Article 3.4
Goods Produced Using Non-originating Materials

1. For the purposes of subparagraph (c) of Article 3.2, a good shall qualify as an originating good of a Party if it satisfies the applicable product specific rule set out in Annex 2 (Product Specific Rules).

2. For the purposes of paragraph 1, the rule requiring that the materials used have undergone a change in tariff classification or a specific manufacturing or processing operation, shall apply only to non-originating materials.

3. A good that does not undergo the required change in tariff classification or a specific manufacturing or processing operation shall be considered as an originating good of a Party if:

(a) in the case of a good other than those specified in subparagraph (b), the total value of non-originating materials used in the production of the good that have not undergone the required change in tariff classification or a specific manufacturing or processing operation does not exceed 10 per cent of the F.O.B.; or

(b) in the case of a good classified under Chapters 50 through 63 of the Harmonized System, the weight of all non-originating materials used in the production of the good that have not undergone the required change in tariff classification does not exceed 10 per cent of the total weight of the good,

provided that it meets all other applicable criteria set out in this Chapter for qualifying as an originating good.

4. Paragraph 3 shall not apply to a good provided for in Chapters 1 through 24 of the Harmonized System, except where the non-originating material used in the production of the good is provided for in a different subheading than the good for which origin is being determined under this Article.

5. The value of non-originating materials referred to in paragraph 3 shall, however, be included in calculating the value of non-originating materials used in the production of the good.

Article 3.5
Calculation of Qualifying Value Content

1. For the purposes of paragraph 1 of Article 3.4, the product specific rules set out in Annex 2 (Product Specific Rules) using the value-added method require that the qualifying value content of a good, calculated in accordance with paragraph 2, is not less than the percentage specified by the rule for the good.

2. For the purposes of calculating the qualifying value content of a good, the following formula shall be applied:

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

where:

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 3, 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.

3. F.O.B. referred to in paragraph 2 shall be the value:

(a) adjusted to the first ascertainable price paid for a good from the buyer to the producer of the good or determined in accordance with Articles 1 through 8 of the Agreement on Customs Valuation, if there is free-on-board value of the good, but it is unknown and cannot be ascertained; or