

**MAINLAND AND MACAO**  
**CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT**

**Agreement on Trade in Goods**

**Q&A**

1. What is Agreement on Trade in Goods of CEPA?

The Agreement on Trade in Goods systematically integrates the provisions related to trade in goods in the previous CEPA and its ten supplementary agreements, and offers enrichment with more content of cooperation in light of the levels and characteristics of the current rapid economic development of the Mainland and Macao. The Agreement covers areas such as rules of origin, customs procedures and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade and trade facilitation measures in the Guangdong-Hong Kong-Macao Bay Area. The Agreement further enhances the level of trade facilitation between the two places, provides new impetus to the development of trade in goods between the two places, and further takes forward Macao's development of moderate economic diversification.

2. What are the principles and standards for the determination of origin of goods under the Agreement on Trade in Goods of CEPA?

According to the requirements set out in Article 7 of the Agreement on Trade in Goods, the principles and standards for the determination of origin of goods are:

- (1) the good is wholly obtained or produced in one side;
- (2) the good is produced in one side exclusively from originating materials;
- (3) the good is produced in one side using non-originating materials, provided:
  - (i) the good falls within the scope of application of the Product Specific Rules of Origin, and satisfies the applicable tariff classification change, regional value content, manufacturing or processing procedures or other requirements;
  - (ii) the good does not fall within the scope of application of the Product Specific Rules of Origin, but its regional value content under the build-up method satisfies the standard of higher than or equal to 30%, or its regional value content under the build-down method satisfies the standard of higher than or equal to 40%.

3. How to determine whether a good is wholly obtained or produced under the Agreement on Trade in Goods of CEPA?

According to the requirements set out in Article 8 of the Agreement on Trade in Goods, the following shall be considered as being wholly obtained or produced, and determined as goods originating from one side:

- (1) live animals born and raised in one side;
- (2) goods obtained from live animals of one side, including milk, eggs, natural honey, hair, wool, semen or dung;
- (3) plant and plant products harvested, picked or gathered in one side;
- (4) goods obtained from hunting, trapping, fishing, aquaculture, gathering or capturing conducted in one side;
- (5) minerals and other naturally occurring substances, not included in sub-paragraphs 1) to 4) above, extracted or taken from its soil, waters, seabed or beneath their seabed;
- (6) goods extracted or taken from the waters, seabed or subsoil, of which the right to exploit is owned by one side, outside the territory of that side, provided that that side has the right to exploit such waters, seabed or subsoil in accordance with the international treaties to which that side is a party or participates;
- (7) fish or other marine products obtained by fishing conducted in the seas outside the territorial waters of that side by vessels registered or recorded with or holding a license issued by one side and flying the national flag of that side (for Mainland vessels) or the regional flag of the Macao Special Administrative Region of the People's Republic of China (for Macao vessels);
- (8) goods processed/made on board factory ships registered or recorded with or holding a license issued by one side and flying the national flag of that side (for Mainland vessels) or the regional flag of the Macao Special Administrative Region of the People's Republic of China (for Macao vessels), exclusively from goods referred to in sub-paragraph 7) above;
- (9) waste and scrap derived from processing operations in one side and are only used for the recovery of raw materials;
- (10) waste and scrap articles consumed and collected in one side and are only used for the recovery of raw materials;
- (11) goods produced in one side solely from goods referred to in sub-paragraphs 1) to 10) above.

4. How to calculate regional value content under the Agreement on Trade in Goods of CEPA, is an enterprise free to choose between using the build-up or build-down

method?

According to the requirements set out in Article 9 of the Agreement on Trade in Goods, the methods of calculating regional value content include the build-up and build-down method. Applicant enterprises may choose either one of the two methods based on their own situations. the calculation formulas of the two methods are as follows:

(1) Build-up method:

$$\text{Regional Value Content} = \frac{\text{Value of Originating Materials} + \text{Labour Costs} + \text{Product Development Costs}}{\text{FOB}} \times 100\% \geq 30\%$$

(2) Build-down method

$$\text{Regional Value Content} = \frac{\text{FOB} - \text{Value of Non-originating Materials}}{\text{FOB}} \times 100\% \geq 40\%$$

5. CEPA has established 1,535 rules of origin in the past, what breakthrough has the enhancement of CEPA achieved in this respect?

The Agreement on Trade in Goods has established rules of origin for some 8,000 items of Mainland tariff code products, which is some 7,000 more comparing to the 1,535 rules of origin established by the previous CEPA. The Agreement saves the time of consultation needed for determination of rules of origin for every item of products, and allows enterprises to get an early grasp of the rules and requirements of origin of the products they intend to produce.

6. The enhancement of CEPA has included the *de minimis* requirements, how are they applied?

According to the requirements set out in Article 10 of the Agreement on Trade in Goods, a good that doesn't meet the change in tariff classification required in the Product Specific Rules of Origin (PSR) is nonetheless originating, as long as the value of non-originating materials that have been used by the good and do not undergo the applicable change in tariff classification does not exceed 10% of the FOB value of the given good.

7. The enhancement of CEPA has optimised the “accumulation” requirements, how are they applied?

According to the requirements set out in Article 11 of the Agreement on Trade in Goods, when calculating the regional value content, the value of raw materials originating in the Mainland can be regarded to be originating in Macao and taken into account. However, the regional value content without taking into account the value of goods or materials originating in the Mainland shall be, higher than or equal to 15% (build-up method) or 20% (build-down method).

