

**OPERATIONAL PROCEDURES FOR RULES OF ORIGIN
REFERRED TO IN CHAPTER 3 UNDER THE
AGREEMENT BETWEEN JAPAN AND MONGOLIA
FOR AN ECONOMIC PARTNERSHIP**

**SECTION 1
CERTIFICATE OF ORIGIN (COO)**

Rule 1 Document

1. 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.
2. The tariff classification numbers of the Harmonized System (HS), as amended on January 1, 2012, 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 or other documents including sufficient details to identify the consignment.

Rule 2 Application

1. An application for a Certificate of Origin should be made by the exporter or its authorized 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.
2. A declaration for a Certificate of Origin should be completed by the exporter or its authorized agent. The signature of the exporter or its authorized agent may be autographed or electronically printed.

Rule 3 Issuance

1. In principle, a Certificate of Origin should be issued by the time of shipment.
2. In exceptional cases where the Certificate of Origin has not been issued by the time of shipment, upon request of the exporter or its authorized agent, the Certificate of Origin may be issued retroactively in accordance with the laws and regulations of the exporting Party. 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 customs authority of the importing Party with the Certificate of Origin issued retroactively. The Certificate of Origin issued retroactively should indicate either “ISSUED RETROACTIVELY” or the date of shipment in the relevant field specified in Appendices 1-A and 1-B.

Note: The customs authority of the importing Party cannot deny the Certificate of Origin issued retroactively solely due to no indication of “ISSUED RETROACTIVELY”.

3. 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.

4. Each Certificate of Origin should bear a certification number given by the competent governmental authority of the exporting Party or its designees.

5. In the event of theft, loss or destruction of the original Certificate of Origin before the expiration of its validity, the exporter or its authorized agent may request the competent governmental authority of the exporting Party or its designees to issue a duplicate of the original Certificate of Origin with a new certification number in accordance with its laws and regulations, 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 duplicate of the original Certificate of Origin. The duplicate of the original Certificate of Origin should be valid during the original term of the validity of the original Certificate of Origin.

Rule 4 Modification

1. In the case that an issued Certificate of Origin contains incorrect information, the exporter or its authorized agent should request the issuance of a new Certificate of Origin with correct information, upon which the issued Certificate of Origin containing incorrect information will be invalidated.

2. Notwithstanding paragraph 1, the competent governmental authority of the exporting Party or its designees may, in response to the request for the issuance of a new Certificate of Origin referred to in paragraph 1 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 authorized signature or stamp of the competent governmental authority of the exporting Party or its designees.

3. Erasures, superimpositions and modifications other than those referred to in paragraph 2 should not be allowed on the issued Certificate of Origin.

Rule 5 Two or More Invoices

For the purposes of paragraph 7 of Article 3.16 of the Agreement between Japan and Mongolia for an Economic Partnership (hereinafter referred to as “the Agreement”), 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 customs authority of the importing Party.

Rule 6 Invoice of a Non-Party

The customs 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 7 A Certificate of Origin Containing Description of Goods Which Are Not Subject to Preferential Tariff Treatment

In cases where some goods which are 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.

**SECTION 2
ADMINISTRATION AND ENFORCEMENT**

Rule 8 Focal Points of Administrative Offices

1. 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, or its successor; and
- in the case of Mongolia, the Trade Policy and Coordination Department of the Ministry of Industry, or its successor.

2. The focal point of the customs authority of the importing Party is:
 - in the case of Japan, the Customs and Tariff Bureau of the Ministry of Finance, or its successor; and
 - in the case of Mongolia, the General Authority for Customs and Taxation, or its successor.
3. Both Parties should provide each other with the address, phone number, fax number and e-mail address of the focal points referred to in paragraphs 1 and 2 upon adoption of these Operational Procedures, and should notify any modification regarding such information within 30 days after such modification.
4. If the competent governmental authority of the exporting Party designates other 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 9 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 these 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 authorized to sign a Certificate of Origin; and
- (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.

Rule 10 Communications

1. For the purposes of Articles 3.18 through 3.20 of the Agreement, any communications between the competent governmental authority of the exporting Party and the customs authority of the importing Party should be made through the Embassy of Japan in Mongolia or the Embassy of Mongolia in Japan. Such

communications should be made by any method with a confirmation of receipt.

2. The direct communications between the competent governmental authority of the exporting Party and the customs authority of the importing Party may be made by facsimile or e-mail in parallel with the communications set out in paragraph 1.

3. The period for providing the response pursuant to Articles 3.18 and 3.19 of the Agreement should commence after the date of the confirmation of receipt of the request pursuant to paragraph 1.

