This approach is the most practical and administratively less burdensome. This approach is the same as Definition (h), Alternative 1 of the wholly obtained goods. (*Disassembly confers origin on the disassembled goods.*)

OPTION B: (by Chapter Note/Rule (b)) (CAN) (**CHI**)

126. A change of classification which results from the disassembly of the good that would have performed its original purpose or would have been restored or repaired shall not be considered as the change required by the rule set forth in the matrix. The parts recovered from the good or the articles removed from the good shall retain the country of origin of the good prior to disassembly. ~~If disassembly does not confer origin on a disassembled good this approach should be taken. The proposed rule (c) is difficult to implement, due to the fact that not all parts or articles have the marking of the country of origin.~~

OPTION C: (by Chapter Note/Rule (c)) (IND)

127. A change of classification which results from the disassembly of the good that would have performed its original purpose or would have been restored or repaired shall not be considered as the change required by the rule set forth in the matrix. The parts recovered from the good or the articles removed from the good shall retain the initial country of origin of the parts or the articles. If disassembly does not confer origin on a good this approach is theoretically correct. When the country of origin of the part or article is marked on its surface, this approach does not confuse the manufacturers or traders.

OPTION D: (by application of Appendix 2, Rule 2) (EC)

128. A change of classification which results from the disassembly of the good that would have performed its original purpose or would have been restored or repaired shall not be considered as the change required by the rule set forth in the matrix. It is not necessary to have a provision in the Chapter Notes/Rules to deal with this issue. The origin of the parts recovered from the good or of the articles removed from the good is determined by a [general] [final] residual rule set forth in Appendix 2, Rule 2. [A rule to be finalised]

Relevant HS Codes :

All headings of Chapters 84 to 90

ISSUE No.12 : ORIGIN OF A RECOVERED OR COLLECTED PART OR A REMOVED ARTICLE FROM THE GOOD THAT CAN NO LONGER PERFORM ITS ORIGINAL PURPOSE NOR IS CAPABLE OF BEING RESTORED OR REPAIRED (PARTS OR ARTICLES COVERED BY THE WHOLLY OBTAINED GOODS DEFINITIONS)

NOTE

129. It has been agreed that disassembly is not an origin conferring event. *However, it appears that the TCRO's decision (partly endorsed by the CRO) made on the wholly obtained goods definitions and its another decision on disassembly may contradict each other. This issue is to address consistency between Appendix 1 and Appendix 2 rules. (Sec)*

130. Definitions f), g) and h) of the wholly obtained goods provide as follows:

- (f) Scrap and waste derived from manufacturing or processing operations or from consumption in that country and fit only for disposal or for the recovery of raw materials;
- (g) [Articles collected in that country which can no longer perform their original purpose nor are capable of being restored or repaired and which are fit only for disposal or for the recovery of parts or raw materials;]

- (h) Alternative 1:

[Parts or raw materials recovered in that country from articles which can no longer perform their original purpose nor are capable of being restored or repaired;]^[*]

Alternative 2:

[Parts or raw materials obtained in that country from articles collected in that country which are not fit for their original purpose nor are capable of being restored or repaired and are fit only for disposal or for the recovery of parts or raw materials;]

* [In the recovery of parts or raw materials, environmental considerations may arise, particularly for radioactive, hazardous and toxic waste that may result from the recovery of parts or raw materials from Articles. In this connection, this rule is without prejudice to Members' rights to take WTO-consistent measures to protect the environment.]

OPTION A: (Alternative 1 of Definition (h) of the wholly obtained goods)

131. A part recovered from the good that can no longer perform its original purpose nor is capable of being restored or repaired shall have origin where the part is recovered (Definition (h), Alternative 1 of the wholly obtained goods). *However, disassembly confers origin on the disassembled goods.*

OPTION B: (Alternative 2 of Definition (h) of the wholly obtained goods)

132. When a part is recovered from the good that collected in the same country, and the good is not fit for its original purpose nor is capable of being restored or repaired, the part shall have origin where the part is recovered (Definition (h), Alternative 2 of the wholly obtained goods). *It would be understood that once an article is collected subject to Definition (h), Alternative 2, that article becomes a wholly obtained good. By application of Definition (i) parts recovered solely from the collected good must have origin of the article (the country where the good is collected and the part is recovered).*

OPTION C: *Contradictory to Definition (h), Alternative 1*

133. The country of origin of a part recovered or collected from the good that can no longer perform its original purpose nor is capable of being restored or repaired should be the country of origin of the good from which the part is recovered.

OPTION D: *Contradictory to Definition (h), Alternative 1*

134. The country of origin of a part recovered or collected from the good that can no longer perform its original purpose nor is capable of being restored or repaired should be the initial country of origin of the part.

Relevant HS Codes :

All headings of Chapters 84 to 90

[ISSUE No.13 : REASSEMBLY OF THE DISASSEMBLED GOODS

NOTE

135. When an enormous maCHIne, such as a turbine is exported, the maCHIne is disassembled for the transport purposes, and reassembled in the importing country. When a maCHIne is overhauled the maCHIne may be disassembled first and reassembled with some spare parts. This issue is to address whether or not the reassembly itself confers origin on the disassembled good.

136. A maCHIne may be newly and entirely assembled from the used parts taken from maCHInes other than scrap and waste or the recovered parts from scrapped maCHInes. In this case it appears that there is no need to distinguish between assembly of brand-new parts and assembly of used parts. Therefore, in this issue the scope of a reassembled good is limited to such a good as being identical to the good prior to its disassembly.

OPTION A: Yes, provided the applicable origin rules are satisfied. See Issue No.1 (origin conferring assembly for goods of Chapters 84 to 90)

137. To clearly articulate this approach, a Chapter Note/Chapter Rule/Legal Note is proposed. The Chapter Note/Chapter Rule/Legal Note should be:

[A good reassembled from disassembled parts shall have origin in the country where the good satisfy the rule set forth in the matrix. If the country of origin is not determined by the rule set forth in the matrix, [[Note][Rule] 2] *[a [general] [final] residual rule]* shall apply.(PHI)(JPN)]

OPTION B: No.

138. As long as a reassembled good is identical to the good prior to its disassembly, the reassembled good must have the initial origin of the good. Otherwise, an unreasonable origin outcome may be given by disassembly of a good for the transport purposes or an over-haul of a good. **(CAN) (CH)**

[OPTION C: No.

139. It is not necessary to have a provision in the Chapter Notes/Rules to deal with this issue. The origin of the reassembled goods is determined by a [general] [final] residual rule set forth in Appendix 2, Rule 2. [A rule to be finalised] (EC)(**CH**)

Relevant HS Codes :

All headings of Chapters 84 to 90, except for 8548.10 (waste and scrap of primary cells)]

PART 3 : PRODUCT SPECIFIC ISSUES

Product specific issues: Chapter 84

ISSUE No.14: ATTACHMENT OF ENGINES OR MOTORS TO PARTS

140. The Technical Committee agreed that unless particular product specific issues on parts are raised the manufacture of parts from materials outside the parts heading or subheading concerned is origin conferring.

OPTION A: Yes. (by assembly)

Option A/1: (SG)

141. Any assembly from parts (the same result is achieved by a CTSH rule) confers origin on the assembled goods.

142. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH (for subheadings 8474.90, 8475.90, 8476.90, 8477.90, 8478.90 and 8479.90 only)

Option A/2: (IND) (MOR) (SEN)

143. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching a motor to other parts results in a new good having new characteristics.

144. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule)

145. Once engines or motors are attached to other parts to form as a new and different part or sub-assembly which can be used only for a specific machine, that part or sub-assembly is no longer a motor or engine in general terms. When articles which can be used for multiple purposes are further manufactured to meet the specific use or function required, the articles are considered to be substantially transformed to new and different goods. Therefore, a change to parts from materials classified outside the parts heading or subheading is always origin conferring.

146. The rule should be :

(a) CTH (JPN) (**MOR**) (MEX) (COL) (TUR) (PHI – except 8451.90, 8452.90) (AUS) (HK) (CH - except 84.31)

for 8422.90, 84.31, 8433.90, 8434.90, 8435.90, 8436.99, 8437.90, 8438.90, 8439.91, 8439.99, 8440.90, 8441.90, 8442.40, ex8443.90(b), 8448.20, 8448.32, 8448.39, 8448.49, 8448.59, 8450.90, 8451.90, 8452.90, 8453.90, 8455.90, 84.66, 8467.91, 8467.92, 8467.99, 8474.90, 8475.90, 8476.90, 8477.90, 8478.90, 8479.90

Note : Exclusions of article headings to deal with disassembly are treated as straight CTH. (Sec)

CTH; or

“Manufacture where the increase in value acquired as a result of working and processing, and if applicable, the incorporation of parts originating in the country of manufacture represents at least 45[X]% of the ex-works price of the product” (herein after referred to as “45% value added rule”) (EC)(**BRA**)

for 8422.90, 84.31, 8433.90, 8434.90, 8435.90, 8436.99, 8437.90, 8438.90, 8439.91, 8439.99, 8440.90, 8441.90, 8442.40, ex 443.90(b), 8448.20, 8448.32, 8448.39, 8448.49, 8448.59, 8450.90, 8451.90, 8452.90, 8453.90, 8455.90, 84.66, 8467.91, 8467.92, 8467.99, 8474.90, 8475.90, 8476.90, 8477.90, 8478.90, 8479.90

~~OPTION C: Yes, provided (by a value added rule) (BRA)~~

~~147. Any material may be used regardless of its classification, provided the criterion of 60% value added rule is satisfied.~~

148. The rule should be:

60% value added rule”

OPTION D: No.

