

# **Agreement between Japan and Brunei Darussalam for an Economic Partnership**

## **OPERATIONAL PROCEDURES referred to in Chapter 3 (Rules of Origin)**

### **1. Certificate of origin (COO)**

#### **Rule 1. Document**

(a) A certificate of origin should be on ISO A4 size paper in conformity with the format shown in Appendix 1-A. It should be completed in the English language.

(b) The tariff classification numbers of the Harmonized System (HS), as amended on January 1, 2002, should be indicated on a certificate of origin at the six-digit level, and the description of the good on a certificate of origin should be substantially identical to the description on the invoice and, if possible, to the description under the HS for the good.

#### **Rule 2. Application**

An application for a certificate of origin should be made by the exporter or its authorised agent, to the competent governmental authority of the exporting Party or its designees, together with appropriate supporting documents proving that the good to be exported qualifies as an originating good of the exporting Party.

A declaration for a certificate of origin should be completed by the exporter or its authorised agent. The exporter's or its authorised agent's signature may be autographed or electronically printed.

#### **Rule 3. Issuance**

(a) A certificate of origin comprises the original and three copies in the case of Brunei Darussalam, and only the original in the case of Japan.

(b) In principle, a certificate of origin should be issued by the time of shipment.

(c) In exceptional cases where the certificate of origin has not been issued by the time of shipment, at the request of the exporter or its authorised agent, the certificate of origin may be issued retroactively in accordance with the laws and regulations of the exporting Party within 12 months from the date of shipment, in which case it is necessary to indicate "ISSUED RETROACTIVELY" in the relevant field of the certificate of origin specified in Appendix 1-B. In such cases, the importer of the good who claims the preferential tariff treatment for the good should, subject to the laws and regulations of the importing Party, provide the relevant authority of the importing Party with the certificate of origin issued retroactively. The certificate of origin issued retroactively should indicate the date of shipment in the relevant field specified in Appendix 1-B.

Note: For the purpose of this Operational Procedures, "relevant authority of the importing Party" means:

in the case of Brunei Darussalam, the Ministry of Foreign Affairs and Trade; and  
in the case of Japan, the Ministry of Finance.

(d) Signatures on a certificate of origin of the representatives of the competent governmental authority of the exporting Party or its designees may be autographed or electronically printed.

(e) Each certificate of origin should bear a certification number given by the competent governmental authority of the exporting Party or its designees.

(f) In the event of theft, loss or destruction of the original certificate of origin before the expiration of its validity, the exporter or its authorised agent may request the competent governmental authority of the exporting Party or its designees to issue:

(i) in the case of Brunei Darussalam, a certified true copy of the original certificate of origin to be made out on the basis of the export documents in their possession bearing the endorsement of the words "CERTIFIED TRUE COPY" stamped on the certified true copy of the original certificate of origin. The certified true copy of the original certificate of origin should be issued no later than one year from the date of issuance of the original certificate of origin. This

copy should bear the date of issuance of the original certificate of origin and it should be valid during the original term of validity of the original certificate of origin; and

(ii) in the case of Japan, a new certificate of origin with a new certification number on the basis of the export documents in their possession, in which case the original certificate of origin should be invalidated. The date of issuance and the certification number of the original certificate of origin should be indicated in the new certificate of origin. The new certificate of origin should be valid during the original term of the validity of the original certificate of origin.

#### **Rule 4. Modification**

(a) In the case that an issued certificate of origin contains incorrect information, the exporter or its authorised agent should request the reissuance of a certificate of origin with correct information, upon which the issued certificate of origin containing incorrect information will be invalidated.

(b) Notwithstanding subparagraph (a), the competent governmental authority of the exporting Party or its designees may, in response to the request for reissuance referred to in subparagraph (a) or at their own initiative, make modification on the certificate of origin by striking out errors and making any addition required. Such modification should be certified by authorised signature and seal of the competent governmental authority of the exporting Party or its designees.

(c) Erasures, superimpositions and modifications other than those referred to in subparagraph (b) should not be allowed on the issued certificate of origin.

#### **Rule 5. Minor errors**

The relevant authority of the importing Party should disregard minor errors, such as slight discrepancies or omissions, typing errors or overrunning the margin of the designated field, provided that these minor errors do not affect the authenticity of the certificate of origin or the accuracy of the information included in the certificate of origin.

#### **Rule 6. Two or more invoices**

For the purposes of paragraph 7 of Article 37, a certificate of origin, in which numbers and dates of two or more invoices issued for a single shipment are indicated, should be accepted by the relevant authority of the importing Party.

#### **Rule 7. Invoice of a non-Party**

The relevant authority of the importing Party should not reject a certificate of origin only for the reason that the invoice is issued by either a natural person or a juridical person located in a non-Party.

#### **Rule 8. A certificate of origin, containing description of goods which is not subject to preferential tariff treatment**

In cases where some goods not subject to preferential tariff treatment are described in a certificate of origin together with other goods subject to preferential tariff treatment, the certificate of origin is valid only for goods subject to preferential tariff treatment.

## **2. Administration and Enforcement**

#### **Rule 9. Focal points of administrative offices**

(a) The focal point of the competent governmental authority of the exporting Party is:

in the case of Japan, the Origin Certification Policy Office of the Trade Administration Division of the Trade and Economic Cooperation Bureau of the Ministry of Economy, Trade and Industry; and

in the case of Brunei Darussalam, the Department of Trade Development of the Ministry of Foreign Affairs and Trade

(b) The focal point of the relevant authority of the importing Party is:

in the case of Japan, the Customs and Tariff Bureau of the Ministry of Finance; and

in the case of Brunei Darussalam, the Department of Trade Development of the Ministry of Foreign Affairs and Trade

(c) Both Parties should provide each other with the address, phone number, fax number and e-mail address of the focal points referred to in subparagraphs (a) and (b) upon adoption of this Operational Procedures, and should notify any modification regarding such information within 30 days after such modification.

