(b) "CTH" means production from non-originating materials of any heading, except that of the product, or a change to the Chapter, heading or subheading from any other heading; this means that all non-originating materials used in the production of the product must undergo a change in tariff classification at the four-digit level (i.e. a change in heading) of the Harmonized System.

(c) "CTSH" means production from non-originating materials of any subheading, except that of the product, or a change to the Chapter, heading or subheading from any other subheading; this means that all non-originating materials used in the production of the product must undergo a change in tariff classification at the six-digit level (i.e. a change in subheading) of the Harmonized System.

Note 3

Application of Annex 3-B

1. Paragraph 3 of Article 3.2, concerning products having acquired originating status which are used in the production of other products, applies irrespective of whether or not this status has been acquired inside the same factory in a Party where those products are used.

2. If a product specific rule of origin provides that a specified non-originating material may not be used or that the value or weight of a specified non-originating material cannot exceed a specific threshold, those requirements do not apply to non-originating materials classified elsewhere in the Harmonized System.

3. If a product specific rule of origin provides that a product shall be produced from a particular material, this does not prevent the use of other materials which cannot satisfy the requirement because of their inherent nature.

4. For greater certainty, in respect of materials which are wholly obtained, for the purposes of paragraph 2 of Article 3.5 and subject to paragraph 6 of that Article being met, if a product specific rule of origin requires that a product shall be produced from materials that are wholly obtained, the materials that are wholly obtained in the European Union shall be considered as being wholly obtained in a Party when the materials are used in the production of the products classified under the Chapters and headings of the Harmonized System as specified in Annex 3-C. For the purposes of this paragraph, Article 3.3 shall apply, *mutatis mutandis*, in order to determine whether a material is wholly obtained in the European Union.

Note 4

Calculation of a maximum value of non-originating materials
and of a minimum regional value content

Definitions:

1. For the purposes of product specific rules of origin:

(a) "customs value" means the value as determined in accordance with the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994;

(b) "EXW" means:

(i) the ex-works price of the product paid or payable to the manufacturer in whose undertaking the last working or processing is carried out, provided that the price includes the value of all the materials used and all other costs incurred in the production of a product minus any internal taxes which are, or may be, repaid when the product obtained is exported; or