149. Parts classified in the parts heading or subheading are, as provided in Note 2(b) or (c) to Section XVI, suitable for use solely or principally with a particular kind of machine, or with a number of machines of the same heading; or other (multiple use) parts. Therefore, mere attachment of some parts to operate the machine in question changes the classification from motors (85.01) or engines (84.07, 84.08) heading to that parts heading or subheading concerned. However, even though the parts incorporating motors or engines are suitable for use solely or principally with a particular machine the characteristics of the parts in question is still motors or engines. Therefore, in principle, such parts should retain the origin of the motors or engines.

150. The rule should be :

- CTH, except from heading 85.01

for 8422.90 (US), 84.31 (US) (CH), 8434.90 (US), 8435.90 (US), 8440.90 (US), 8441.90 (US), 8442.40 (US), 8448.20 (US), 8448.32 (US), 8448.39 (US), 8448.49 (US), 8448.59 (US), 8450.90 (US), 8451.90 (US) (PHI), 8452.90 (US) (PHI), 8453.90 (US), 8455.90 (US), 84.66 (US), 8474.90 (US), 8475.90 (US), 8476.90 (US), 8477.90 (US), 8478.90 (US)

- CTH, except from heading 84.07, 84.08 or 85.01

for 8433.90 (US), 8436.99 (US) (PHI), 8437.90 (US) (PHI), 8438.90 (US), 8439.91 (US), 8439.99 (US), 8479.90 (US)

- CTH, except from heading 84.07 or 84.12

for 8467.91 (US), 8467.99 (US)

- CTH, except from heading 84.12
for 8467.92 (US)
- CTSHS, except from heading 85.01
for ex8443.90(b) (US)

Option D/1: (US)

151. A **primary** rule is prepared for the case when **a motor or engine** is used. Therefore the origin of the parts to which a motor is attached is the country where the electric motor is originated.

- The country of origin shall be the country of origin of the electric motor

Option D/2: (CH) (PHI)

152. When an electric motor is used origin is determined by application of a [general] [final] residual rule.

Option D/3: (CAN)

153. Otherwise the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Relevant HS Codes :

8422.90, 84.31, 8433.90, 8434.90, 8435.90, 8436.99, 8437.90, 8438.90, 8439.91, 8439.99, 8440.90, 8441.90, 8442.40, ex8443.90(b), 8448.20, 8448.32, 8448.39, 8448.49, 8448.59, 8450.90, 8451.90, 8452.90, 8453.90, 8455.90, 84.66, 8467.91, 8467.92, 8467.99, 8474.90, 8475.90, 8476.90, 8477.90, 8478.90, 8479.90

ISSUE No.15: ATTACHMENT OF COMPRESSORS TO PARTS OF MECHANICAL APPLIANCES FOR PROJECTING, DISPERSING OR SPRAYING LIQUIDS OR POWDERS, ETC. (8424.90)

Note: This issue may be merged with Issue No.1 (origin conferring assembly) if the parts of mechanical appliances for projecting, dispersing or spraying liquids or powders, etc. with compressors are classified in either articles subheadings (8424.10 - 8424.89) or compressors subheadings (8414.40, 8414.80).

OPTION A: Yes. (by assembly)

Option A/1: (SG)

154. Any assembly from parts confers origin on the assembled goods.

155. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.”

Option A/2: (IND) (MOR) (SEN)

156. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching a compressor to other parts results in a new good having new characteristics.

157. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule)

158. Once compressors are attached to other parts to form as a new and different part or sub-assembly which can be used only for mechanical appliances for projecting, dispersing or spraying liquids or powders, etc., that part or sub-assembly is no longer a compressor in general terms. When articles which can be used for multiple purposes are further manufactured to meet specific use or function required, the articles are considered to be substantially transformed to new and different goods. Therefore, a change to parts from materials classified outside the parts heading or subheading is always origin conferring.

159. The rule should be :

- (a) CTH (CAN) (MEX) (COL) (AUS)
- (b) CTH; or 45[X]% value added rule (EC) **(BRA)**

~~OPTION C: Yes, provided (by a value added rule) (BRA)~~

~~160. Any material may be used regardless of its classification, provided the criterion of 60% value added rule is satisfied.~~

~~161. The rule should be:~~

~~60% value added rule~~

162. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No.

163. Parts classified in the parts heading or subheading are, as provided in Note 2(b) or (c) to Section XVI, suitable for use solely or principally with a particular kind of machine, or with a number of machines of the same heading; or other (multiple use) parts. [Therefore, mere attachment of some parts to operate the machine in question changes the classification from compressors (8414.40, 8414.80) to that of parts of mechanical appliances for projecting, dispersing or spraying liquids or powders, etc.] However, even though the parts incorporating compressors are suitable for use solely or principally with the machines, the characteristics of the parts in question are still compressors. Therefore, such parts should remain the origin of compressors.

164. The rule should be :

CTH, except from subheading 8414.40 or 8414.80

Option D/1: (US) (JPN)

165. A subsidiary rule is prepared for the case when compressors are used. Therefore the origin of the parts to which compressors are attached is the country where the compressors are originated.

The country of origin shall be the country of origin of the compressors.

Option D/1/a: (US)

166. Otherwise the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Option D/1/b: (JPN)

167. Otherwise origin is determined by application of a [general] [final] residual rule.

Option D/2: (CH) (PHI)

168. When compressors are used origin is determined by application of a [general] [final] residual rule.

Relevant HS Code:
8424.90

ISSUE No.16: USE OF MACHINE-TOOLS OF HEADINGS 84.58 THROUGH [84.63] [84.65] FOR THE ASSEMBLY OF MACHINING CENTRES, UNIT CONSTRUCTION MACHINES (SINGLE STATION) OR MULTI-STATION TRANSFER MACHINES

NOTE

169. Note 4 to Chapter 84 provides as follows :

“Heading No. 84.57 applies only to machine-tools for working metal, other than lathes (including turning centres), which can carry out different types of machining operations either :

- (a) by automatic tool change from a magazine or the like in conformity with a machining programme (machining centres),
- (b) by the automatic use, simultaneously or sequentially, of different unit heads working on a fixed position workpiece (unit construction machines, single station), or
- (c) by the automatic transfer of the workpiece to different unit heads (multi-station transfer machines).” (see “SUMMARY TABLE OF MACHINE-TOOLS OF HEADING 84.57” below)

OPTION A: Yes. (by assembly)

Option A/1: (SG)

170. Any assembly from parts (the same result is achieved by a CTS rule) confers origin on the assembled goods.

171. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH (for subheading 8457.30 only)

Option A/2: (IND) (MOR) (SEN)

172. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Using machining centres, unit construction machines or multi-station transfer machines as starting materials results in a new good having new characteristics.

173. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule)

Option B/1: (JPN) (CH) (COL) (US) (TUR) (AUS) (CAN) (CHI) (PHI – for subheadings 8457.10 and 8457.20 only)

174. Other machine-tools classified outside this heading can be used as starting materials. Characteristics of machining centres, unit construction machines or multi-station transfer machines are totally different from other machine-tools in terms of their technical complexity and sophistication. CTH for subheadings 8457.10 and 8457.20, CTSH for subheading 8457.30 are sufficient to express substantial transformation.

175. The rule should be:

- CTH for subheadings 8457.10, 8457.20;
- CTSH for subheading 8457.30

Option B/2: (EC)(**BRA**)

176. Any non-originating machine-tools may be used. However, parts of machining centres, unit construction machines or multi-station transfer machines (84.66) cannot be used as starting materials, because assembly of parts into machines is not substantial transformation. If non-originating parts are used, the 45% value added requirement should be met.

177. The rule should be :

CTH, except from heading 84.66; or 45 [**X**] % value added rule

~~OPTION C: Yes, provided (by a value added rule) (BRA)~~

~~178. Any material may be used regardless of its classification, provided the criterion of 60% value added rule is satisfied.~~

~~179. The rule should be:
60% value added rule~~

~~180. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.~~

OPTION D: No. (MEX)

181. Machining centres, unit construction machines or multi-station transfer machines should be assembled directly from parts classified in heading 84.66. Any modification of machine-tools classified in heading 84.58 through [84.63] [84.65] to machining centres or unit construction machines should not be recognised as substantial transformation.

182. The rule should be :

CTH, except from headings 84.58 through [84.65 (MEX)]

183. When machine-tools classified in heading 84.58 through [84.63] [84.65] are used origin is determined by application of a [general] [final] residual rule.

Note : Headings 84.64 and 84.65 cover machine-tools used for working non-metal goods. (Sec)

Relevant HS Codes :

8457.10, 8457.20, 8457.30

SUMMARY TABLE OF MACHINE-TOOLS OF HEADING 84.57

		Heading 84.57	
	Machining Centres	Unit construction machines (Single station)	Multi-station transfer machines
How many machines are connected as an unit ?	1 only	1 only with 2 or more unit heads	2 or more stations
		(Note 4 to Chapter 84)	
What are the criteria to classify ?	<ul style="list-style-type: none"> • Several machining operations; • Automatic tool change 	<ul style="list-style-type: none"> • Automatic use of different unit heads; • Workpiece is fixed, while unit heads move. 	<ul style="list-style-type: none"> • Automatic transfer of workpiece to the tool; • different stations; • Several machining operations.
How many functions ?	2 or more	2 or more	2 or more
Are they attached permanently ?	Yes	Yes	Yes

ISSUE No.17: USE OF MACHINING CENTRES OR UNIT CONSTRUCTION MACHINES (SINGLE STATION) FOR THE ASSEMBLY OF MULTI-STATION TRANSFER MACHINES

184. See NOTE to Issue No.16 and Summary Table above.

OPTION A: Yes. (by assembly)

Option A/1: (SG)

185. Any assembly from parts (the same result is achieved by a CTS rule) confers origin on the assembled goods.

186. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH

Option A/2: (IND) (MOR) (SEN)

187. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Using machining centres or unit construction machines as starting materials results in a new good having new characteristics.

188. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (JPN) (US) (CH) (TUR) (AUS) (CAN) **(CHI)** **(PHI)**

189. Machining centres or unit construction machines can be used as starting materials. Characteristics of multi-station transfer machines are totally different from machining centres or unit construction machines in terms of their technical complexity and sophistication. A CTSH rule is sufficient to express substantial transformation.

190. The rule should be :

CTSH

OPTION C: Yes, provided (by a value added rule)

Option C/1: (EC)**(BRA)**

191. Machining centres or unit construction machines may be used as starting materials, provided the 45% value added requirement is met. However, assembly of multi-station transfer machines from parts (84.66) alone is not substantial transformation. When the parts are used for the assembly, the 45% value added requirement should also be satisfied.

192. The rule should be :

CTH, except from heading 84.66; or 45[X] % value added rule

~~Option C/2: (BRA)~~

~~193. Machining centres or unit construction machines may be used as starting materials, provided the 60% value added requirement is met.~~

~~194. The rule should be :~~

~~60 % value added rule~~

~~195. For both Options C/1 and C/2, if the required value added is not achieved origin is determined by application of a [general] [final] residual rule.~~

OPTION D: No.

196. Machining centres or unit construction machines cannot be used as starting materials. Characteristics of multi-station transfer machines are similar to machining centres or unit construction machines. A CTH rule is sufficient to express substantial transformation.

197. The rule should be :

- (a) CTH (COL) ;
- (b) CTH, except from headings 84.58 through ~~[84.63 (CAN)]~~ [84.65 (MEX)]

198. When machining centres or unit construction machines are used origin is determined by application of a [general] [final] residual rule.

Relevant HS Code :
8457.30

ISSUE No.18: MANUFACTURE OF NUMERICALLY CONTROLLED MACHINE-TOOLS OF HEADINGS 84.58, 84.59, 84.60 AND 84.62 FROM NON-NUMERICALLY CONTROLLED MACHINE-TOOLS CLASSIFIED IN THE SAME HEADING

OPTION A: Yes. (by assembly)

Option A/1: (SG)

199. Any assembly from parts (the same result is achieved by a CTSH rule) confers origin on the assembled goods.

200. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH

Option A/2: (IND) (MOR) (SEN)

201. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Combining mechanical and automatically operated tools results in a new good having new characteristics.

202. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (JPN) (IND) (COL) **(CHI)**

203. Manufacture of numerically controlled machine-tools of headings 84.58, 84.59, 84.60 and 84.62 from non-numerically controlled machine-tools classified in the same heading is substantial transformation. The non-numerically controlled machine-tools can be used as one of the components of the numerically controlled machine-tools. The manufacturing process is not simply achieved by adding the numerical control equipment, but needed further sophisticated adjustment for the proper use of the machines. Thus, the numerically controlled machine-tools were completely different from non-numerically controlled ones in speed of work and the automation character.

204. The rule should be :

CTSH (for heading 84.62 only (COL))

OPTION C: Yes, provided (by a value added rule)

Option C/1: (EC)

205. Non-numerically controlled machine-tools can be used as one of the components of the numerically controlled machine-tools, provided the 45 % value added requirement is satisfied. However, assembly of the numerically controlled machine-tools from parts (84.66) alone is not substantial transformation. When the parts are used for the assembly, the 45% value added requirement should be satisfied.

206. The rule should be :

CTH, except from heading 84.66; or 45% value added rule

Option C/2: (BRA)

207. Non-numerically controlled machine-tools can be used as one of the components of the numerically controlled machine-tools, provided the 60 % value added requirement is satisfied.

208. The rule should be :

60% value added rule

209. For both Options C/1 and C/2, if the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No.

210. This option is to preclude origin being conferred when a non-originating machine tool was modified such that its classification is changed from one subheading to another within the same heading. Such changes generally do not result in substantial transformations. The difference between these two machine-tools is simply either mechanical or automatically operated for the same function. Thus, there was no substantive difference. A study undertaken in a country shows that the numerically controlled machine-tools must have been produced directly from the parts. Therefore, the change in question appeared to be unlikely.

211. The rule should be :

CTH

Option D/1: (CAN)

212. the CTH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Option D/2: (AUS)

213. the CTH rule is not met, the “5 parts” rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Option D/3: (CH) (US) (MEX) (TUR) (HK)

214. the CTH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :

84.58, 84.59, 84.60, 84.62

ISSUE No.19: PRODUCTION OF CIPHERING EQUIPMENT WITH THE MANUFACTURING OF THE CORRESPONDING PRINTED CIRCUIT BOARDS (HARDWARE) AND THE INTEGRATION OF THE CIPHERING CAPABILITIES (SOFTWARE)

OPTION A: Yes. (by assembly)

Option A/1: (SG)

215. Any assembly from parts confers origin on the assembled goods.

216. The Chapter rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.”

Option A/2: (IND) (MOR) (SEN)

217. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. The production or installation of a hardware and its software results in a new good having new characteristics.

218. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (CH) (AUS)

219. Encryption equipment - high security ciphering equipment specifically referred to word processors, automatic data processing machines, telephones, faxes and radio transceivers. The telephones, for example, were manufactured to fit with encryption system, under which highly confidential information was transferred. A major difference between a regular phone and a ciphering phone was the ciphering phone's stronger construction (weight), complex hardware and the way of communication which was only possible between ciphering phones equipped with the same hardware and software in order to decipher secret messages. These goods were normally under the export control of the government and used exclusively by military or diplomatic services. The production of that equipment (hardware) started with shielding plates to protect the system, and ensured the security functions by installing the security processor into the ciphered phone, and finally a speech processor was installed into the telephone unit. Testing, burn-in and artificial ageing must have followed after the production of these goods. (See Doc.41.927 for further information.)

220. The production of ciphering high security word processors (ex8469.11(a)), ciphering high security PC security modules (ex8471.80(a)) or other ciphering high security office machines (ex8472.90(a)) is considered to be substantial transformation.

221. The rules should be :
CTSHS

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

222. The production or installation of a hardware and its software may increase the value of goods in question. If encryption system equipment is manufactured from non-originating materials, or if non-originating encryption system equipment and its software are used for the production of goods, the criterion of substantial transformation is as to whether the good produced meets the specified added value requirement.

223. The rule should be :

45[X]% value added rule; or **CTH, except from heading 84.73**

224. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No.

225. The production or installation of a hardware and its software does not change the characteristics of the machines concerned.

226. The rule should be:

CTSH (COL - ex 8471.80(a), ex 8472.90(a) only) (PHI - ex 8471.80(a) only) (TH - ex 8471.80(a) only)

Option D/1: (CAN)

227. When the CTSH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Option D/2: (JPN) (MEX) (HK) (COL) (PHI) (TH)(US)

228. When the CTH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :

ex 8469.11(a), ex 8471.80(a), ex 8472.90(a)

ISSUE No.20: PRESENTATION OF DIGITAL AUTOMATIC DATA PROCESSING MACHINES CLASSIFIED IN SUBHEADINGS 8471.49 (PRESENTED IN THE FORM OF SYSTEM) FROM UNITS CLASSIFIED IN THE SAME HEADING

NOTE

229. Subheading 8471.49 covers other digital automatic data processing machines presented in the form of systems, comprising at least the following, but not in the same housing:

- (i) a central processing unit;

- (ii) an input unit (e.g., a keyboard, a scanner);
- (iii) an output unit (e.g., a visual display unit, a printer).

230. Subheading Note 1 to Chapter 84 provides as follows :

“1.- For the purposes of subheading No. 8471.49, the term "systems" means automatic data processing machines whose units satisfy the conditions laid down in Note 5 (B) to Chapter 84 and which comprise at least a central processing unit, one input unit (for example, a keyboard or a scanner), and one output unit (for example, a visual display unit or a printer).”

231. Note 5(B) to Chapter 84 provides as follows :

“5(B) Automatic data processing machines may be in the form of systems consisting of a variable number of separate units. Subject to paragraph (E) below, a unit is to be regarded as being a part of a complete system if it meets all of the following conditions :

- (a) It is of a kind solely or principally used in an automatic data processing system;
- (b) It is connectable to the central processing unit either directly or through one or more other units; and
- (c) It is able to accept or deliver data in a form (codes or signals) which can be used by the system.”

OPTION A: Yes. (by assembly)

Option A/1: (SG)

232. Any assembly from parts (the same result is achieved by a CTSH rule) confers origin on the assembled goods.

233. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH

Option A/2: (IND) (MOR) (SEN)

234. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Presenting other ADP machines in the form of systems using units classified in the same heading results in a new good having new characteristics.

235. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

Option A/3: (TH)

236. Presenting other ADP machines in the form of systems using units classified in the different subheading shall have origin in the country of assembly.

237. The rule should be :

CTSH

OPTION B: Yes, provided (by a value added rule) (EC) (BRA)

238. Any units may be used regardless of its classification, provided the specified value added rule is satisfied. Even though an ADP machine is classified as a system, processes of manufacturing the ADP machine may vary from one machine to another. The value added rule is the most appropriate criterion to determine a substantial transformation in this product sector.