(d) If the competent governmental authority of the exporting Party designates entities or bodies to carry out the issuance of the certificate of origin, or makes modification or revocation with respect to its designees, it should immediately notify the importing Party of such designation, modification or revocation.

### **Rule 10. Procedure to exchange the sample of a certificate of origin, specimen signatures and impressions of stamps**

The Parties should provide each other with the following, upon the date of adoption of this Operational Procedures, as well as upon their modification thereafter:

- (a) the sample of a certificate of origin;
- (b) the list of the names and specimen signatures of the persons authorised to sign a certificate of origin;
- (c) impressions of stamps used in the offices of the competent governmental authority of the exporting Party or its designees for the issuance of a certificate of origin; and
- (d) the addresses of such offices.

### **Rule 11. Communication**

(a) For the purposes of Articles 40 through 42, any communication between the competent governmental authority of the exporting Party and the relevant authority of the importing Party should be made through the Embassy of Japan in Brunei Darussalam or the Embassy of Brunei Darussalam in Japan. Such communications should be made by any method with a confirmation of receipt.

(b) The direct communications between the competent governmental authority of the exporting Party and the relevant authority of the importing Party may be made by facsimile or e-mail in parallel with the communications set out in subparagraph (a).

(c) The period for providing the response pursuant to paragraph 2 of Article 40 and paragraph 4 of Article 41 should commence from the date of the confirmation of receipt of the request pursuant to subparagraph (a).

### **Rule 12. Goods in Transit or Storage**

Preferential tariff treatment for the originating goods, which are in transit from the exporting Party to the importing Party or in temporary storage in bonded area in the importing Party on the date of entry into force of the Agreement, should be accorded subject to the submission of a certificate of origin issued retroactively to the relevant authority of the importing Party in accordance with its laws and regulations.

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**Appendix 1-A(JAPAN)**

1. Exporter's Name, Address and Country:	Certification No.	Number of page /		
2. Importer's Name, Address and Country:	<p align="center">AGREEMENT BETWEEN JAPAN AND BRUNEI DARUSSALAM FOR AN ECONOMIC PARTNERSHIP</p> <p align="center">CERTIFICATE OF ORIGIN</p> <p align="center"><u>Issued in Japan</u></p>			
3. Transport details (means and route)(as far as known)				
4. Item number (as necessary); Marks and numbers; Number and kind of packages; Description of good(s); HS tariff classification number	5. Preference criterion	6. Quantity	7. Invoice number(s) and date(s)	
8. Remarks:				
<p>9. Declaration by the exporter:</p> <p>I, the undersigned, declare that:</p> <ul style="list-style-type: none"> <li>- the above details and statement are true and accurate.</li> <li>- the good(s) described above meet the condition(s) required for the issuance of this certificate:</li> <li>- the country of origin of the good(s) described above is _____</li> </ul> <p>Place and Date: _____</p> <p>Signature: _____</p> <p>Name (printed): _____</p> <p>Company: _____</p>	<p>10. Certification</p> <p>It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct.</p> <p>Competent governmental authority or Designee office:</p> <p>_____</p> <p>Stamp</p> <p>Place and Date: _____</p> <p>Signature: _____</p>			

**Appendix 1-A(Brunei Darussalam)**

1. Exporter's Name, Address and Country:	Certification No.	Number of page /		
2. Importer's Name, Address and Country:	<p align="center">AGREEMENT BETWEEN BRUNEI DARUSSALAM AND JAPAN FOR AN ECONOMIC PARTNERSHIP</p> <p align="center">CERTIFICATE OF ORIGIN</p> <p align="center"><u>Issued in Brunei Darussalam</u></p>			
3. Transport details (means and route)(as far as known)				
4. Item number (as necessary); Marks and numbers; Number and kind of packages; Description of good(s); HS tariff classification number	5. Preference criterion	6. Quantity	7. Invoice number(s) and date(s)	
8. Remarks:				
<p>9. Declaration by the exporter:</p> <p>I, the undersigned, declare that:</p> <ul style="list-style-type: none"> <li>- the above details and statement are true and accurate.</li> <li>- the good(s) described above meet the condition(s) required for the issuance of this certificate:</li> <li>- the country of origin of the good(s) described above is _____</li> </ul> <p>Place and Date: _____</p> <p>Signature: _____</p> <p>Name (printed): _____</p> <p>Company: _____</p>	<p>10. Certification</p> <p>It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct.</p> <p>Competent governmental authority or Designee office:</p> <p>_____</p> <p>Stamp</p> <p>Place and Date: _____</p> <p>Signature: _____</p>			

**Parties which accept this form for the purpose of preferential treatment under the Agreement between Japan and Brunei Darussalam for an Economic Partnership (hereinafter referred to as “the Agreement”) are Japan and Brunei Darussalam.**

General Conditions:

The conditions for the preferential tariff treatment under the Agreement are that the goods exported to Japan or Brunei Darussalam should:

- i. fall within description of goods eligible for concession in Japan or Brunei Darussalam;
- ii. comply with one of the requirements set out in Preference Criteria; and
- iii. comply with the provision of consignment criteria of Article 28 or exhibitions of Article 29 of the Agreement .

Preference Criteria:

- A The good is wholly obtained or produced entirely in the Party, as defined in paragraph 2 of Article 24.
- B The good is produced entirely in the Party exclusively from originating materials of the Party.
- C The good satisfies the product specific rules set out in Annex 2, as well as all other applicable requirements of Chapter 3, when the good is produced entirely in the Party using non-originating materials.

