



Because Compliance is not Optional

US/Chilean Free Trade Agreement





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Objectives

- (a) encourage expansion and diversification of trade between the Parties;
- (b) eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the Parties;
- (c) promote conditions of fair competition in the free trade area;
- (d) substantially increase investment opportunities in the territories of the Parties;
- (e) provide adequate and effective protection and enforcement of intellectual property rights in each Party's territory;
- (f) create effective procedures for the implementation and application of this Agreement, for its joint administration, and for the resolution of disputes; and
- (g) establish a framework for further bilateral, regional, and multilateral cooperation to expand and enhance the benefits of this Agreement.



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US/Chilean FTA

Terminology

- **ORIGINATING** = Qualifying under the Rules of Origin
Chapter 4 US/Chilean FTA
- **NON ORIGINATING** = Goods Originating outside of the
US/Chilean Free Trade Area
- **TERRITORY** = United States (including territories and
insular possessions) and Chile



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US/Chilean FTA

Terminology

- **GOOD** = Any merchandise, product, article or material
- **HTS Code** = The numerical code applicable to a good according to the Harmonized Tariff System used by World Trade Organization countries (U.S. = 10 digits)
- **MATERIAL** = A good that is used in the production of another good including a part, ingredient, or indirect material
- **PRODUCER** = A person who engages in the production of a good in the territory of a party
- **VALUE** = The value of a good or material for purposes of calculating customs duties.



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Rules of Origin

Article 4.1; Originating Goods

- a) The good is wholly obtained or produced entirely in the territory of one or both of the parties.
- b) The good is produced entirely in the territory of one or both of the parties and;
 - i. Each of the non-originating materials used in the production undergoes an applicable change in tariff classification specified in Annex 4.1 or;
 - ii. The good otherwise satisfies any applicable regional value content or other requirements specified in Annex 4.1



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Rules of Origin

Article 4.1; Originating Goods

- c). The good is produced entirely in the territory of one or both of the parties exclusively from originating materials



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Rules of Origin

Article 4.1; Originating Goods

A good shall not be considered to be an originating good and a material shall not be considered to be an originating material by virtue of having undergone:

- a). Simple combining or packaging operations; or
- b). Mere dilution with water or with another substance that does not materially alter the characteristics of the good or material



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Rules of Origin

Article 4.2; Regional Value Content

- Based on specific tariff rules set out in Article 4.2
- Used only where specified
- 2 methods
 - Build Up Method
 - Build Down Method



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Rules of Origin

Article 4.2; Regional Value Content

Build Up Method: $\frac{VOM}{AV} \times 100$

Where: RVC=Regional Value Content expressed as a percentage
AV=Adjusted Value
VOM=Value of the originating materials



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Rules of Origin

Article 4.2; Regional Value Content

Build Down Method: $\frac{AV - VNM}{AV} \times 100$

Where: RVC=Regional Value Content expressed as a percentage
AV=Adjusted Value
VNM=Value of the non-originating materials



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Rules of Origin

Article 4.3; Value Determination

VNM = The value of the non originating materials at cost less;

- Freight, Insurance, Packing & Other Transportation Costs
- Duties, Taxes & Brokerage Fees
- Waste & Spoilage incurred in production

AV= The value of the originating material plus;

- Freight, Insurance, Packing & Other transportation costs
- Duties, Taxes, & Brokerage Fees
- Waste & Spoilage incurred in production



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Rules of Origin

Article 4.7; De minimis Rule

For goods that do NOT undergo an applicable tariff shift;

- Origin can be determined by applying the de minimis rule
- If non-originating materials do not exceed 10% of the adjusted value, the good is considered originating



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Certificates of Origin

Article 4.12 – 4.13; Claims of Origin and Certificates of Origin

Claims of Origin: Importers are required to;

- Make a written declaration in the import documents that the good/goods qualify as originating
- Be prepared to submit a certificate of origin to their customs authorities
- Promptly make a corrected declaration and pay any duties owed where the importer determines that a good does not originate within the territory
- If a good was entered as non-originating and it is determined that this was in error, the importer has up to one year to file a corrected country of origin certificate



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Certificates of Origin

Article 4.12 – 4.13; Claims of Origin and Certificates of Origin

Certificate of Origin;

- Needs no prescribed format (common use is Customs form 3229)
- Can be provided by either the exporter or importer
- Is valid for 4 years
- Can cover multiple shipments of the same parts within the 4 year validity period
- Can be completed in Spanish or English



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Certificates of Origin

Record Keeping Requirements

Importers must keep the following records for a 5 year period

- Commercial Invoice
- Packing List
- Bill of Lading/Air Waybill
- Certificate of Origin