4. Notwithstanding paragraphs 1 and 2 above, the custom authority of Mongolia may access the EPA CO Reference System provided by the Ministry of Economy, Trade and Industry of Japan for the purposes of verifying the authenticity of Certificates of Origin issued in Japan.

Rule 11 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 customs authority of the importing Party in accordance with its laws and regulations.

Rule 12 Modification of the Operational Procedures

These Operational Procedures can be modified by a decision of the Joint Committee in accordance with subparagraph 2(d) of Article 1.13 of the Agreement, on the basis of the recommendations made by the Sub-Committee on Rules of Origin to the Joint Committee in accordance with subparagraph 2(a)(iii) of Article 3.25 of the Agreement.

Appendix 1-A Sample of a Format of a Certificate of Origin

Appendix 1-B Instructions for Certificate of Origin

Appendix 2 Examples of Rules of Origin (calculation of Q.V.C., accumulation, *de minimis*, etc.)

Appendix 3 Description of Operations for Dyeing or Printing Process

**FORMAT OF
CERTIFICATE OF ORIGIN**

1. Exporter's Name, Address and Country:	Certification No.	Page Number /	
2. Importer's Name or Consignee's Name, Address and Country:	AGREEMENT BETWEEN JAPAN AND MONGOLIA FOR AN ECONOMIC PARTNERSHIP CERTIFICATE OF ORIGIN <u>Issued in</u> _____ (Country)		
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 (6 digits):	5. Origin criterion and other instances:	6. Quantity (gross or net weight, or other quantity units):	7. Invoice number(s) and date(s):
8. Remarks:			
9. Declaration by the exporter or its authorized agent : I, the undersigned, declare that the good(s) is (are) (an) originating good(s) of _____ for the purposes of the Agreement between Japan and Mongolia for an Economic Partnership. Place and Date: Signature of authorized signatory: Name (printed): Company:	10. Certification: The undersigned hereby certifies, on the basis of the documentation necessary to support this Certificate, that the above-mentioned good(s) is (are) considered as (an) originating good(s) of _____. Competent governmental authority or Designee office: Stamp: Place and Date: Name (printed) and Signature:		

Parties which accept this form for the purpose of preferential treatment under the Agreement between Japan and Mongolia for an Economic Partnership (hereinafter referred to as "the Agreement") are Japan and Mongolia.

General Conditions:

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

- i. fall within description of goods eligible for the preferential tariff treatment in Japan or Mongolia;
- ii. comply with one of the requirements set out in Origin Criterion; and
- iii. comply with the provisions of consignment criteria of Article 3.8 of the Agreement.

Origin Criterion:

- A The good is wholly obtained or produced entirely in the Party, as defined in Article 3.3 of the Agreement.
- B The good is produced entirely in the Party exclusively from originating materials of the Party.
- C The good satisfies the product specific rules (change in tariff classification, qualifying value content or specific manufacturing or processing operation) set out in Annex 2 to the Agreement, as well as all other applicable requirements of Chapter 3 of the Agreement, 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 authorized agent and certified by the competent governmental authority of the exporting Party or its designees. Every 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, except where a modification is made in accordance with [Rule 4].

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 authorized agent may provide the information using a second copy of this form, affixed to the original, for the additional pages.

Notice 1. Every item entered in this form should be true and correct. False declaration or documents related to the Certificate of Origin are subject to penalty in accordance with the laws and regulations of the exporting Party.

Notice 2. The Certificate of Origin is a basis of determination of origin at the customs authority of the importing Party.

Field 1: State the full name, address and country of the exporter who applies, or authorizes its agent to apply, for the Certificate of Origin.

Field 2: State the full name, address and country of the importer or consignee. As defined in subparagraph (f) of Article 3.1 of the Agreement, "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, include 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, 2012 and description of each good consigned. Marks and numbers may be succinctly described as necessary.

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 or other documents including sufficient details to identify the consignment.

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

Note: In order to be eligible for 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*, if applicable.

Field 6: For each good, indicate the quantity (gross or net weight or other quantity units).

Field 7: Indicate the invoice number and its date for the good(s).

The invoice should be the one issued for the importation of the good into the importing Party, in principle.

In an exceptional case where the number and/or date of the invoice issued by a person different from the exporter to whom the Certificate of Origin is issued 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. In such a case, the customs 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.

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, as far as known.