Instructions for Certificate of Origin:

For the purposes of claiming preferential tariff treatment, the document should be completed legibly and in full by the exporter or its authorised agent and certificated by the competent governmental authority or its designee. Any item of the form should be completed in the English language. The document should be no longer valid, if it is modified after the issuance.

If the space of this document is insufficient to specify the necessary particulars for identifying the goods and other related information, the exporter or its authorised agent may provide the information using additional Appendix 1-A. In that case, every additional Appendix 1-A should be completed legibly and in full by the exporter or its authorised agent and certificated by the competent governmental authority or its designee.

Field 1: State the full name, address and country of the exporter.

Field 2: State the full name, address and country of the importer. As defined in subparagraph (f) of Article 23, “importer” means a person who imports a good into the importing Party (e.g. the consignee who declares the importation).

Field 3: Provide the name of loading port, transit port and discharging port and, the name of vessel / flight number, as far as known. In case of retroactive issuance, the date of shipment (i.e. bill of lading or airway bill date)

Field 4: Provide item number (as necessary), marks and numbers, number and kind of packages, HS tariff classification number as amended on January 1, 2002 and description of each good consigned.

For each good, the HS tariff classification number should be indicated at the six-digit level.

The description of the good on a certificate of origin should be substantially identical to the description on the invoice and , if possible, to the description under the HS for the good.

With respect to subheading 1605.40 and 2208.90, in an exceptional case where the good is a specific product requiring a special description (e.g. “Ebi preparations of subheading 1605.40”, “sake compound and cooking sake (Mirin) of subheading 2208.90” and “beverages with a basis of fruit juices, of an alcohol strength by volume of less than 1 percent of subheading 2208.90”), such description of specific products should be indicated.

With respect to each good of Chapter 4,11,16,17,18,19,20 or 29 of the HS, the materials of non-Parties which are member countries of the ASEAN and the names of such non-Parties should be indicated (if such materials were used in the production of the good).

With respect to each good of Chapter 50 through 63 of the HS, the materials of the other Party or non-Parties which are member countries of the ASEAN, the process or operation conducted in such Party or non-Parties, and the names of such Party or non-Party should be indicated (if such materials were used in the production of the good).

Field 5: For each good, state which preference criterion (A through C under Preference Criteria above) is applicable. The rules of origin are contained in Chapter 3 and Annex 2.

Note: In order to be entitled to preferential tariff treatment, each good of a Party must meet at least one of the criteria given.

Indicate “ACU” for accumulation, “DMI” for *De Minimis* and “FGM” for fungible goods or materials, if applicable.

Field 6: For each good, indicate the quantity.

Field 7: Indicate the invoice number and date for each good. The invoice should be the one issued for the importation of the good into the importing Party.

If the invoice is issued by a person different from the exporter to whom the certificate of origin is issued and the person who issues the invoice is located in a non-Party, it should be indicated in field 8 that the goods will be invoiced in a non-Party, identifying the full legal name and address of the person that issues the invoice.

In an exceptional case where the number of the invoice issued in a non-Party is not known at the time of issuance of the certificate of origin, the invoice number and the date of the invoice issued by the exporter to whom the certificate of origin is issued should be indicated in field 7, and it should be indicated in field 8 that the goods will be subject to another invoice to be issued in a non-Party for the importation into the importing Party, identifying the full legal name and address of the person that will issue such other invoice. In such case, the relevant authority of the importing Party may require the importer to provide the invoices and any other relevant documents which confirm the transaction, from the exporting Party to the importing Party, with regard to the goods declared for import.

Field 8: If the certificate of origin is issued retroactively, the issuing authority should indicate "ISSUED RETROACTIVELY". If the certificate of origin is newly issued in accordance with Rule 3(f)(ii), the issuing authority should indicate the date of issuance and the certification number of the original certificate of origin. Other remarks as necessary.

Field 9: This field should be completed, signed and dated by the exporter or its authorised agent. "Date" should be the date when the certificate of origin is applied for.

Note: The exporter's or its authorised agent's signature may be autographed or electronically printed.

Field 10: This field should be completed, dated, signed and stamped by the competent governmental authority of the exporting Party or its designee.

Note: The competent governmental authority's or its designee's signature may be autographed or electronically printed.

Notice 1. Any items entered in this form should be true and correct. False declaration or documents relating to the certificate of origin should be subject to penalty in accordance with the laws and regulations of the exporting Party.

Notice 2. The certificate of origin should be a basis of determination of origin at the relevant authority of the importing Party.

## Examples of Rules of Origin

### 1. Qualifying Value Content (Q.V.C.)

#### 1.1 Example of the calculation of Q.V.C. (Application of the formula provided for in paragraph 4 of Article 24)

Company A produces refrigerators in Japan and plans to export them to Brunei Darussalam under the Agreement.

The Product Specific Rules (PSRs) for refrigerator (HS8418.10) under the Agreement are:

*A change to subheading 8401.10 through 8473.29 from any other subheading; or No required change to subheading 8401.10 through 8473.29, provided there is a qualifying value content of not less than 40 percent.*

To prove that the refrigerator qualifies as an originating good of Japan, Company A has to prove that the refrigerator satisfies either the change in tariff classification (6-digits tariff line change) rule (hereinafter referred to as “the CTC rule”) or the 40% value-added rule. If Company A decides to choose the 40% value-added rule in this case, Company A has to calculate the qualifying value content.