8. What measures and arrangements have been simplified by the enhancement of CEPA for goods transported to the Mainland via Hong Kong?

According to the requirements set out in Article 18 (Direct Consignment) of the Agreement on Trade in Goods, goods transported to the Mainland via Hong Kong shall be considered as complying with the direct consignment requirements. At the same time, the requirement of providing documents to evidence that the goods have not been processed in Hong Kong while processing customs clearance in the Mainland has also been cancelled.

9. What are the definitions of minimal operations and processes under the enhancement of CEPA?

According to the requirements set out in Article 12 of the Agreement on Trade in Goods, a product shall not be considered to be originating merely by reason of having undergone one or more of the following operations or processes:

- 1) preserving operations to ensure that the good remains in good condition during transport and storage;
- 2) simple assembly of parts of articles to constitute a complete article or disassembly of products into parts;
- 3) packing, unpacking or repacking operations purposes of sale or presentation;
- 4) slaughtering of animals;
- 5) washing, cleaning, removal of dust, oxide, oil, paint or other coverings;
- 6) ironing or pressing of textiles;
- 7) simple painting and polishing;
- 8) husking, partial or total bleaching, polishing, and glazing of cereals and rice;
- 9) operations to colour sugar or form sugar lumps;

- 10) peeling, stoning and shelling, of fruits, nuts and vegetables;
- 11) sharpening, simple grinding or simple cutting;
- 12) sifting, screening, sorting, classifying, grading, matching (including the making-up of sets of articles), cutting, slitting, bending, coiling, or uncoiling;
- 13) simple placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other similar packaging operations;
- 14) affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging;
- 15) simple mixing of goods, whether or not of different kinds;
- 16) mere dilution with water or another substance that does not materially alter the characteristics of the goods;
- 17) operations whose sole purpose is to ease port handling;
- 18) a combination of two or more operations specified in sub-paragraphs 1) to 17).

10. If an enterprise has an opinion on the rules of origin established by the Agreement on Trade in Goods of CEPA, has the enhancement of CEPA established any mechanism for consultation between the two places?

The enhancement of CEPA has established a mechanism for consultation between the two places by setting up the Working Group on Rules of Origin under the mechanism of the CEPA Joint Steering Committee in accordance with Article 26 of the Agreement on Trade in Goods. The two sides may further optimise the rules of origin established by the Agreement on Trade in Goods. The revised rules of origin will be published and implemented by both parties' consent.

11. The Agreement on Trade in Goods of CEPA has included a special chapter on promoting the customs clearance facilitation in the Guangdong-Hong Kong-Macao Bay Area, what does the cooperation include?

Accordance to Articles 67 and 68 of the Agreement on Trade in Goods, the Agreement emphasises that the trade in goods between the nine Pearl River Delta cities (Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing) and Macao is an integral part of the Agreement, and affirms to conform to trade rules of internationally high standard for promoting facilitation in movement of goods and taking forward trade liberalisation; expand and optimise the function of control points, promoting more facilitated customs

clearance modes at the control points in the Bay Area in accordance with law to significantly enhance the clearance capacities and efficiencies of control points in Guangdong and Macao, with a view to establishing the Bay Area into a centre stage for showcasing the convenient and efficient flow of factors of production; give full play to the radiating and leading role of the Bay Area to propel the development of the Pan-Pearl River Delta region and establish a business environment of global competitiveness. Specific content of cooperation includes:

- (1) explore express cross-border customs clearance facilitation methods;
- (2) promote the development of single-window interoperability;
- (3) explore launching electronic cargo data sharing between the two places;
- (4) make public regularly the overall customs clearance time of goods;
- (5) explore innovative clearance modes such as “joint inspection, one-off release” and “inspection on entry, monitoring on exit”;
- (6) promote mutual recognition of inspection and quarantine results of low-risk goods, excluding animals and plants and products thereof;
- (7) explore the expansion of the range of trusted commodities and institutions under the third-party inspection, testing and certification results acceptance scheme, and grant express customs clearance treatment to such commodities and institutions;
- (8) consider according customs clearance facilitation measures to food products processed in Macao with raw materials originated from the Mainland.

12. What optimisation has the Agreement on Trade in Goods of CEPA made on the term of validity of Certificate of Origin?

According to the requirements set out in Article 19 of the Agreement on Trade in Goods of CEPA, the term of validity of CEPA Certificate of Origin has been changed from 120 days to “one year”.

13. What optimisation has the Agreement on Trade in Goods of CEPA made on the content of declaration in the CEPA Certificate of Origin?

The number of items of goods declared under each CEPA Certificate of Origin has changed from not more than five to “multiple”.

14. In case a good falls within the application of the Products Specific Rules of Origin, or PSR, and the rule of origin for such good is “from other heading”, what does this mean?

“From other heading” means that upon the imported raw material of the good is processed in Macao, there is a change of 4-digit tariff code in the tariff

classification of the resulting product under the Harmonized Commodity Description and Coding System. For example, suppose a product is made up of two different raw materials, which are both imported from abroad, and their 4-digit tariff classifications are 1234 and 1235 respectively. These raw materials are processed in Macao into the finished product, of which the 4-digit tariff classification is 1236. This means that upon the raw materials are processed for production in Macao, there is a change in the 4-digit tariff classification of the resulting product, and thus meets the rule of origin for the good.