CHAPTER FOUR
TEXTILES AND APPAREL

ARTICLE 4.1: TARIFF ELIMINATION

1. Except as otherwise provided in this Agreement, each Party shall eliminate its customs duties on originating textile and apparel goods in accordance with its Schedule to Annex IV (Tariff Elimination).

2. Duties on originating textile and apparel goods provided for in the items in staging category A in a Party's Schedule shall be eliminated entirely and such goods shall be duty-free on the date this Agreement enters into force.

3. Duties on originating textile and apparel goods provided for in the items in staging category D in a Party's Schedule shall be reduced to 50 percent of that Party's base rate of duty on January 1 of year one. Beginning January 1 of year two, duties shall be removed in five equal annual stages, and such goods shall be duty-free, effective January 1 of year six.

4. Duties on originating textile and apparel goods provided for in the items in staging category F in a Party's Schedule shall be removed in nine equal annual stages beginning January 1 of year one, and such goods shall be duty-free, effective January 1 of year nine.

5. Duties on originating textile and apparel goods provided for in the items in staging category H in a Party's Schedule shall be removed in ten stages. On January 1 of year one, duties shall be reduced by three percent of that Party's base rate, and by an additional three percent of the base rate on January 1 of each year thereafter through year four. Beginning January 1 of year five, duties shall be removed in six equal annual stages, and such goods shall be duty-free, effective January 1 of year ten.

6. The United States shall eliminate customs duties on any originating textile or apparel goods that, after the date of entry into force of this Agreement, are designated as articles eligible for duty-free treatment under the U.S. *Generalized System of Preferences*, effective from the date of such designation.

7. On the date of entry into force of this Agreement, each Party shall provide that the originating apparel goods specified in Annex 4-B shall be duty-free, up to the annual quantities identified therein. Duties on originating apparel goods specified in Annex 4-B above those quantities shall be reduced as provided for in paragraph 3.

8. An importing Party, through its competent authorities, shall require an importer claiming duty-free treatment for an originating apparel good listed in Annex 4-B to present to the competent authorities at the time of entry a declaration that it is entitled to duty-free treatment in accordance with paragraph 7 and Annex 4-B. The importing Party shall not be required to provide duty-free treatment if an importer does not provide such a declaration. An exporting Party may require the exporter to prepare a declaration of eligibility for duty-free treatment in order to administer the annual quantities listed in Annex 4-B.

9. On the request of either Party, the Parties shall consult to consider accelerating the elimination of customs duties, and to consider increasing the annual quantities listed in Annex 4-B. An agreement by the Parties to accelerate the elimination of a customs duty or to adjust the annual quantities listed in Annex 4-B shall supersede any duty rate, staging category, or annual quantity determined pursuant to this Agreement when approved by each Party in accordance with its applicable legal procedures.

ARTICLE 4.2: SPECIAL TEXTILE AND APPAREL SAFEGUARD ACTIONS

1. If, as a result of the reduction or elimination of a duty under this Agreement, a textile or apparel good benefiting from preferential tariff treatment under this Agreement is being imported into the territory of a Party in such increased quantities, in absolute terms or relative to the domestic market for that good, and under such conditions as to cause serious damage, or actual threat thereof, to a domestic industry producing a like or directly competitive good, the Party may, to the extent and for such time as may be necessary to prevent or remedy such damage and to facilitate adjustment, increase the rate of duty on the good to a level not to exceed the lesser of:

(a) the most-favored-nation ("MFN") applied rate of duty in effect at the time the action is taken; and

(b) the MFN applied rate of duty in effect on the date of entry into force of this Agreement.

2. In determining serious damage, or actual threat thereof, the importing Party:

(a) shall examine the effect of increased imports of the good from the exporting Party on the particular industry, as reflected in changes in such relevant economic variables as output, productivity, utilization of capacity, inventories, market share, exports, wages, employment, domestic prices, profits, and investment, none of which shall necessarily be decisive; and

(b) shall not consider changes in technology or consumer preference as factors supporting a determination of serious damage or actual threat thereof.

3. The importing Party may take a safeguard action under this Article only following an investigation by its competent authorities.

4. The importing Party shall deliver to the exporting Party, without delay, written notice of its intent to take a safeguard action and, on the request of the exporting Party, shall enter into consultations with that Party regarding the matter.

5. An importing Party:

(a) shall not maintain a safeguard action for a period exceeding three years, except that the Party may extend the period by up to two years if the Party's competent authorities determine, in conformity with the procedures set out in paragraphs 3 and 4, that the action continues to be necessary to prevent or remedy serious damage and to facilitate adjustment by the domestic industry, and that there is evidence that the industry is adjusting;

(b) shall not take or maintain a safeguard action against a good beyond ten years after the Party must eliminate customs duties on that good pursuant to this Agreement;

(c) shall not take a safeguard action more than once against the same good of the other Party; and

(d) shall, on termination of the safeguard action, apply to the good that was subject to the safeguard action the rate of duty that would have been in effect but for the action.