Company A's manufacturing costs of refrigerator

Material/Parts	Sources	Originating Status	Value US\$
<b>Parts a</b>	<b>Japan</b>	<b>originating</b>	<b>200</b>
<b>Parts b</b>	<b>Japan</b>	<b>originating</b>	<b>100</b>
Parts c	China	non-originating	100
Parts d	China	non-originating	100
Parts e	India	non-originating	200
Other Costs	N/A	N/A	300
F.O.B. Price	—	—	1,000

The formula for calculating the qualifying value content is:

$$Q.V.C = \frac{F.O.B. - V.N.M.}{F.O.B.} \times 100$$

- Q.V.C. is the qualifying value content of a good, expressed as a percentage;
- F.O.B. is, except as provided for in paragraph 5 of Article 24, the free-on-board value of a good payable by the buyer of the good to the seller of the good, regardless of the mode of shipment, not including any internal excise taxes reduced, exempted, or repaid when the good is exported; and



- V.N.M. is the value of non-originating materials used in the production of a good determined pursuant to paragraph 6 of Article 24.

The calculation of Q.V.C. of the refrigerator is:

$$\text{Q.V.C.} = \frac{\$1,000 - \$400 \text{ (Parts c, d and e)}}{\$1,000} \times 100 = 60\% \geq 40\%$$

The above calculation shows that the refrigerator qualifies as an originating good of Japan.

### 1.2 Example of the use of the method provided for in paragraph 7 of Article 24

Company A produces refrigerators in Japan and plans to export them to Brunei Darussalam under the Agreement.

The PSRs for refrigerator (HS8418.10) under the Agreement are:

*A change to subheading 8401.10 through 8473.29 from any other subheading; or No required change to subheading 8401.10 through 8473.29, provided there is a qualifying value content of not less than 40 percent.*

To prove that the refrigerator qualifies as an originating good of Japan, Company A has to prove that the refrigerator satisfies either the CTC rule or the 40% value-added rule. Company A decided to choose the 40% value-added rule.

Company A obtained Parts b (electric motor) from Company B in Japan. To calculate the Q.V.C. of the refrigerator, Company A has to confirm the originating status of Parts b. Company A obtained information on Parts b from Company B.

Manufacturing costs of Parts b (electric motor)

Material/Parts	Sources	Originating Status	Value US\$
<b>Parts b1</b>	<b>Japan</b>	<b>originating</b>	<b>80</b>
Parts b2	China	non-originating	40
Other Costs	N/A	N/A	20
F.O.B. Price	—	—	140

The PSRs for electric motor (HS8501.10) under the Agreement are:

*A change to subheading 8501.10 through 8523.30 from any other subheading; or No required change to subheading 8501.10 through 8523.30, provided there is a qualifying value content of not less than 40 percent.*

Company A decided to choose the 40% value-added rule and calculated Q.V.C. of Parts b as follows:

$$\text{Q.V.C.} = \frac{\$140 - \$40 \text{ (Parts b2)}}{\$140} \times 100 = 71\% \geq 40\%$$

Parts b qualifies as an originating material of Japan under the Agreement.

Company A's manufacturing costs of refrigerator

Material/Parts	Sources	Originating Status	Value US\$
<b>Parts a</b>	<b>Japan</b>	<b>originating</b>	<b>180</b>
<b>Parts b</b>	<b>Japan</b>	<b>originating</b>	<b>140</b>
<b>Parts b1</b>	<b>Japan</b>	<b>originating</b>	<b>80</b>
Parts b2	China	non-originating	40
Other Costs	N/A	N/A	20
Parts c	China	non-originating	280
Parts d	China	non-originating	200
Parts e	India	non-originating	100
Other Costs	N/A	N/A	100
F.O.B. Price	--	--	1,000

The calculation of the Q.V.C. of the refrigerator is;

$$\text{Q.V.C.} = \frac{\$1000 - \$580 \text{ (Parts c, d and e)}}{\$1000} \times 100 = 42\% \geq 40\%$$

Parts b2 isn't counted in the V.N.M. in accordance with paragraph 7 of Article 24. The above calculation shows that the refrigerator qualifies as an originating good of Japan.

If paragraph 7 of Article 24 did not apply, the refrigerator would not qualify as an originating good of Japan as follows:

$$\text{Q.V.C.} = \frac{\$1000 - \$620 (\$40 \text{ (Parts b2)} + \$580 \text{ (Parts c, d and e)})}{\$1000} \times 100 = 38\% < 40\%$$

### 1.3 Example of the calculation of Q.V.C. when the exporter or the producer can not determine the originating status of some parts.

Company A produces refrigerators in Japan and plans to export them to Brunei Darussalam under the Agreement.

The PSRs for refrigerator (HS8418.10) under the Agreement are:

*A change to subheading 8401.10 through 8473.29 from any other subheading; or*

*No required change to subheading 8401.10 through 8473.29, provided there is a qualifying value content of not less than 40 percent.*

To prove that the refrigerator qualifies as an originating good of Japan, Company A has to prove that the refrigerator satisfies either the CTC rule or the 40% value-added rule. Company A decided to choose the 40% value-added rule.

Company A's manufacturing costs of refrigerator

Material/Parts	Sources	Originating Status	Value US\$
<b>Parts a</b>	<b>Japan</b>	<b>originating</b>	<b>280</b>
<b>Parts b</b>	<b>Japan</b>	<b>originating</b>	<b>140</b>
Parts c	unknown	unknown	unknown
Parts d	unknown	unknown	unknown
Parts e	unknown	unknown	unknown
Other Costs	N/A	N/A	
F.O.B. Price	--	--	1,000

} 580

The calculation of the Q.V.C. of the refrigerator is;

$$\text{Q.V.C.} = \frac{\$1000 - \$580 (\$1000 - \$420 (\text{Parts a and b}))}{\$1000} \times 100 = 42\% \geq 40\%$$

Without regard to the value of Parts c, Parts d, Part e and Other Costs, the above calculation shows that the refrigerator qualifies as an originating good of Japan.