239. The rule should be :

CTH, except from heading 84.73; or 45 [X]% value added rule (EC) (BRA)

240. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION C: No.

241. Presentation of other ADP machines in the form of systems from units classified in the same heading is not considered to be substantial transformation. Mere attachment of units by electric cable to form a system may change the classification. Therefore, other ADP machines in the form of systems are considered to be substantially transformed if they are assembled from parts classified outside the heading.

242. The rule should be :

CTH

Option C/1: (CAN)

243. When the CTSH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Option C/2: (CH) (MEX) (JPN) (PHI) (CAN) (KOR) (COL) (AUS) (HK) (CHI)

244. When the CTH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :

8471.49

ISSUE No.21: ASSEMBLY OF DIGITAL PROCESSING UNITS WHICH DO NOT CONTAIN IN THE SAME HOUSING ANY OF THE STORAGE UNITS, INPUT UNITS OR OUTPUT UNITS (EX 8471.50(A)) FROM ANY OTHER UNITS CLASSIFIED OTHER THAN SUBHEADING 8471.50 INCLUDING OPTICAL DISK FILING SYSTEMS

NOTE

245. Subheading 8471.50 covers digital processing units (other than those of subheading 8471.41 and 8471.49), whether or not containing in the same housing one or two of the following:

- (i) storage units;
- (ii) input units (e.g., a keyboard, a scanner);

- (iii) output units (e.g., a visual display unit, a printer).

OPTION A: Yes. (by assembly)

Option A/1: (SG)

246. Any assembly from parts (the same result is achieved by a CTSH rule) confers origin on the assembled goods.

247. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH

Option A/2: (IND) (MOR) (SEN)

248. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching optical disk filing systems classified in subheading [8471.90] [8471.70] or any other units classified other than subheading 8471.50 to parts of digital processing units (84.73) results in a new good having new characteristics.

249. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (CAN) (COL) (PHI) (CH) (AUS) (HK) (TH) (JPN) (KOR) **(CAN) (CHI)**

250. The digital processing units which do not contain in the same housing any of the storage units, input units or output units (ex 8471.50(a)) can be assembled from optical disk filing systems classified in subheading [8471.90] [8471.70] or any other units classified other than subheading 8471.50.

251. The rule should be : CTSH

252. The CTSH rule does not mean to accept disassembly of ADP machines of 8471.49 as origin conferring. Disassembly issue should separately be dealt with in a Chapter Note.

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

253. Any unit may be used regardless of its classification, provided the specified value added rule is satisfied.

254. The rule should be :

45[X] % value added rule (EC) **(BRA)**

255. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No. (US) (MEX)

256. The digital processing units which do not contain in the same housing any of the storage units, input units or output units (ex 8471.50(a)) should be assembled from parts of digital processing units (84.73) only.

257. The rule should be :

CTH

Option D/1: (US)

~~258. When the CTH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.~~

Option D/2: (MEX)

259. When the CTH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :
ex 8471.50 (a)

ISSUE No.22: USING DIGITAL PROCESSING UNITS WHICH DO NOT CONTAIN IN THE SAME HOUSING ANY OF THE STORAGE UNITS, INPUT UNITS OR OUTPUT UNITS (EX 8471.50(A)) AS STARTING MATERIALS

See NOTE to Issue No.21.

OPTION A: Yes. (by assembly)

Option A/1: (SG)

260. Any assembly from parts confers origin on the assembled goods.

261. The Chapter rule should be :
“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.”

Option A/2: (IND) (MOR) (SEN)

262. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching storage units, input units or output units to digital processing units which do not contain in the same housing any of the storage units, input units or output units results in a new good having new characteristics.

263. The Chapter rule should be :
“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (JPN) (US) (MEX) (KOR)(CAN)

264. Digital processing units which contain in the same housing one or two of the storage units, input units or output units (ex 8471.50(b)) can be assembled from storage units (8471.70) or input or output units (8471.60) and digital processing units which do not contain in the same housing any of the storage units, input units or output units (ex 8471.50(a)).

265. The rule should be :

CTSHS for split subheading ex 8471.50(b)

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

266. Any unit may be used regardless of its classification, provided the specified value added rule is satisfied.

267. The rule should be :

CTH, except from heading 84.73; or 45 [X]% value added rule (EC)(BRA)

268. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No.

269. Digital processing units which contain in the same housing one or two of the storage units, input units or output units can be assembled from non-originating storage units (8471.70) or input or output units (8471.60) and parts of digital processing units (84.73). However, non-originating digital processing units which do not contain in the same housing any of the storage units, input units or output units cannot be used as starting materials, and should directly be assembled from their parts (84.73). The CTSH rule does not mean to accept disassembly of ADP machines of 8471.49 as origin conferring. Disassembly issue should separately be dealt with in a Chapter Note.

270. The rule should be :

CTSH

Option D/1: (AUS)

271. When the CTSH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Option D/2: (COL) (PHI) (CH) (HK) (TH) (**CHI**)

272. When the CTSH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :
ex 8471.50 (b)

ISSUE No.23: ASSEMBLY OF INPUT OR OUTPUT UNITS (OTHER THAN PRINTER UNITS) WHICH DO NOT CONTAIN THE STORAGE UNITS IN THE SAME HOUSING (EX 8471.60(a) OF SPLIT SUBHEADINGS (A) AND (B)) FROM ANY OTHER UNITS CLASSIFIED OTHER THAN SUBHEADING 8471.60 INCLUDING OPTICAL DISK FILING SYSTEMS

NOTE

273. Subheading 8471.60 covers input or output units (whether or not containing storage units in the same housing).

OPTION A: Yes. (by assembly)

Option A/1: (SG)

274. Any assembly from parts (the same result is achieved by a CTS rule) confers origin on the assembled goods.

275. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH

Option A/2: (IND) (MOR) (SEN)

276. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching optical disk filing systems classified in subheading [8471.90] [8471.70] or any other units classified other than subheading 8471.60 to parts of input or output units (84.73) results in a new good having new characteristics.

277. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (CAN) (COL) (PHI) (CH) (AUS) (HK) (TH) (JPN) (**CHI**)

278. The input or output units (other than printer units) which do not contain the storage units in the same housing (ex 8471.60(a)) can be assembled from optical disk filing systems classified in subheading [8471.90] [8471.70] or any other units classified other than subheading 8471.60.

279. The rule should be : CTSH

280. The CTSH rule does not mean to accept disassembly of ADP machines of 8471.49 as origin conferring. Disassembly issue should separately be dealt with in a Chapter Note.

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

281. Any unit may be used regardless of its classification, provided the specified value added rule is satisfied.

282. The rule should be :

- (a) 45 % value added rule (EC)
- (b) 60% value added rule (BRA)

283. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No. (US) (MEX) (TUR)

284. The input or output units (other than printer units) which do not contain the storage units in the same housing (ex 8471.60(a)) should be assembled from parts of input or output units (84.73) only.

285. The rule should be : CTH

Option D/1: (US) (TUR)

286. When the CTH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Option D/2: (MEX)

287. When the CTH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :

ex 8471.60(a) of split subheadings (A) and (B)

ISSUE No.24: USING INPUT OR OUTPUT UNITS (OTHER THAN PRINTER UNITS) WHICH DO NOT CONTAIN THE STORAGE UNITS IN THE SAME HOUSING (EX 8471.60(a) OF SPLIT SUBHEADINGS (A) AND (B)) AS STARTING MATERIALS

See NOTE to Issue No.23.

OPTION A: Yes. (by assembly)

Option A/1: (SG)

288. Any assembly from parts confers origin on the assembled goods.

289. The Chapter rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.”

Option A/2: (IND) (MOR) (SEN)

290. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching storage units to input or output units (other than printer units) which do not contain the storage units in the same housing results in a new good having new characteristics.

291. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (JPN) (US) (MEX) (**CHI**)

292. Input or output units (other than printer units) which contain the storage units in the same housing (ex 8471.60(b)) can be assembled from storage units (8471.70) and input or output units which do not contain the storage units in the same housing (ex 8471.60(a)).

293. The rule should be :

CTSHS for ex 8471.60(b) of split subheadings (A) and (B)

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

294. Any unit may be used regardless of its classification, provided the specified value added rule is satisfied.

295. The rule should be :

(a) 45 % value added rule (EC)

(b) 60% value added rule (BRA)

296. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No. (CAN) (COL) (PHI) (CH) (HK) (TH)

297. Input or output units (other than printer units) which contain the storage units in the same housing can be assembled from storage units (8471.70) and parts of input or output units (84.73). However, input or output units which do not contain the storage units in the same housing cannot be used as starting materials, and should directly be assembled from parts (84.73). The CTSH rule does not mean to accept disassembly of ADP machines of 8471.49 as origin conferring. Disassembly issue should separately be dealt with in a Chapter Note.

298. The rule should be : CTSH

299. When the CTSH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :

ex 8471.60(b) of split subheadings (A) and (B)

ISSUE No.25: ASSEMBLY OF PRINTER UNITS WHICH DO NOT CONTAIN THE STORAGE UNITS FROM ANY OTHER UNITS CLASSIFIED OTHER THAN SUBHEADING 8471.60 INCLUDING OPTICAL DISK FILING SYSTEMS

See NOTE to Issue No.23. This issue and Issues Nos.26, 27 and 28 deal with printer units. However, the splits proposed are different in scope. When these issues are settled the scope of and the rules for ex 8471.60(c) and (d) should be adjusted accordingly. (Sec)

OPTION A: Yes. (by assembly)

Option A/1: (SG)

300. Any assembly from parts (the same result is achieved by a CTSH rule) confers origin on the assembled goods.

301. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH

Option A/2: (IND) (MOR) (SEN)

302. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching optical disk filing systems classified in subheading [8471.90] [8471.70] or any other units classified other than subheading 8471.60 to parts of printer units (84.73) results in a new good having new characteristics.

303. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (CAN) (COL) (PHI) (CH) (AUS) (HK) (TH) (JPN) (KOR)

304. The printer units which do not contain the storage units in the same housing (split subheading (B) ex 8471.60(c)) can also be assembled from optical disk filing systems classified in subheading [8471.90] [8471.70] or any other units classified other than subheading 8471.60.

305. The rule should be : CTSH

306. The CTSH rule does not mean to accept disassembly of ADP machines of 8471.49 as origin conferring. Disassembly issue should separately be dealt with in a Chapter Note.

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

307. Any unit may be used regardless of its classification, provided the specified value added rule is satisfied.

308. The rule should be :

(a) 45 % value added rule (EC)

(b) 60% value added rule (BRA)

309. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No. (MEX)

310. The printer units which do not contain the storage units in the same housing (split subheading (B) ex 8471.60(c)) should be assembled from parts of input or output units (84.73) only.

311. The rule should be : CTH

312. When the CTH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :

split subheading (B) ex 8471.60(c)

ISSUE No.26: USING PRINTER UNITS WHICH DO NOT CONTAIN THE STORAGE UNITS (SPLIT SUBHEADING (B), EX 8471.60(C)) AS STARTING MATERIALS

See NOTE to Issue No.23. This issue and Issues Nos.25, 27 and 28 deal with printer units. However, the splits proposed are different in scope. When these issues are settled the scope of and the rules for ex 8471.60(c) and (d) should be adjusted accordingly. (Sec)

OPTION A: Yes. (by assembly)

Option A/1: (SG)

313. Any assembly from parts confers origin on the assembled goods.

314. The Chapter rule should be :
“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.”

Option A/2: (IND) (MOR) (SEN)

315. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching storage units to printer units results in a new good having new characteristics.

316. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (JPN) (MEX) (KOR) **(CHI)**

317. Printer units which contain the storage units in the same housing (split subheading (B) ex 8471.60(d)) can be assembled from storage units (8471.70) and printer units which do not contain the storage units in the same housing (split subheading (B) ex 8471.60(c)).

318. The rule should be :

CTSHS for split subheading (B) ex 8471.60(d)

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

319. Any unit may be used regardless of its classification, provided the specified value added rule is satisfied.

320. The rule should be :

(a) 45 % value added rule (EC)

(b) 60% value added rule (BRA)

321. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No.

322. Printer units which contain the storage units in the same housing can be assembled from storage units (8471.70) and parts of printer units (84.73). However, printer units which do not contain the storage units in the same housing cannot be used as starting materials, and should directly be assembled from parts (84.73). The CTS rule does not mean to accept disassembly of ADP machines of 8471.49 as origin conferring. Disassembly issue should separately be dealt with in a Chapter Note.

323. The rule should be : CTS

Option D/1: (AUS)

324. When the CTS rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Option D/2: (CAN) (COL) (PHI) (CH) (HK) (TH)

325. When the CTS rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :

split subheading (B) ex 8471.60(d)

ISSUE No.27: ASSEMBLY OF PRINTER UNITS WHICH DO NOT INCORPORATE ONE OR MORE OF THE MEDIA TRANSPORT ASSEMBLY, COMMAND OR CONTROL ASSEMBLY OR PRINT MECHANISM ASSEMBLY (SPLIT SUBHEADING (A) EX 8471.60(c))

See NOTE to Issue No.23. This issue and Issues Nos.25, 26 and 28 deal with printer units. However, the splits proposed are different in scope. When these issues are settled the scope of and the rules for ex 8471.60(c) and (d) should be adjusted accordingly. (Sec)

OPTION A: Yes. (by assembly)

Option A/1: (SG)

326. Any assembly from parts (the same result is achieved by a CTS rule) confers origin on the assembled goods.

327. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTS

Option A/2: (IND) (MOR) (SEN)

328. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. The assembly of printer units which do not incorporate one or more of the media transport assembly, command or control assembly or print mechanism assembly results in a new good having new characteristics.

329. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (CAN) (COL) (PHI) (CH) (AUS) (HK) (TH) **(CHI)**

330. Printer units which do not incorporate one or more of the media transport assembly, command or control assembly or print mechanism assembly (split subheading (A) ex 8471.60(c)) can be assembled from any units classified other than subheading 8471.60 and parts of printer units (84.73). The CTSH rule does not mean to accept disassembly of ADP machines of 8471.49 as origin conferring. Disassembly issue should separately be dealt with in a Chapter Note.

331. The rule should be : CTSH

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

332. Any unit may be used regardless of its classification, provided the specified value added rule is satisfied.

333. The rule should be :

- (a) 45 % value added rule (EC)
- (b) 60% value added rule (BRA)

334. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No. (US)

335. The printer units which lack one or more of the following essential components; media transport assembly, command or control assembly, or print mechanism assembly (split subheading 8471.60(c)), should be assembled from parts of printer units (84.73) only.

336. The rule should be :

CTH for split subheading (A) ex 8471.60(c)

337. When the CTH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Relevant HS Codes :

split subheading (A) ex 8471.60(c)

ISSUE No.28: USING PRINTER UNITS WHICH DO NOT INCORPORATE ONE OR MORE OF THE MEDIA TRANSPORT ASSEMBLY, COMMAND OR CONTROL ASSEMBLY OR PRINT MECHANISM ASSEMBLY (SPLIT SUBHEADING (A) EX 8471.60(c)) AS STARTING MATERIALS

See NOTE to Issue No.23. This issue and Issues Nos.25, 26 and 27 deal with printer units. However, the splits proposed are different in scope. When these issues are settled the scope of and the rules for ex 8471.60(c) and (d) should be adjusted accordingly. (Sec)

OPTION A: Yes. (by assembly)

Option A/1: (SG)

338. Any assembly from parts confers origin on the assembled goods.

339. The Chapter rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.”

Option A/2: (IND) (MOR) (SEN)

340. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching media transport assembly, command or control assembly or print mechanism assembly results in a new good having new characteristics.

341. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (US)

342. Printer units which have all of the following essential components; media transport assembly, command or control assembly, or print mechanism assembly (split subheading A ex8471.60(d)) can be assembled from non-originating printer units which lack one or more of those components (split subheading A ex8471.60 (c)) and media transport assembly, command or control assembly, or print mechanism assembly (ex84.73).

343. The rule should be :

CTSHS for split subheading (A) ex 8471.60(d)

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

344. Any unit may be used regardless of its classification, provided the specified value added rule is satisfied.

345. The rule should be :

- (a) 45 % value added rule (EC)
- (b) 60% value added rule (BRA)

346. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No.

347. Printer units which have all of the following essential components; media transport assembly, command or control assembly, or print mechanism assembly (split subheading A ex 8471.60(d)) can be assembled from any units classified other than subheading 8471.60. However, printer units which do not incorporate one or more of the media transport assembly, command or control assembly or print mechanism assembly (split subheading (A) ex 8471.60(c)) cannot be used as starting materials, and should directly be assembled from parts (84.73). The CTSH rule does not mean to accept disassembly of ADP machines of 8471.49 as origin conferring. Disassembly issue should separately be dealt with in a Chapter Note.

348. The rule should be : CTSH

Option D/1: (AUS)

349. When the CTSH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Option D/2: (CAN) (COL) (PHI) (CH) (HK) (TH) **(JPN) (CHI)**

350. When the CTSH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :

split subheading (A) ex 8471.60(d)

ISSUE No.29: ATTACHMENT OF TWO OR MORE OF THE READ AND/OR WRITE UNITS, COMMON INTERFACE OR CONTROL UNITS TO STORAGE UNITS WHICH DO NOT CONTAIN MORE THAN ONE OF THE READ AND/OR WRITE UNITS, COMMON INTERFACE OR CONTROL UNITS (SUCH AS HARD DISK DRIVES) TO PRODUCE RAID (REDUNDANT ARRAY OF INEXPENSIVE DISKS) (SPLIT SUBHEADING (A) EX 8471.70(a))

This issue and Issues Nos.30 and 31 deal with storage units. However, the splits proposed are different in scope. When these issues are settled the scope of and the rules for ex 8471.70(a) and (b) should be adjusted accordingly. (Sec)

OPTION A: Yes. (by assembly)

Option A/1: (SG)

351. Any assembly from parts confers origin on the assembled goods.

352. The Chapter rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.”

Option A/2: (IND) (MOR) (SEN)

353. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching two or more of the read and/or write units, common interface or control units result in a new good having new characteristics.

354. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (JPN) **(CHI)**

355. RAID (Redundant Array of Inexpensive Disks) provides the quality and cost effectiveness equivalent to or even better than conventional disks by placing inexpensive disks (such as mass-produced 3.5 inch HDDs) as an array to create redundancy (the state in which a failed disk does not affect the system). RAID contains in the same housing at least two or more of the following units: read and/or write units; common interface; or control units. Assembly of RAID requires highly sophisticated technology and RAID is substantially different in characteristics and functions from storage units consisting of single read/write units. Therefore, use of HDD (8471.70), PCB Assembly (8473.30) and some other parts or components classified outside this subheading should be accepted.

356. The rule should be :

CTSHS for split subheading (A) ex8471.70(a)

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

357. Any unit may be used to assemble storage units regardless of its classification, provided the specified value added rule is satisfied.

