

**PAKISTAN – MALAYSIA COMPREHENSIVE FREE TRADE AGREEMENT FOR
CLOSER ECONOMIC PARTNRESHIP**

**CHAPTER 3
RULES OF ORIGIN**

**Article 20
Definitions**

For the purposes of this Chapter:

- (a) “CIF” means the value of the good imported, and includes the cost of freight and insurance up to the port or place of entry into the country of importation;
- (a) “designated government authority” means the government authority of each Party that is responsible for the issuing of the Certificate of Origin in accordance with Article 33;
- (c) “FOB” means the free-on-board value of the good, inclusive of the cost of transport to the port or site of final shipment abroad;
- (d) “goods” shall include materials and products which can be wholly obtained or produced, or manufactured, even if they are intended for later use in another manufacturing operation;
- (e) “materials” include raw materials, ingredients, parts, components, sub-components, sub-assembly or goods that are physically incorporated into another good or are subject to a process in the production of another good;
- (f) "originating goods" mean goods that qualify as originating in accordance with Article 21;
- (g) “preferential treatment” means the rate of customs duties applicable to an originating good of the country of an exporting Party in accordance with Article 14;
- (f) "production" means methods of obtaining goods including growing, mining, harvesting, raising, breeding, extracting, gathering, collecting, capturing, fishing, trapping, hunting, manufacturing, producing, processing or assembling a good;

**Article 21
Origin Criteria**

1. For the purposes of this Agreement, goods imported by a Party, which are consigned directly within the meaning of Article 27 shall qualify as originating goods and be eligible for preferential treatment if they conform to the origin criteria under any one of the following:

- (a) goods which are wholly obtained or produced in the territory of the country of the exporting Party as defined in Article 22; or
- (b) goods otherwise deemed to be originating under Articles 23, 24 or 25.

2. Notwithstanding subparagraph (b) of paragraph 1 of this Article, for goods listed in Annex 2, Article 25 shall be solely applicable.

Article 22 **Wholly Obtained or Produced Goods**

The following goods shall be considered as wholly obtained or produced in the territory of the country of a Party:

- (a) plants and plant products harvested, picked or gathered in the territory of the country of the Party;
- (b) live animals born and raised in the territory of the country of the Party;
- (c) goods obtained from live animals referred to in paragraph (b);
- (d) goods obtained from hunting, trapping, fishing, aquaculture, gathering or capturing conducted in the territory of the country of the Party;
- (e) minerals and other naturally occurring substances, not included in paragraphs (a) to (d), extracted or taken from the territory of the country of the Party;
- (f) goods taken from the waters, seabed or beneath the seabed outside the territorial waters of the country of that Party, provided that country has the rights to exploit such waters, seabed and beneath the seabed in accordance with international law;
- (g) goods of sea fishing and other marine goods taken from the high seas by vessels of the country of a Party or entitled to fly the flag of that country;
- (h) goods processed or produced on board factory ships of the country of a Party or entitled to fly the flag of that country, exclusively from goods referred to in paragraph (g);

- (i) articles collected in the territory of the country of the Party which can no longer perform their original purpose nor are capable of being restored or repaired and are fit only for disposal or recovery of parts of raw materials, or for recycling purposes; and
- (j) goods obtained or produced in the territory of the country of a Party solely from goods referred to in paragraphs (a) to (i).

Article 23
Not Wholly Obtained or Produced Goods

1. A good shall be deemed to be originating if:
 - (a) not less than 40 per cent of its content originates from the country a Party; or
 - (b) the total value of the materials, parts or produce originating from outside of the territory of the country of a Party does not exceed 60 per cent of the FOB value of the good so produced or obtained; or
 - (c) the final good undergoes a change of tariff heading, where the Harmonized System classification of the final good is different from the Harmonized System classification of all non-originating or undetermined materials used in the production of such final good. For the purposes of this subparagraph, “change of tariff heading” means a change in tariff classification at the four digit level of the Harmonized System.

2. To be deemed as originating under paragraph 1 of this Article the final process of manufacturing shall be performed within the territory of the country of the exporting Party.

3. The originating criteria set out in subparagraphs (a) and (b) of paragraph 1 of this Article shall be referred to as the Malaysia-Pakistan Closer Economic Partnership Agreement content (hereinafter referred to as “the MPCEPA content”). The formula for calculating the MPCEPA content is as follows:

Non-MPCEPA content:

$$\frac{\text{Value of Non- MPCEPA Materials} + \text{Value of materials of undetermined origin}}{\text{FOB Price}} \times 100 \% \leq 60\%$$

Therefore, the MPCEPA content:

100% minus non-MPCEPA content (%) ≥ 40%

4. The value of the non-originating materials shall be:
- (a) the CIF value at the time of importation of the materials, parts or produce; or
 - (b) the earliest ascertained price paid for the materials, parts or produce of undetermined origin in the territory of the country of the Party where the production takes place.