## 2. Accumulation

### 2.1 Example of the calculation of Q.V.C. when applying the accumulation principle (paragraph 1 of Article 25)

Company A produces colour TVs (HS8528.12) in Japan and plans to export them to Brunei Darussalam under the Agreement. Tuners (HS8529.90) which are used in the manufacturing process of the colour TV are imported from Brunei Darussalam.

The PSRs for colour TV (HS8528.12) under the Agreement are:

*A change to subheading 8524.10 through 8541.90 from any other subheading; or No required change in tariff classification to subheading 8524.10 through 8541.90, provided there is a qualifying value content of not less than 40 percent.*

To prove that the colour TV qualifies as an originating good of Japan, Company A has to prove that the colour TV satisfies either the CTC rule or the 40% value-added rule.

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

Company A's manufacturing costs of colour TV

Material/Parts	Sources	Originating Status	Value US\$
<b>Parts a</b>	<b>Japan</b>	<b>originating</b>	<b>100</b>
<b>Parts b</b>	<b>Japan</b>	<b>originating</b>	<b>100</b>
<b>Parts c (Tuner)</b>	<b>considered as Japan</b> (Brunei Darussalam)	<b>considered as originating</b>	<b>400</b>
Parts d	India	non-originating	300
Parts e	S. Korea	non-originating	500
Parts f	China	non-originating	400
Other Costs	N/A	N/A	200
F.O.B. Price	--	--	2,000

If Parts c (tuner) is an originating material of Brunei Darussalam, the colour TV may qualify as an originating good of Japan by considering Parts c as an originating material of Japan in accordance with paragraph 1 of Article 25.

The calculation of Q.V.C. of the colour TV is;

$$\text{Q.V.C.} = \frac{\$2,000 - \$1,200 \text{ (Parts d, e and f)}}{\$2,000} \times 100 = 40\% \geq 40\%$$

## 2.2 Example of the calculation of Q.V.C. when applying the accumulation principle (paragraph 2 of Article 25)

Company A produces colour TVs (HS8528.12) in Japan and plans to export them to Brunei Darussalam under the Agreement. Tuners (HS8529.90) which are used in the manufacturing process of the colour TV are imported from Brunei Darussalam. Company B, producing tuners in Brunei Darussalam, uses Brunei Darussalam and Philippine parts to manufacture tuners.

The PSRs for colour TV (HS8528.12) under the Agreement are:

*A change to subheading 8524.10 through 8541.90 from any other subheading; or No required change in tariff classification to subheading 8524.10 through 8541.90, provided there is a qualifying value content of not less than 40 percent.*

To prove that the colour TV qualifies as an originating good of Japan, Company A decided to choose the 40% value-added rule in this case.

Company A's manufacturing costs of colour TV

Material/Parts	Sources	Originating	Value US\$
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		Status	
<b>Parts a</b>	<b>Japan</b>	<b>originating</b>	<b>300</b>
<b>Parts b</b>	<b>Japan</b>	<b>originating</b>	<b>200</b>
Parts c (Tuner)	Brunei	Non-originating	500
<b>Parts c1</b>	<b>Brunei</b>	<b>originating</b>	<b>80</b>
Parts c2	Philippines	Non-originating	400
Other Costs	N/A	N/A	20
Parts d	India	Non-originating	300
Parts e	S. Korea	Non-originating	100
Parts f	China	Non-originating	400
Other Costs	N/A	N/A	200
F.O.B. Price	--	--	2,000

Even if Parts c (tuner) is a non-originating material, the colour TV may qualify as an originating good of Japan by applying paragraph 2 of Article 25 as follows:

$$\text{Q.V.C.} = \frac{\$2,000 - \$1200 \text{ (Parts c2, d, e and f)}}{\$2,000} \times 100 = 40\% \geq 40\%$$

In accordance with paragraph 2 of Article 25, the value of a non-originating material produced in either Party and to be used in the production of the good may be limited to the value of non-originating materials (Parts c2) used in the production of such non-originating material (Parts c). Therefore, only non-originating portion (Parts c2) of Parts c will be counted in the value of non-originating materials.

If paragraph 2 of Article 25 did not apply, the colour TV would not qualify as an originating good of Japan under the Agreement as follows:

$$\text{Q.V.C.} = \frac{\$2,000 - \$1300 \text{ (Parts c, d, e and f)}}{\$2,000} \times 100 = 35\% < 40\%$$

### 3. De Minimis

#### 3.1 Example of the application of De Minimis for goods other than textile goods (Article 26 and subparagraph (e) (i) in Part 1 of Annex 2)

Company A manufactures baby carriages (HS8715.00) in Japan and plans to export them to Brunei Darussalam under the Agreement.

The PSRs for baby carriage (HS8715.00) under the Agreement are:

*A change to subheading 8701.10 through 8716.90 from any other subheading; or*

*No required change in tariff classification to subheading 8710.10 through 8716.90, provided there is a qualifying value content of not less than 40 percent.*

To prove that the baby carriage qualifies as an originating good of Japan, Company A decided to choose the CTC rule in this case.

Baby carriage is made from Indian aluminium bar (HS7604.10) and Chinese handle grip (HS8715.00). Since handle grip does not undergo “change in tariff classification from any other subheading”, baby carriage does not meet the CTC rule. But if the value of handle grip (HS8715.00) is equivalent to 10% of F.O.B. price of baby carriage or less, Company A is allowed to disregard the portion of handle grip for the purposes of the CTC rule pursuant to de minimis provision of Article 26.