358. The rule should be :

- (a) 45 % value added rule (EC)
- (b) 60% value added rule (BRA)

359. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No.

360. Storage units can be assembled from other units classified in heading 84.71 and parts of storage units (84.73). However, HDD cannot be used as starting materials, and should directly be assembled from parts (84.73). The CTSH rule does not mean to accept disassembly of ADP machines or other units of 8471.49, 8471.50 or 8471.60 as origin conferring. Disassembly issue should separately be dealt with in a Chapter Note.

361. The rule should be : CTSH

Option D/1: (AUS)

362. When the CTSH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Option D/2: (CAN) (COL) (MEX) (PHI) (CH) (HK) (TH)

363. When the CTSH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :

split subheading (A) ex 8471.70(a)

ISSUE No.30: ATTACHMENT OF A CONTROL OR ADAPTER UNIT CONNECTED TO ONE OR MORE STORAGE UNITS TO OTHER STORAGE UNITS TO PRODUCE ASSEMBLIES CONTAINING IN THE SAME HOUSING A CONTROL OR ADAPTER UNIT CONNECTED TO ONE OR MORE STORAGE UNITS (SPLIT SUBHEADING (B) EX 8471.70(a))

This issue and Issues Nos.29 and 31 deal with storage units. However, the splits proposed are different in scope. When these issues are settled the scope of and the rules for ex 8471.70(a) and (b) should be adjusted accordingly. (Sec)

OPTION A: Yes. (by assembly)

Option A/1: (SG)

364. Any assembly from parts confers origin on the assembled goods.

365. The Chapter rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.”

Option A/2: (IND) (MOR) (SEN)

366. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching a control or adapter unit connected to one or more storage units results in a new good having new characteristics.

367. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (US) **(CHI)**

368. Assemblies containing in the same housing a control or adapter unit connected to one or more storage units (split subheading (B) ex 8471.70(a)) can be assembled from control or adapter units and other storage units (split subheading (B) ex 8471.70(b)).

369. The rule should be :

CTSHS for split subheading (B) ex 8471.70(a)

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

370. Any unit may be used to assemble storage units regardless of its classification, provided the specified value added rule is satisfied.

371. The rule should be :

- (a) 45 % value added rule (EC)
- (b) 60% value added rule (BRA)

372. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No.

373. Storage units can be assembled from other units classified in heading 84.71 and parts of storage units (84.73). However, control or adapter units and other storage units classified in subheading 8471.70 should not be used. The CTSH rule does not mean to accept disassembly of ADP machines or other units of 8471.49, 8471.50 or 8471.60 as origin conferring. Disassembly issue should separately be dealt with in a Chapter Note.

374. The rule should be : CTSH

Option D/1: (AUS)

375. When the CTH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Option D/2: (CAN) (MEX) (COL) (PHI) (CH) (HK) (TH)

376. When the CTSH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :

split subheading (B) ex 8471.70(a)

ISSUE No.31: ASSEMBLY OF STORAGE UNITS OTHER THAN ASSEMBLIES WHICH CONTAINING IN THE SAME HOUSING A CONTROL OR ADAPTER UNIT CONNECTED TO ONE OR MORE STORAGE UNITS (SPLIT SUBHEADING (B) EX 8471.70(a)) FROM OTHER UNITS OF HEADING 84.71 OTHER THAN THOSE OF SUBHEADING 8471.70

This issue and Issues No.29 and 30 deal with storage units. However, the splits proposed are different in scope. When these issues are settled the scope of and the rules for ex 8471.70(a) and (b) should be adjusted accordingly. (Sec)

OPTION A: Yes. (by assembly)

Option A/1: (SG)

377. Any assembly from parts (the same result is achieved by a CTSH rule) confers origin on the assembled goods.

378. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH

Option A/2: (IND) (MOR) (SEN)

379. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching any unit classified in heading 84.71 other than subheading 8471.70 results in a new good having new characteristics.

380. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (CAN) (MEX) (COL) (PHI) (CH) (AUS) (HK) (TH) **(CHI)**

381. Storage units other than assemblies containing in the same housing a control or adapter unit connected to one or more storage units (split subheading (B) ex 8471.70(b)) can be assembled from any units classified in heading 84.71 other than subheading 8471.70.

382. The rule should be : CTSH

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

383. Any unit may be used to assemble storage units regardless of its classification, provided the specified value added rule is satisfied.

384. The rule should be :

(a) 45 % value added rule (EC)

(b) 60% value added rule (BRA)

385. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No. (US)

386. Other storage units (split subheading (B) ex 8471.70(b)) should be assembled directly from parts of storage units (84.73).

387. The rule should be :

CTH

388. When the CTH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Relevant HS Codes :

split subheading (B) ex 8471.70(b)

ISSUE No.32: ASSEMBLY OF PLASMA DISPLAY PANELS, LASER PRINTER CARTRIDGES, INKJET CARTRIDGES, PRINTER HEADS OR SHEET FEEDERS FROM THEIR PARTS CLASSIFIED IN THE SAME SUBHEADING (8473.30)

OPTION A: Yes. (by assembly)

Option A/1: (SG)

389. Any assembly from parts confers origin on the assembled goods.

390. The Chapter rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.”

Option A/2: (IND) (MOR) (SEN)

391. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Assembling plasma display panels, laser printer cartridges, inkjet cartridges, printer heads or sheet feeders from parts classified in heading 84.73 results in a new good having new characteristics.

392. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (JPN) (EGY) (AUS) (KOR)

393. Plasma display panels that are classified in subheading 8473.30 as parts of plasma display units of subheading 8471.60 are manufactured by the following processes: i) front panel and back panel as starting materials; ii) sealing two panels by frit glass; iii) exhausting of air through exhausting tube (8473.30); and filling of NeXe gas through exhausting tube and closing. These processes require a highly sophisticated technique under a clean environment to achieve strictly predetermined accuracy. The plasma display panel is totally different from source materials such as exhausting tubes and substantially transformed. The manufacture of plasma display panels from their parts is an origin conferring event.

394. Laser printer cartridges, inkjet cartridges, printer heads or sheet feeders classified in the subheading 8473.30 as parts or accessories of the machines of the heading 84.71 have been circulated world-wide as complete and independent components similar to the plasma display panels. They are manufactured from parts also classified in the subheading 8473.30 through the complicated assembling operation. The changes from the parts to them are worth being regarded as the last substantial transformation.

395. The rule should be :

CTSHS for ex 8473.30(a)

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

396. Any parts may be used to assemble plasma display panels, laser printer cartridges, inkjet cartridges, printer heads or sheet feeders regardless of its classification, provided the specified value added rule is satisfied.

397. The rule should be :

(a) 45 % value added rule (EC)

(b) 60% value added rule (BRA)

398. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No.

399. Parts or accessories of ADP machines should be manufactured from raw materials or other articles classified in a different heading. A change within the subheading is not considered as substantial transformation.

400. The rule should be :

CTH

Option D/1: (COL) (MEX)

401. When the CTH rule is not met, origin is determined by application of a [general] [final] residual rule.

Option D/2: (US)(CAN)

402. When the CTH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Relevant HS Codes :
ex 8473.30(a)

ISSUE No.33: ASSEMBLY OF MEMORY MODULES (FOR EXAMPLE, SIMMs, DIMMs AND MEMORY BOARDS) FROM ELECTRONIC INTEGRATED CIRCUITS AND MICROASSEMBLIES (85.42)

OPTION A: Yes. (by assembly)

Option A/1: (SG)

403. Any assembly from parts (the same result is achieved by a CTS rule) confers origin on the assembled goods.

404. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH

Option A/2: (IND) (MOR) (SEN)

405. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Assembling plasma display panels from parts classified in heading 84.73 results in a new good having new characteristics.

406. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (JPN) (AUS) (CH) (COL) (MEX) (CAN) (HK) (KOR)

407. Memory modules are totally different from source materials such as electronic integrated circuits or microassemblies (85.42) and substantially transformed. The manufacture of memory modules from electronic integrated circuits or microassemblies (85.42) is an origin conferring event.

408. The rule should be : CTH

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

409. Any parts may be used to assemble memory modules regardless of its classification, provided the specified value added rule is satisfied.

410. The rule should be :

- (a) 45 % value added rule (EC)
- (b) 60% value added rule (BRA)

411. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No. (US)

412. Memory modules such as SIMMs, DIMMs or memory boards should not be manufactured from electronic integrated circuits or microassemblies (85.42). The memory modules are not substantially transformed from the electronic integrated circuits or microassemblies.

413. The rule should be :

CTH, except from heading 85.42

414. When the electronic integrated circuits or microassemblies are used for the production of memory modules, the country of origin is the country of origin of electronic integrated circuits or microassemblies.

Relevant HS Codes :
ex 8473.30(b)

ISSUE No.34: ATTACHMENT OF HEATING OR REFRIGERATING DEVICE TO AUTOMATIC GOODS-VENDING MACHINES

NOTE

415. Machines covered by this heading include: automatic goods-vending machines for postage stamp, cigarette, food, beverage or money-changing. Articles subheadings of heading 84.76 are divided whether incorporating heating or refrigerating devices. Therefore, attaching or removing heating or refrigerating devices can change the classification. However, it should be noted that the change of use issue is dealt with by Issue No.9.

OPTION A: Yes. (by assembly)

Option A/1: (SG)

416. Any assembly from parts (the same result is achieved by a CTSH rule) confers origin on the assembled goods.

417. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH

Option A/2: (IND) (MOR) (SEN)

418. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching or removing heating or refrigerating devices results in a new good having new characteristics.

419. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (CAN) (CH) (COL)

420. For automatic goods-vending machines for food or beverage the heating or refrigerating devices are one of the important components of this kind of machines. Attaching heating or refrigerating devices to automatic goods-vending machines changes the characteristics of the machines concerned. Non-originating heating or refrigerating devices may be used for the assembly of the machines concerned. The CTSH rule does not mean to accept disassembly of the heating or refrigerating devices from the machines concerned as origin conferring. Disassembly issue should separately be dealt with in a Chapter Note.

421. The rule should be : CTSH

OPTION C: Yes, provided (by a value added rule)

Option C/1: (EC) **(BRA)**

422. Any non-originating material may be used regardless of its classification, provided the criterion of 45% value added is satisfied. If these articles in question are manufactured from non-originating materials classified outside this heading, this is also an origin conferring event regardless of the value added achieved.

423. The rule should be :

CTH; or 45[X] % value added rule

Option C/2: ~~(BRA)~~

~~424. Any non-originating material may be used regardless of its classification, provided the criterion of 60% value added is satisfied.~~

~~425. The rule should be :
60% value-added rule~~

~~426. For both Options C/1 and C/2, if the required value added is not achieved origin is determined by application of a [general] [final] residual rule.~~

OPTION D: No.

427. A change between articles subheadings can easily be achieved by:

- (i) mere attaching heating or refrigerating devices to non-originating automatic goods-vending machines; or
- (ii) removing heating or refrigerating devices from non-originating automatic goods-vending machines (disassembly issues: see also Issues Nos.11-13); or
- (iii) by modification of the similar machines, such as between foods-vending machines and beverage-vending machines (modification issue: see also Issue No.1).

428. Therefore, other subheadings of the articles subheadings should be excluded from the assembly rule.

429. The rule should be :

CTSH, except from subheadings 8476.29 through 8476.89 for subheading 8476.21;
CTSH, except from subheading 8476.21, 8476.81 or 8476.89 for subheading 8476.29;
CTSH, except from subheading 8476.21, 8476.29 or 8476.89 for subheading 8476.81;
CTSH, except from subheadings 8476.21 through 8476.81 for subheading 8476.89.

Option D/1: (JPN) (MEX) (CHI)

430. When the CTSH rule is not met, origin is determined by application of a [general] [final] residual rule.

Option D/2: (US)

431. When non-originating heating or refrigerating devices are attached or removed, or non-originating automatic goods-vending machines are modified, the country of origin of the automatic goods-vending machines is the country where the machines excluded from the CTSH rule were first transformed into the machines of another subheading.

432. The subsidiary rule should be :

- The country of origin will be the country in which it was first transformed into a good of the subheading 8476.29, 8476.81 or 8476.89 - for subheading 8476.21;
- The country of origin will be the country in which it was first transformed into a good of the subheading 8476.21, 8476.81 or 8476.89 - for subheading 8476.29;
- The country of origin will be the country in which it was first transformed into a good of the subheading 8476.21, 8476.29 or 8476.89 - for subheading 8476.81;
- The country of origin will be the country in which it was first transformed into a good of the subheading 8476.21, 8476.29 or 8476.81 - for subheading 8476.89.]

Relevant HS Codes :

8476.21, 8476.29, 8476.81, 8476.89

ISSUE No.35: ASSEMBLY OF BALL OR ROLLER BEARINGS (8482.10 THROUGH 8482.80) FROM FINISHED INNER OR OUTER RINGS OR RACES CLASSIFIED IN SUBHEADING 8482.99

OPTION A: Yes. (by assembly)

Option A/1: (SG)

433. Any assembly from parts (the same result is achieved by a CTSH rule) confers origin on the assembled goods.

434. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH

Option A/2: (IND) (MOR) (SEN)

435. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Attaching balls, needles and rollers to the finished inner or outer rings or races results in a new good having new characteristics.

436. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (COL) (MEX) (CH) **(CHI)**

437. Attaching balls, needles and rollers to the finished inner or outer rings or races is considered to be substantial transformation. Modification of finished or complete roller bearings or other bearings to ball bearings is also origin conferring.

438. The rule should be: CTSH

OPTION C: Yes, provided (by a value added rule)

Option C/1: (EC) (BRA)

439. Any non-originating material may be used regardless of its classification, provided the criterion of 45% value added is satisfied. If the ball bearings are manufactured from non-originating materials classified outside this heading, this is also an origin conferring event regardless of the value added achieved.

440. The rule should be:

CTH; or 45[X] % value added rule

Option C/2: (BRA)

~~441. Any non-originating material may be used regardless of its classification, provided the criterion of 60% value added is satisfied.~~

~~442. The rule should be:~~

~~60% value added rule~~

~~443. For both Options C/1 and C/2, if the required value added is not achieved origin is determined by application of a [general] [final] residual rule.~~

OPTION D: No. (KOR) (JPN) (TUR) (US) (AUS) (CAN)

444. For manufacture of ball or roller bearings heat treatment and the subsequent grinding process of the inner and outer rings or races of bearings are the most significant. These processes give bearings their important characteristics, such as accuracy or durability. This reflects the fact that assembly of a bearing from the finished or complete inner and outer rings or races is a simple process which does not result in a substantial transformation of the races or rings. Furthermore, these races or rings are the major components of the bearings; the balls are considered inconsequential. Thus, when the ball or roller bearings are manufactured from the turned or forged inner and outer rings or races of bearings by heat treatment and the subsequent grinding process in one country, the origin should be conferred on the ball or roller bearings.

445. When the finished or complete ball or roller bearings are assembled from the finished or complete inner and outer rings or races of bearings, the origin of ball or roller bearings is the country where heat treatment [and subsequent grinding process (KOR) (JPN) (TUR)] of the inner and outer rings or races of bearings are undergone.

Option D/1:

446. The rule should be:

CTSH, except from split subheading ex 8482.99(a) (KOR) (JPN) (TUR) (US) (AUS)(CAN)

447. When the finished inner or outer rings or races are used as starting materials, the origin of the finished or complete ball or roller bearings should be:

[The country of origin of the goods of this heading shall be the country in which the inner and outer rings or races are heat treated [and subsequently ground (KOR) (JPN) (TUR)]]

The country of origin shall be the country of origin of the inner or outer rings or races of subheading 8482.99 (US)

Option D/2:

~~448. The rule should be:~~

~~CTSH, except from inner or outer races or rings of subheading 8482.99 or CTSH from inner or outer races or rings of subheading 8482.99 with supplementary criteria (CAN)~~

~~449. When the inner or outer races or rings of subheading 8482.99 are used without satisfying the supplementary criteria, origin is determined by application of a [general] [final] residual rule. (CAN)~~

Relevant HS Codes :
8482.10 to 8482.80

ISSUE No.36: HEAT TREATMENT AND GRINDING TO MANUFACTURE INNER OR OUTER RINGS OR RACES OF BALL OR ROLLER BEARINGS (EX 8482.99(a))

OPTION A: Yes. (by a change of tariff classification rule) (JPN)(AUS)(CAN)

450. For bearings heat treatment and grinding of the inner and outer rings or races of bearings are the most significant processes. These processes give bearings their important characteristics, such as accuracy or durability.

451. The rule should be :

CTH; or change from split subheading ex 8482.99(b)

OPTION B: Yes. (by a Chapter blank rule) (US) (CH)

452. Although a CTH rule is proposed for subheading 8482.99 in the matrix, finishing blanks of the inner and outer rings or races of ball or roller bearings may, under some circumstances, meet the specified conditions proposed for blanks at the Chapter level.

453. Chapter Notes/Chapter Rules/Legal Notes should be :

Option B/1: (US)

“Where goods are produced from forged or cast blanks which had the essential character of the complete or finished goods and were classifiable, by application of HS General Interpretative Rule 2(a), in the same heading or subheading as the complete or finished goods:

- (1) Provided the following criteria are met, the country of origin of the goods shall be the country in which the blank was finished:
 - (a) In its imported prefinished condition, the blank was not capable of functioning for its ultimate use and was not advanced beyond cleaning or working to remove flash, sprues, burrs or similar excess material, and
 - (b) In the country in which the goods were finished:
 - (i) The blank was configured to final shape by the removal of material (other than merely by honing or polishing or both), or by bending, hammering, pressing, stamping or similar forming process; and
 - (ii) The blank underwent one or more of the following processes:
 1. Hardening to a minimum hardness of 38 degrees Rockwell C [or Vickers H-V-3-70] or equivalent standard of hardness; or
 2. Assembly with five or more parts (other than parts of general use as defined in Note 2 to Section XV or similar parts of plastic (Chapter 39).

(2) If the criteria of subparagraph (a) above are not satisfied, the country of origin of the goods shall be the country of origin of the blank.”

Option B/2: (CH)

“Where goods are produced from forged or cast blanks which had the essential character of the complete or finished goods and were classifiable, by application of HS General Interpretative Rule 2(a), in the same heading or subheading as the complete or finished goods:

(1) Provided the following criteria are met, the country of origin of the goods shall be the country in which the blank was finished:

- (i) The blank was configured to final shape by the removal of material (other than merely by honing or polishing or both), or by bending, hammering, pressing, stamping or similar forming process; and
- (ii) The blank underwent one or more of the following processes:
 - 1. Heat treatment or thermochemical treatment, such as glowing, tempering, hardening; or
 - 2. Assembly with five or more parts (other than parts of general use as defined in Note 1(g) to Section XVI of the HS); or
 - 3. Surface treatment, such as coating, compressing, condensing, impregnating or insulating;

(2) If the criteria of subparagraph above are not satisfied, the country of origin of the goods shall be the country of origin of the blank.