Article 24
Cumulative Rule of Origin

Goods which satisfy the origin criteria under Article 21 and which are used in the territory of the country of a Party as material for a finished good, shall be deemed as goods originating in the territory of the country of the Party and eligible for preferential treatment under this Agreement where processing of the finished good has taken place, provided that in the final good the aggregate content (value of such inputs plus domestic value addition) is not less than 40 per cent.

Article 25
Product Specific Rules

Goods subject to and which satisfy the Product Specific Rules as specified in Annex 2 shall be deemed as originating and eligible for preferential treatment.

Article 26
Minimal Operations and Processes

The following operations or processes undertaken exclusively by itself or in combination shall be considered to be minimal and shall not be taken into account in determining the origin of goods under Article 23:

- (a) preservation of products in good condition for the purposes of transport or storage;
- (b) changes of packaging, or breaking-up and assembly of packages;
- (c) simple cleaning, including removal of oxide, oil, paint or other coverings;
- (d) simple painting and polishing operations;
- (e) simple testing or calibration;
- (f) husking, partial or total bleaching, polishing and glazing of cereals and rice;

- (g) sharpening, simple grinding, slicing or simple cutting;
- (h) simple placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations;
- (i) affixing or printing marks, labels, logos and other like distinguishing signs on goods or their packaging;
- (j) simple mixing of goods, whether or not of different kinds; or
- (k) simple assembly of parts of products to constitute a complete good.

Article 27
Direct Consignment

An originating good shall be deemed as directly consigned from the country of the exporting Party to the country of the importing Party:

- (a) if the goods are transported without passing through the territory of any third State; or
- (b) if the goods are transported for the purpose of transit through third States with or without transshipment or temporary storage in such third States, provided that:
 - (i) the transit entry is justified for geographical reasons or transport requirements;
 - (ii) the goods have not entered into trade or consumption in the territory of the third State; and
 - (iii) the goods have not undergone any operation in the territory of the third State other than unloading and reloading or any operation required to keep the goods in good condition.

Article 28
Treatment of Packages, Packing Materials and Containers

1. If a good is subject to the value-added criterion provided in subparagraph (a) or (b) of paragraph 1 of Article 23 the value of the packages and packing materials for retail sale, shall be taken into account in determining the origin of that good, provided that the packages and packing materials are considered as forming a whole with the good;

2. If a good is subject to the change in tariff classification criterion provided in subparagraph (c) of paragraph 1 of Article 23, packages and packing materials

classified together with the packaged product, shall not be taken into account in determining origin.

3. Packing materials and containers used exclusively for the transportation of a good shall not be taken into account in determining the origin of such good.

Article 29 Accessories, Spare Parts and Tools

The origin of accessories, spare parts, tools and instructional or other information materials presented with the goods shall not be considered in determining the origin of the goods, provided that such accessories, spare parts, tools and information materials are customary to such goods and are classified with the goods by the country of the importing Party.

Article 30 Indirect Materials

1. Any indirect material used in the production of a good shall be treated as originating, irrespective of whether such indirect material originates from a third State. The value of such indirect material shall be the cost registered in the accounting records of the producer of such good.

2. For the purposes of this Article, indirect materials include:

- (a) fuel, energy, catalysts and solvents;
- (b) equipment, devices and supplies used for testing or inspection of the goods;
- (c) gloves, glasses, footwear, clothing, safety equipment and supplies;
- (d) tools, dies and moulds;
- (e) spare parts and materials used in the maintenance of equipment and buildings;
- (f) lubricants, greases, compounding materials and other materials used in production or used to operate equipment and buildings; and
- (g) any other material which are not incorporated into the good but whose use in the production of the good can reasonably be demonstrated to be a part of that production.

Article 31 Identical and Interchangeable Materials

The origin of identical or interchangeable materials, whether mixed or physically combined, used to manufacture a good may be determined in accordance with the generally accepted accounting principles of stock control or inventory management practiced in the country of the exporting Party.

Article 32
Certificate of Origin

A claim that goods are eligible for preferential treatment under this Agreement shall be supported by a Certificate of Origin in the prescribed form in Annex 3, issued by the designated government authority of the exporting Party.

Article 33
Operational Certification Procedure

For the purposes of implementing the rules of origin under this Chapter, the Operational Certification Procedures as set out in Annex 4 shall apply.