### 3.2 Example of the application of De Minimis for textile goods (Article 26 and subparagraph (e) (ii) in Part 1 of Annex 2)

Company A produces silk yarn (HS5006.00) in Japan and plans to export them to Brunei Darussalam under the Agreement.

The PSRs for silk yarn under the Agreement are:

*A change to heading 50.05 through 50.06 from any heading outside that group.*

Silk yarn (HS5006.00) is made from Indian raw silk (HS5002.00) and Chinese silk thread (HS5006.00). Since silk thread does not undergo change in tariff classification, silk yarn does not meet the CTC rule. But if the weight of silk thread is equivalent to 7% of silk yarn or less, Company A is allowed to disregard the portion of silk thread for the purposes of the CTC rule pursuant to de minimis provision of Article 26.

## **4. Unassembled or Disassembled Goods**

### Example of a good imported to a Party in a disassembled form but classified as an assembled good (paragraph 1 of Article 30)

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

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

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

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finished (or falling to be classified as complete or finished by virtue of this Rule), presented unassembled or disassembled.

**Examples of Required Documents when using a material of a non-Party of the ASEAN**

1. (1) With respect to each good of Chapter 4,11,16,17,18,19,20 and 29 of the Harmonized System, in the case where a material of a non-Party which is a member country of the ASEAN is used in the production of the good, examples of document to prove that the material is transported directly from that non-Party is a copy of bills of lading or airway bills for transportation from that non-Party to the exporting Party of the good.

(2) With respect to each good of Chapter 4,11,16,17,18,19,20 and 29 of the Harmonized System, in the case where a material of a non-Party which is a member country of the ASEAN is used in the production of the good and the material is transported through other non-Parties to the exporting Party of the good, the following are examples of document to prove that the material does not undergo operations other than unloading, reloading or any other operations to preserve it in good condition in those other non-Parties:

- a copy of through bills of lading or airway bills for transportation from that non-Party to the exporting Party of the good; and
- a format or handwritten declaration issued by the customs authorities of those other non-Parties for the material being transshipped or temporarily stored.

2. (1) With respect to each good of Chapter 50 through 63 of the Harmonized System, in the case where a material of the other Party or a non-Party which is a member country of the ASEAN is used in the production of the good, an example of document to prove that the material is transported directly from the other Party or that non-Party is a copy of bills of lading or airway bills for transportation from the other Party or that non-Party to the exporting Party of the good.

(2) With respect to each good of Chapter 50 through 63 of the Harmonized System, in the case where a material of the other Party or a non-Party which is a member country of the ASEAN is used in the production of the good and the material is transported through other non-Parties to the exporting Party of the good, the following are examples of document to prove that the material does not undergo operations other than unloading, reloading or any other operations to preserve it in good condition in those other non-Parties:

- a copy of through bills of lading or airway bills for transportation from that non-Party to the exporting Party of the good; and
- a format or handwritten declaration issued by the customs authorities of those other non-Parties for the material being transshipped or temporarily stored.



**Explanations for Section XI of Product Specific Rules in Annex 2  
(Processes necessary to obtain originating status for Textile and Textile Goods  
(Chapter 50- 63))**

**A. Yarn**

HS Code	Necessary processes to obtain originating status in a Party	
	Carding/Combing process	Spinning process
50.04-50.06 51.06-51.10	( N / A )	Required
52.04-52.07	Required*	Required
53.06-53.08 54.01-54.06	( N / A )	Required
55.08-55.11	Required*	Required

\* "Carding/Combing" process is not required to be conducted in a Party from which the good is originated when the process is conducted in the other Party or a non-Party which is a member country of the ASEAN.

**B. Woven Fabrics**

HS Code	Necessary processes to obtain originating status in a Party			
	Spinning process	Dyeing/Printing process to yarn****	Weaving process	Dyeing/Printing process to fabrics****
50.07 51.11-51.13	Required*		Required	
52.08-52.12 53.09-53.11		Required**	Required	
54.07-54.08 55.12-55.16			Required***	Required

\* "Spinning" process is not required to be conducted in a Party from which the good is originated when the process is conducted in the other Party or a non-Party which is a member country of the ASEAN.

\*\* "Dyeing/Printing process to yarn" is not required to be conducted in a Party from which the good is originated when the process is conducted in the other Party or a non-Party which is a member country of the ASEAN.

\*\*\* "Weaving" process is not required to be conducted in a Party from which the good is originated when the process is conducted in the other Party or a non-Party which is a member country of the ASEAN.

\*\*\*\* "Dyeing/Printing" process should be accompanied by two or more of the operations which are described in Note 1 to

**C. Textile Articles for Industrial Use, etc. (HS56 - 59)**

HS Code	Necessary processes to obtain originating status in a Party	
	Spinning process	Knitting/Crocheting/Weaving/Making up process
56.01-56.03	( N / A )**	Required
56.04-56.09	Required*	Required
57.01-57.02	Required*	Required
57.03-57.05	( N / A )**	Required
58.01-58.11	Required*	Required
59.01	( N / A )	Required
59.02-59.11	Required*	Required

\* "Spinning" process is not required to be conducted in a Party from which the good is originated when the process is conducted in the other Party or a non-Party which is a member country of the ASEAN.

\*\* As for the good of HS56.01-56.03 and 57.03-57.05, "Spinning" process is not required, because such process is not actually conducted in the practice of the production of the good.

**D. Knitted or Crocheted Fabrics (HS60)**

HS Code	Necessary processes to obtain originating status in a Party			
	Spinning process	Dyeing/Printing process to yarn****	Knitting/Crocheting process	Dyeing/Printing process to fabrics****
60.01-60.06	Required*		Required	
		Required**	Required	
			Required***	Required

\* "Spinning" process is not required to be conducted in a Party from which the good is originated when the process is conducted in the other Party or a non-Party which is a member country of the ASEAN.