OPTION C: Yes, provided (by a value added rule) (EC) (BRA)

454. Heat treatment and grinding of the inner and outer rings or races of ball or roller bearings are origin conferring, provided the specified value added rule is satisfied.

455. The rule should be :

- (a) CTH; or 45 % value added rule (EC)
- (b) 60% value added rule (BRA)

456. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.

OPTION D: No.

457. Parts of ball or roller bearings should be manufactured from raw materials. Heat treatment and subsequent grinding process alone do not change their characteristics of the inner and outer rings or races as parts. Therefore, there is no need to split this subheading.

458. The rule should be :

- (a) CTH: (MEX) (MOR)

(b) CTSH: (COL) (SG)

459. When the CTH or CTSH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Codes :
8482.99

ISSUE No.37: INCORPORATION OF BALL OR ROLLER BEARINGS INTO BEARING HOUSINGS

OPTION A: Yes. (by assembly)

Option A/1: (SG)

460. Any assembly from parts (the same result is achieved by a CTSH rule) confers origin on the assembled goods.

461. The Chapter rule and the product specific rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.” or

CTSH

Option A/2: (IND) (MOR) (SEN)

462. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. The incorporation of ball or roller bearings results in a new good having new characteristics.

463. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (COL) (MEX) (CH) **(CHI)**

464. This option allows use of bearing housings which do not incorporate ball or roller bearings (8483.30) as starting materials. Manufacture from materials classified outside this subheading is considered to be substantial transformation.

465. The rule should be :

CTSH

OPTION C: Yes, provided (by a value added rule)

Option C/1: (EC)**(BRA)**

466. If the bearing housings are manufactured from non-originating materials classified outside this heading, this is an origin conferring event. Parts of bearing housings (8483.90) or bearing housings which do not incorporating ball or roller bearings (8483.30) may be used provided that the 45% value added rule is met.

467. The rule should be :

CTH; or 45 [X]% value added rule

Option C/2: (BRA)

~~468. Any non-originating material may be used regardless of its classification, provided the criterion of 60% value added is satisfied.~~

~~469. The rule should be :
60% value added rule~~

~~470. For both Options C/1 and C/2, if the required value added is not achieved origin is determined by application of a [general] [final] residual rule.~~

OPTION D: No.

471. This Option precludes origin being conferred on non-originating ball or roller bearings when they are mounted in bearing housings. This reflects the fact that mounting a ball or roller bearing in a bearing housing does not substantially transform the bearing. However, parts of bearing housings (8483.90) or bearing housings which do not incorporate ball or roller bearings (8483.30) may be used.

472. The rule should be :

CTSH, except from subheadings 8482.10 through 8482.80

Option D/1: (JPN)(KOR)

473. When the CTH or CTSH rule is not met, origin is determined by application of a [general] [final] residual rule.

Option D/2: (AUS)(CAN)

474. When the CTH rule is not met, the “5 parts” rule, the specified process rule, the use of one originating part rule and a [general] [final] residual rule apply in sequence.

Option D/3: (US)

475. When non-originating ball or roller bearings are used, the subsidiary rule for this subheading determine the country of origin. The country of origin shall be the country of origin of the ball or roller bearing.

Relevant HS Code:
8483.20

ISSUE No.38: MANUFACTURE OF MECHANICAL SEALS FROM OTHER ARTICLES
CLASSIFIED IN ANOTHER SUBHEADING

OPTION A: Yes. (by assembly)

Option A/1: (SG)

476. Any assembly from parts confers origin on the assembled goods.

477. The Chapter rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.”

Option A/2: (IND) (MOR) (SEN)

478. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Assembling mechanical seals from other articles classified in another subheading results in a new good having new characteristics.

479. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (JPN) (CAN) (MEX) (US) (CH) (AUS) **(BRA)** **(CHI)**

480. Joints classified in subheading 8484.10 could be used as “parts” for mechanical seals. Manufacture of mechanical seals from other articles classified in another subheading is considered to be origin conferring.

481. The rule should be : CTSH

~~OPTION C: Yes, provided (by a value added rule) (BRA)~~

~~482. Any non-originating material may be used regardless of its classification, provided the criterion of 60% value added is satisfied.~~

~~483. The rule should be :~~

~~60 % value added rule~~

~~484. If the required value added is not achieved origin is determined by application of a [general] [final] residual rule.~~

OPTION D: No. (EC)

485. Mechanical seals should be manufactured from materials classified outside this heading.

486. The rule should be : CTH

487. When the CTH rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Code:
8484.20

ISSUE No.39: PACKAGING OR REPACKAGING OF GASKETS (SET)

NOTE

488. According to the Explanatory Note to the HS, "Such sets or assortments of any material (agglomerated cork, leather, rubber, textiles, paperboard, asbestos, etc.) are classified here when put up in pouches, envelopes, boxes, etc., provided that the gaskets or joints are not all of the same material. To be classified here, the sets and assortments must contain at least two gaskets or joints of different material. Therefore, a pouch, envelop, box, etc., containing, for example, five gaskets all made of paperboard, is not covered by the heading but is classified in heading 48.23; but if the set also included a rubber gasket it would fall in this heading."

489. Decision is needed as to whether this issue should be dealt with at an Appendix level, a Chapter level or a heading level.

OPTION A: Yes. (MEX) (SG)

490. Any non-originating gasket (8484.10) may be used to form a set or assortment of gaskets and similar joints.

491. The rule should be: CTSH

OPTION B: Yes, provided (CAN) (CH) (AUS) (IND) (JPN) (CHI)

492. Non-originating gaskets and similar joints of metal sheeting combined with other material or of two or more layers of metal (8484.10) should not be used to form a set or assortment of gaskets and similar joints. Other types of non-originating gaskets or similar joints may be used for this purpose.

493. The rule should be :

CTSH, except when the change results only from putting up in pouches, envelopes or similar packings

OPTION C: Yes, provided (EC) (SEN)

494. Non-originating gaskets and similar joints of metal sheeting combined with other material or of two or more layers of metal (8484.10) should not be used to form a set or assortment of gaskets and similar joints. Other types of non-originating gaskets or similar joints may be used for this purpose.

495. The rule should be: CTH

OPTION D: Yes, provided (US) (BRA)

496. This Option precludes origin being conferred when non-originating metal gaskets are merely packaged with gaskets of other materials. Other types of non-originating gaskets or similar joints may be used for this purpose.

497. The rule should be:

CTSH, except from subheading 8484.10

~~OPTION E: Yes, provided (JPN) (AUS)~~

498. ~~All types of non-originating gaskets or similar joints may not be used for simply putting up in packings.~~

499. ~~The rule should be:~~

~~CTH, except when the change results only from putting up in pouches, envelopes or similar packings~~

~~OPTION F: Yes, provided (BRA)~~

500. ~~Any material may be used regardless of its classification, provided the criterion of 60% value added rule is satisfied.~~

501. ~~The rule should be:~~

~~60% value added rule~~

Relevant HS Code:
8484.90

Product specific issues: Chapter 85

ISSUE No.40: ASSEMBLY OF ELECTRIC MOTORS AND GENERATORS FROM PARTS (85.03)

OPTION A: Yes. (by assembly)

Option A/1: (SG)

502. Any assembly from parts confers origin on the assembled goods.

503. The Chapter rule should be :

“Obtaining goods from parts by assembly, including sub-assembly, shall be considered as reflecting last substantial transformation.”

Option A/2: (IND) (MOR) (SEN)

504. Any assembly resulting in a new good having new characteristics is considered to be substantial transformation. Assembling an electric motor or generator from its parts results in a new good having new characteristics.

505. The Chapter rule should be :

“An assembly operation resulting in a new good having new characteristics is considered to be substantial transformation.”

OPTION B: Yes. (by a change of tariff classification rule) (CAN) (COL) (CH) (JPN) (KOR) (MEX) (PHI) (EGY) (HK) (TH) (MAL) **(CHI)**

506. Manufacture of electric motors and generators by assembling parts classified in heading 85.03 is a substantial transformation.

507. The rule should be: CTH

OPTION C: Yes, provided (by a value added rule)

Option C/1: (EC) **(BRA)**

508. Assembly of a motor or generator from its parts does not necessarily result in a substantial transformation. If the motor or generator is manufactured from non-originating materials classified outside this heading other than 85.03, this is an origin conferring event. Parts of motors or generators (85.03) may be used provided that the 45% value added rule is met.

509. The rule should be :

CTH, except from heading 85.03; or 45 **[X]**% value-added rule

~~Option C/2: (BRA)~~

~~510. Any non-originating material may be used regardless of its classification, provided the criterion of 60% value added and the additional specific requirement is satisfied.~~

~~511. The rule should be :~~

~~60 % value added rule; and~~

~~Rotor and stator should be manufactured in the country of manufacture of the product~~

~~512. For both Options C/1 and C/2, if the required value added is not achieved origin is determined by application of a [general] [final] residual rule.~~

OPTION D: No. **(US)(AUS)(TUR)**

513. Electric motors and generators of heading 85.01 consist of two major parts, the stator and the rotor, combined with a number of less significant components. Thus assembly of a motor or generator from its parts does not necessarily result in a substantial transformation.

514. The rule should be :

CTH, except from heading 85.03 (TUR - 8501.31, 8501.32 only)

Option D/1: (US) (AUS)

515. **See the US proposal for Chapter Rules 2.C (Page 1107 G).**

Option D/2: (TUR)

516. When the specified rule is not met, origin is determined by application of a [general] [final] residual rule.

Relevant HS Code:
85.01