Field 8: If a duplicate of the original Certificate of Origin is issued in accordance with paragraph 5 of Rule 3, the competent governmental authority of the exporting Party or its designees should indicate the date of issuance and the certification number of the original Certificate of Origin. The duplicate of the original Certificate of Origin should be valid during the term of the validity of the original Certificate of Origin.

Include other remarks as necessary.

Field 9: This field should be completed, signed and dated by the exporter or its authorized agent. "Date" should be the date on which the Certificate of Origin is applied for.

Note: The signature of the exporter or its authorized agent 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 designees.

Note: The signature of the competent governmental authority of the exporting Party or its designees may be autographed or electronically printed.

**Examples of Rules of Origin
(calculation of Q.V.C., accumulation, *de minimis*, etc.)**

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

The qualifying value content of a good is calculated on the basis of one or the other of the following methods:

(a) Method based on value of non-originating materials (“Build-down method”)

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

(b) Method based on value of originating materials (“Build-up method”)

$$Q.V.C. = \frac{V.O.M. + \text{Direct Labor Cost} + \text{Direct Overhead Cost} + \text{Profit}}{F.O.B.} \times 100$$

- 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 2 of Article 3.4 of the Agreement between Japan and Mongolia for an Economic Partnership (hereinafter referred as “the Agreement”), the free-on-board value of the 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;
- V.N.M. is the value of non-originating materials used in the production of the good; and
- V.O.M. is the value of originating materials used in the production of the good.

Note: For the purposes of calculating the qualifying value content of a good, the Generally Accepted Accounting Principles in the exporting Party applies.

1.1 Example of the calculation of Q.V.C. based on “Build-down method” (Application of the formula provided for in subparagraph 1(a) of Article 3.4 of the Agreement)

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

The Product Specific Rules (PSRs) for refrigerator (HS8418.10) under the Agreement are ‘CTSH or QVC 40’.

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

Company A's manufacturing costs of the refrigerator

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

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 calculation of Q.V.C. based on "Build-down method" when the exporter or the producer cannot determine the originating status of some parts.

Company B produces refrigerators in Japan and plans to export them to Mongolia under the Agreement.

The PSRs for refrigerator (HS8418.10) under the Agreement are 'CTSH or QVC 40'.

To prove that a refrigerator qualifies as an originating good of Japan, Company B has to prove that the refrigerator satisfies either CTSH or the 40% value-added rule. Company B decided to choose the 40% value-added rule based on "Build-down method".

Company B's manufacturing costs of the refrigerator

Material/Parts	Sources	Originating Status	Value US\$
Parts a	Japan	originating	280
Parts b	Japan	originating	140
Parts c	unknown	unknown	unknown
Parts d	unknown	unknown	unknown
Parts e	unknown	unknown	unknown
Other Costs and Profit	N/A	N/A	unknown
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, Parts e and Other Costs and Profit, the above calculation shows that the refrigerator qualifies as an originating good of Japan.

1.3 Example of the calculation of Q.V.C. based on “Build-up method” (Application of the formula provided for in subparagraph 1(b) of Article 3.4 of the Agreement)

1.3.1 A company uses the originating material whose value is more than the threshold of QVC.

Company C produces refrigerators in Japan and plans to export them to Mongolia under the Agreement.

The PSRs for refrigerator (HS8418.10) under the Agreement are ‘CTSH or QVC 40’.

To prove that a refrigerator qualifies as an originating good of Japan, Company C has to prove that the refrigerator satisfies either CTSH or the 40% value-added rule. If Company C decides to choose the 40% value-added rule based on (Build-up method” in this case, Company C has to calculate the qualifying value content based on “Build-up method”.

Company C uses one originating material ‘Parts a’ whose value is more than 40% of FOB.

Material/Parts	Sources	Originating Status	Value US\$
Parts a	Japan	originating	500
Other Parts	unknown	unknown	unknown
Other Costs and Profit	unknown	unknown	unknown
F.O.B. Price	—	—	1,000

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

$$\text{Q.V.C.} = \frac{\$500 (\text{Parts a})}{\$1,000} \times 100 = 50\% \geq 40\%$$

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

1.3.2 A company's direct labour cost is more than the threshold of QVC.

Company D produces refrigerators in Japan and plans to export them to Mongolia under the Agreement.

The PSRs for refrigerator (HS8418.10) under the Agreement are 'CTSH or QVC 40'.

To prove that a refrigerator qualifies as an originating good of Japan, Company D has to prove that the refrigerator satisfies either CTSH or the 40% value-added rule. If Company D decides to choose the 40% value-added rule based on "Build-up method" in this case, Company D has to calculate the qualifying value content based on "Build-up method".