\*\* "Dyeing/Printing process to yarn" is not required to be conducted in a Party from which the good is originated when the process is conducted in the other Party or a non-Party which is a member country of the ASEAN.

\*\*\* "Knitting/Crocheting" process is not required to be conducted in a Party from which the good is originated when the process is conducted in the other Party or a non-Party which is a member country of the ASEAN.

\*\*\*\* "Dyeing/Printing" process should be accompanied by two or more of the operation which are described in Note 1 to Section XI of Annex 2 of the Agreement and Appendix 5 of Operational Procedures.

**E. Apparels (HS61.01-61.14, 62.01-62.11)**

HS Code	Necessary processes to obtain originating status in a Party	
	Knitting/Crocheting/ Weaving process	Making up process
61.01-61.14 62.01-62.11	Required*	Required**

\* "Knitting/Crocheting/ Weaving " process is not required to be conducted in a Party from which the good is originated when the process is conducted in the other Party or a non-Party which is a member country of the ASEAN.

\*\*"Making up " process consists of cutting and sewing process. However, "cutting" process is not required to be conducted in a Party from which the good is originated when the process is conducted in the other Party or a non-Party which is a member country of the ASEAN.

**F. Clothing Accessories, and Other Textile Articles (HS61.15-61.17, 62.12-62.17, 63.01 – 63.08)**

HS Code	Necessary processes to obtain originating status in a Party	
	Knitting/Crocheting/ Weaving process	Making up process
61.15-61.17 62.12-62.17 63.01-63.08	Required*	Required

\* "Knitting/Crocheting/ Weaving" process is not required to be conducted in a Party from which the good is originated when the process is conducted in the other Party or a non-Party which is a member country of the ASEAN.

**G. Worn Clothing, Worn Textile Articles and Rags (HS63.09 – 63.10)**

HS Code	Rule to obtain originating status in a Party
	"Wholly obtained" rule
63.09-63.10	Required*

\* It is required pursuant to subparagraph 2(i), (j) or (k) of Article 24 of the Agreement that those worn articles or rags are:

- (i) collected in a Party which can no longer perform their original purpose in the Party nor are capable of being restored or repaired and which are fit only for disposal or for the recovery of parts or raw materials;
- (ii) derived from manufacturing or processing operations or from consumption in a Party and fit only for disposal or for the recovery of raw materials; or

(iii) recovered in a Party from articles which can no longer perform their original purpose nor are capable of being restored or repaired.

**JBEPA Product Specific Rules**

63.09-63.10 No required change in tariff classification to heading 63.09 through 63.10, provided that the waste and scrap are wholly obtained or produced entirely in a Party as defined in Article 24.

No.	Operation	Description
(1)	antibacterial finish	The finishing by which the multiplication of bacteria on fibre is restrained and the deodorizing effect is given.
(2)	antimelt finish	The finishing carried out for the addition of the property in which woven and knitted fabric is prevented from melting by heat. It is carried out for preventing the phenomenon in which a hole is made in synthetic fibre product by the fire of cigarette and the friction heat at the time of sliding.
(3)	antimosquito finish	The finishing by which human body is prevented from approaching of mosquitoes by sticking of the mosquito inhibiting agent to woven and knitted fabric.
(4)	anti-pilling finish	The finishing carried out for the purpose of preventing from the producing of pill caused by the friction on the surface of woven and knitted fabric. There are the fixation of fibre by resin treatment, gas singeing, the removal of long fluff by shearing, the degradation of fluff by chemical treatment, etc.
(5)	antistatic finish	The finishing carried out for the purpose of decreasing the static electricity generating on fibre. The hygroscopic agent such as higher alcohol, surface active agent and the antistatic agent such as quaternary ammonium salt, polymer having oxyethylene radical, etc. are used.
(6)	artificial creasing	The finishing by which the durable creases are added to cloth. In synthetic fibre, its thermoplastic property is utilized, and in cellulose sorios of fibre, the cross-linkage reaction by resin finishing agent is utilized.
(7)	bleaching	The treatment which is carried out for decomposing and removing the pigment and coloured impurities contained in fibre by the action of oxidization or reduction and whitening the fibre.
(8)	brushing	The treatment in which the fluff and dust adhering on the surface of fabric are wiped down and the lie of fibre is arranged by using brush-roller, etc.
(9)	buff finishing	The raising processing carried out by using the emery paper wound on roll. It is used in various fields such as synthetic fibre woven and knitted fabric, cotton fabric, etc.
(10)	burn-out finish	The finishing in which only one side of fibre is dissolved to remove by utilizing the difference of chemical resistance of the fibre constituting blended yarn fabric and union cloth and the water marked pattern appears.
(11)	calendering	The finishing by which fabric is passed through between various rotating rolls, the surface is smoothened by pressurizing and luster and various feelings are given.
(12)	compressive shrinkage	The finishing in which the density is raised by carrying out of steam pressing mainly cotton fabric, etc. as over-feeding and the shrink resistance is given to it.
(13)	crease resistant finish	The finishing by which wrinkle is made to be difficult to generate on woven and knitted fabric by resin finish, etc.
(14)	decatizing	The finish in which the stability, luster and feeling of cloth are improved by winding up of cloth or wrapping cloth on a porous cylinder and carrying out the heating by steam and cooling by air. The full decatizing (autoclave decatizing machine), semidecatizing (ordinary pressure decatizing machine), continuous decatizing machine, etc. are used. It is the process at about final stage for the finishing of wool fabric.
(15)	deodorant finish	The finishing showing the effect in which uncomfortable odour is reduced by touching of odour component to fibre. The uncomfortable odour means perspiration odour, ageing odour, excretion odour, cigarette odour, trash odour.
(16)	easy-care finish	The finishing carried out for the purpose of being capable of wearing without ironing after washing and drying cotton and its blended yarn fabric.
(17)	embossing	The processing in which fabric, etc. are passed through between an uneven metallic roller heated and an elastic roller, and the uneven patterns are added.
(18)	emerising	The raising processing carried out by using the emery paper wound on roll. It is used in various fields such as synthetic fibre woven and knitted fabric, cotton fabric, etc.
(19)	flame resistant finish	The finishing carried out for the purpose of making fibre to be difficult to ignite and fire-spread. It is applied to working wear, curtain, upholstery fabrics, aged person nursing clothes, bed clothes, etc. which are in danger of catching fire.
(20)	flock finish	The finishing in which fine and short fibres are planted on the surface of cloth, plastic products, etc. in fluff-shaped by using static electricity and adhesive.
(21)	foam printing	The printing in which the printed part is bulged. The printed part is bulged by printing the microcapsule particle enclosing foaming agent with binder together and heat-treating
(22)	liquid ammonia process	The modification finishing of cotton carried out by using liquid ammonia. The effect of much similar to mercerization is obtained, however the improvement of luster and dyeing property is smaller as compared with mercerization. On the other hand, the strength, shrink resistance property (dimensional stability), crease resistance property, setting property, etc. are greatly improved.

No.	Operation	Description
(23)	mercerization	The finishing which is carried out for giving the improvement of dyeingness, increase of wet strength, silk-like luster, etc. by carrying out the tensional treatment of cotton yarn or cotton woven and knitted fabric in concentrated aqueous solution of sodium hydroxide.
(24)	microbial control finish	The finishing carried out restraining of multiplication of bacteria on fibre. In general use, golden staph, pneumobacillus coliform bacilli, pseudomonas aeruginosa, etc. are made to be the object.
(25)	milling	The felting treatment by which wool fabric is wetted with the solution containing alkali, soap, etc., and struck and rubbed mechanically for making the objective feeling.
(26)	moare finishing	One of calendering finish by which woodgrain glossy pattern is given on fabric. The finishing in which the difference is produced in reflection of light between the part of warp pressured and the part without being pressured and woodgrain patterns are made.
(27)	moisture permeable waterproofing	The finishing carried out so as to adding the water resistance property as well as the permeability of water vapour to woven and knitted fabric. It is utilized for sports wear.
(28)	oil-repellent finish	The finishing carried out so as to add the oil-repellent property to textile goods.
(29)	organdie finish	The finishing for obtaining thin, transparent, rigid feeling. In the case of cotton, concentrated sulfuric acid, etc. is reacted at ordinary temperature.
(30)	peeling treatment	The processing for the improvement of texture of woven fabric or sewing products by reducing fibre. There are the alkali peeling treatment for polyester textile and the enzyme peeling treatment for cellulose textile, etc.
(31)	perfumed finish	The finishing carried out for addition of perfume to fibre. There are the method in which perfuming material is enclosed in microcapsule and added to textile product, etc.
(32)	relaxation	The treatment for revealing texturization and crepe in woven and knitted fabric by the heat energy such as dry heat, wet heat, hot water, etc. and the effect of physical rubbing.
(33)	ripple finish	The finishing in which cotton fabric is printed with the paste containing high concentration of sodium hydroxide and three dimensional patterns are made appear by shrinking the part, and after resist style paste is printed, the print part is embossed by applying the concentrated solution of sodium hydroxide and the ripple-like seersucker or crepe like emboss appears.
(34)	schreiner finish	The finish in which woven fabric is passed through the schreiner calender equipped with metallic rolls indented with countless and parallel fine lines, the weave is smoothened and the silky luster is given.
(35)	shearing	The operation by which, after the fluff or the surface of woven and knitted fabric is arranged with brush, it is made run on a edge and cut to arrange in a definite length by using a rotary cutter.
(36)	shrink resistant finish	The finishing by which woven and knitted fabric is not made shrink by washing, hot water treatment.
(37)	soil guard finish	The finishing by which dirt is made difficult to adhere to fibre mainly by using the fluorine series of resin.
(38)	soil release finish	The finishing by which hydrophilic compound is added to hydrophobic synthetic fibre and the dirt is facilitated to remove by washing.
(39)	stretch finish	The finishing in which, after the yarn constituting fabric is bent, then fixed and the stretch property mainly in traverse direction is added.
(40)	tick-proofing	The finishing by which tick is made so as not to approach the human body by sticking the tick inhibiting agent to woven and knitted fabric or by reducing the air permeability of fabric.
(41)	UV cut finish	The finishing carried out for protecting skin by shielding UV so that woven and knitted fabric is impregnated with or stuck to UV absorber.
(42)	wash and wear finish	The finishing carried out for the purpose of being capable of wearing without ironing after washing and drying cotton and its blended yarn fabric.
(43)	water absorbent finish	The finishing in which the hydrophobic surface of synthetic fibre is made hydrophilic and the water absorbing property is raised.
(44)	waterproofing	The finishing by which water is made difficult to pass through woven and knitted fabric.
(45)	water-repellent finish	The finishing carried out so as to add the water-repellent property to fibre.
(46)	wet decatizing	The wet type set in the scouring process of wool fabric. It is also called smoothing with stream or crabbing.
(47)	windbreak finish	The finishing in which wind is made difficult to pass by reducing air permeability by improving the weave of woven and knitted fabric and finishing of resin.
(48)	wire raising	The raising carried out so as to scratch the surface of woven and knitted fabric by using the roll wound with card clothing (wire raising machine).