Company D's direct labour cost is more than 40% of FOB Price.

Material/Parts	Sources	Originating Status	Value US\$
Parts	unknown	unknown	unknown
Direct Labour Cost	N/A	Originating	400
Other Costs and Profit	N/A	N/A	unknown
F.O.B. Price	—	—	1,000

$$\text{Q.V.C.} = \frac{\$400 \text{ (Direct Labor Cost)}}{\$1,000} \times 100 = 40\% \geq 40\%$$

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

1.4 Example of the calculation method provided for in paragraph 4 of Article 3.4 of the Agreement

Company E produces refrigerators in Japan and plans to export them to Mongolia under the Agreement.

The PSRs for refrigerator (HS8418.10) under the Agreement are 'CTSH or QVC 40'.

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

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

Manufacturing costs of Parts b (electric motor)

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

The PSRs for electric motor (HS8501.10) under the Agreement are ‘*CTH or QVC 40*’.

To prove that an electric motor qualifies as an originating good of Japan, Company E has to prove that the electric motor satisfies either the change in tariff headings (4-digits tariff line change) rule (hereinafter referred to as “CTH”) or the 40% value-added rule.

Company E decided to choose the 40% value-added rule based on “Build-down method”, 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 E’s manufacturing costs of refrigerator

Material/Parts	Sources	Originating Status	Value US\$
Parts a	Japan	originating	180
Parts b	Japan	originating	140
Parts b1	Japan	originating	80
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	S.Korea	non-originating	100
Other Costs and Profit	N/A	N/A	100
F.O.B. Price	--	--	1,000

The calculation of the Q.V.C. based on “Build-down method” 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 is not counted in the V.N.M. in accordance with paragraph 4 of Article 3.4 of the Agreement. The above calculation shows that the refrigerator qualifies as an originating good of Japan.

If paragraph 4 of Article 3.4 of the Agreement did not apply, the refrigerator would not qualify as an originating good of Japan as follows:

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

2. Accumulation

2.1 Example of the calculation of Q.V.C. when applying the accumulation principle (subparagraph (a) of Article 3.5 of the Agreement)

Company A produces color TVs (HS8528.72) in Japan and plans to export them to Mongolia under the Agreement. Tuners (HS8529.90) which are used in the manufacturing process of the color TV are imported from Mongolia.

The PSRs for color TV (HS8528.72) under the Agreement are 'CTH or QVC 40'.

To prove that a color TV qualifies as an originating good of Japan, Company A has to prove that the color TV satisfies either CTH or the 40% value-added rule. Company A decided to choose the 40% value-added rule based on "Build-down method" in this case.

Company A's manufacturing costs of color TV

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

If Parts c (tuner) is an originating material of Mongolia, the color TV may qualify as an originating good of Japan by considering Parts c as an originating material of Japan in accordance with subparagraph (a) of Article 3.5 of the Agreement.

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

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

2.2 Example of the calculation of Q.V.C. when applying the accumulation principle (subparagraphs (b) and (c) of Article 3.5 of the Agreement.)

Company B produces color TVs (HS8528.72) in Japan and plans to export them to Mongolia under the Agreement. Parts b, which is used in the manufacturing process of the color TV, is produced in Japan. Parts c, which is used in the manufacturing process of the color TV, is produced in and imported from Mongolia.

The PSRs for color TVs (HS8528.72) under the Agreement are ‘*CTH or QVC 40*’.

To prove that a color TV qualifies as an originating good of Japan, Company B has to prove that the color TV satisfies either CTH or the 40% value-added rule. Company B decided to choose the 40% value-added rule based on “Build-down method” in this case.

Company B’s manufacturing costs of the color TV

Material/Parts	Sources	Originating Status	Value US\$
Parts a	Japan	originating	400
Parts b	Japan	Non-originating	200
Parts b1	Japan	originating	50
Parts b2	China	Non-originating	100
Other Costs	N/A	N/A	50
Parts c	Mongolia	Non-originating	500
Parts c1	Mongolia	originating	80
Parts c2	China	Non-originating	400
Other Costs	N/A	N/A	20
Parts d	India	Non-originating	200
Parts e	S. Korea	Non-originating	100
Parts f	Taiwan	Non-originating	400
Other Costs and Profit	N/A	N/A	200
F.O.B. Price	--	--	2,000

Even if Parts b and Parts c are non-originating materials, the color TV may qualify as an originating good of Japan by applying subparagraphs (b) and (c) of Article 3.5 as follows:

$$\text{Q.V.C.} = \frac{\$2,000 - \$1200 \text{ (Parts b2, c2, d, e and f)}}{\$2,000} \times 100 = 40\% \geq 40\%$$

In accordance with subparagraphs (b) and (c) of Article 3.5 of the Agreement, the production in the other Party may be considered as that in the former Party and the production carried out at different stages by one or more producers within the Party or in the other Party may be taken into account, when the good is produced using non-originating materials. Therefore, only non-originating portion (Parts b2 and Parts c2) should be counted in the value of non-originating materials.

If subparagraphs (b) and (c) of Article 3.5 of the Agreement did not apply, the color TV would not qualify as an originating good of Japan under the Agreement as follows:

$$\text{Q.V.C.} = \frac{\$2,000 - \$1400 \text{ (Parts b, c, d, e and f)}}{\$2,000} \times 100 = 30\% < 40\%$$

3. De Minimis

3.1 Example of the application of *De Minimis* for goods other than textile goods (Article 3.6 of the Agreement and subparagraph (f) (i) in Part 1 of Annex 2 of the Agreement)

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

The PSRs for baby carriage (HS8715.00) under the Agreement are ‘*CTH or QVC 40*’.

To prove that a baby carriage qualifies as an originating good of Japan, Company A has to prove that the baby carriage satisfies either CTH or the 40% value-added rule.

Company A decided to choose CTH in this case.

The baby carriage is made from an Indian aluminum bar (HS7604.10) and a Chinese handle grip (HS8715.00). Since the handle grip does not undergo “change in tariff classification from any other heading”, the baby carriage does not meet CTH. But if the value of handle grip (HS8715.00) does not exceed 10% in value of the baby carriage, Company A is allowed to disregard the handle grip for the purposes of the CTH pursuant to *de minimis* provision of Article 3.6 of the Agreement.

3.2 Example of the application of *De Minimis* for textile goods (Article 3.6 of the Agreement and subparagraph (f) (ii) in Part 1 of Annex 2 of the Agreement)

Company B produces cotton fabrics (HS5208.11) in Japan and plans to export them to Mongolia under the Agreement.

The PSRs for cotton fabrics (HS5208.11) under the Agreement are ‘*Manufacture from yarns, provided that necessary process stipulated in the Appendix is undertaken*’.

Company B produces a cotton fabric (HS5208.11) in Japan from originating cotton yarn and some imported cotton yarn. If the imported cotton yarn did not undertake necessary processes stipulated in the Appendix to Annex 2 of the Agreement, the cotton fabric does not meet the PSR. But if the weight of the imported cotton yarn does not exceed 10% of cotton fabric by weight, Company B is allowed to disregard the imported cotton yarn for the purposes of PSR for the cotton fabric pursuant to *de minimis* provision of Article 3.6 of the Agreement.

4. Unassembled or Disassembled Goods

4.1 Example of a good imported to a Party in a disassembled form but classified as an assembled good (paragraph 1 of Article 3.9 of the Agreement)

Company A produces a gas turbine (HS8411.82) in Japan, which is an extremely large machine, and plans to export it to Mongolia under the Agreement. The 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 Mongolia'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 System¹. Its originating status is not lost and it is classified as gas turbine (HS8411.82).

4.2 Example of a good assembled in a Party from unassembled or disassembled non originating materials (paragraph 2 of Article 3.9 of the Agreement)

Company B produces a TV in Japan (HS8528.72), whose PSR is "CTH or QVC 40", from a TV kit which was collected in and imported from a non-Party. When the TV kit was imported into Japan, the kit was classified as the same tariff classification (HS8528.72) as the completed TV by virtue of Rule 2(a) of the General Rules for the Interpretation of the Harmonized System. The TV seems not to satisfy the change in tariff classification rule because the tariff classification of the materials (TV kit) and the completed good (TV) are the same; however, the TV is regarded as originating if all the components of the TV kit, which includes a display, a frame, a printed circuit board etc., have undergone the change in tariff classification at 4-digit level, and satisfy all other requirements in Articles 3.2 through 3.7 of the Agreement.

¹ General Rules for the Interpretations of the Harmonized System 2 (a)
2(a) Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as presented, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also be taken to include a reference to that article complete or finished (or falling to be classified as complete or finished by virtue of this Rule), presented unassembled or disassembled.

Description of Operations for Dyeing or Printing Process Appendix 3

The following interpretation of Note 1 to Section XI (Chapter 50 - 63) of Annex 2 of the Agreement is based on the Japanese Industrial Standard established by the Ministry of Economy, Trade and Industry.

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 finish	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)	decatising	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 finish	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).