6. The importing Party shall provide to the exporting Party mutually agreed trade liberalizing compensation in the form of concessions having substantially equivalent trade effects or equivalent to the value of the additional duties expected to result from the safeguard action. Such concessions shall be limited to textile and apparel goods, unless the Parties agree otherwise. If the Parties are unable to agree on compensation, the exporting Party may suspend tariff concessions under this Agreement having trade effects substantially equivalent to the trade effects of the safeguard action. Such tariff action may be taken against any goods of the exporting Party. The exporting Party shall apply the tariff action only for the minimum period necessary to achieve the substantially equivalent trade effects. The importing Party's obligation to provide trade compensation and the exporting Party's right to take tariff action shall terminate when the safeguard action terminates.

7. Nothing in this Agreement shall be construed to limit a Party's right to restrain imports of textile and apparel goods in a manner consistent with the Agreement on Textiles and Clothing or the Safeguards Agreement. However, a Party may not take or maintain a safeguard action under this Article against a textile or apparel good that is subject, or becomes subject, to a safeguard measure that a Party takes pursuant to either such agreement.

ARTICLE 4.3: RULES OF ORIGIN AND RELATED MATTERS

Application of Chapter Five

1. Except as provided in this Chapter, including its Annexes, Chapter Five (Rules of Origin) applies to textile and apparel goods.

2. For greater certainty, the rules of origin set forth in this Agreement shall not apply in determining the country of origin of a textile or apparel good for non-preferential purposes.

Consultations

3. On the request of either Party, the Parties shall consult to consider whether the rules of origin applicable to a particular textile or apparel good should be revised to address issues of availability of supply of fibers, yarns, or fabrics in the territories of the Parties.

4. In the consultations referred to in paragraph 3, each Party shall consider all data presented by the other Party that demonstrate substantial production in its territory of a particular fiber, yarn, or fabric. The Parties shall consider that there is substantial production if a Party demonstrates that its domestic producers are capable of supplying commercial quantities of the fiber, yarn, or fabric in a timely manner.

5. On request of an exporting Party, the Parties shall consult to consider revising the rules of origin applicable to originating textile and apparel goods described in HS 6207, 6208, and 6212, with a view to furthering the objectives of the Agreement, if:

(a) at any time beginning one year after the date of entry into force of this Agreement, the requesting Party's annual exports of such goods to the other Party are not significantly higher than its annual exports of such goods before the date of entry into force of this Agreement, or

(b) at any time after this Agreement enters into force, either Party enters into an agreement that establishes a rule of origin for such goods that differs from the rule of origin provided for under this Agreement.

6. The Parties shall endeavor to conclude the consultations referred to in paragraphs 3 and 5 within 60 days after delivery of a request. If the Parties agree in the consultations to revise a rule of origin, the agreement shall supersede that rule of origin when approved by the Parties in accordance with Article 22.2 (Amendments).

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7. A textile or apparel good that is not an originating good because certain fibers or yarns used in the production of the component of the good that determines the tariff classification of the good do not undergo an applicable change in tariff classification set out in Annex 4-A, shall nonetheless be considered to be an originating good if the total weight of all such fibers or yarns in that component is not more than seven percent of the

total weight of that component.[1] Notwithstanding the preceding sentence, a good containing elastomeric yarns in the component of the good that determines the tariff classification of the good shall be considered to be an originating good only if such yarns are wholly formed in the territory of a Party.

Treatment of Sets

8. Notwithstanding the specific rules of origin set out in Annex 4-A, textile or apparel goods classified under General Rule of Interpretation 3 of the Harmonized System as goods put up in sets for retail sale shall not be regarded as originating goods unless each of the goods in the set is an originating good or the total value of the non-originating goods in the set does not exceed 10 percent of the value of the set determined for purposes of assessing customs duties.

Preferential Tariff Treatment for Non-Originating Fabric and Apparel Goods (Tariff Preference Levels)

9. Subject to paragraph 11, each Party shall accord preferential tariff treatment to fabric goods provided for in Chapters 51, 52, 54, 55, 58, and 60 of the Harmonized System that are wholly formed in the territory of a Party, regardless of the origin of the fiber or yarn used to produce the goods, and that meet the applicable conditions for preferential tariff treatment under this Agreement other than the condition that they be originating goods.

10. Subject to paragraph 11, each Party shall accord preferential tariff treatment to apparel goods provided for in Chapters 61 and 62 of the Harmonized System that are cut or knit to shape, or both, and sewn or otherwise assembled in the territory of a Party, regardless of the origin of the fabric or yarn used to produce the goods, and that meet the applicable conditions for preferential tariff treatment under this Agreement other than the condition that they be originating goods.

11. A Party shall accord preferential tariff treatment to the goods described in paragraphs 9 and 10 up to the combined annual quantities specified in the following schedule:

[1] For greater certainty, when the good is a yarn, fabric, or group of fibers, the "component of the good that determines the tariff classification of the good" is all of the fibers in the yarn, fabric, or group of fibers.

Year Following Date of Entry into Force of his Agreement	Combined Annual Quantities in Square Meters Equivalent
Year One:	30,000,000
Year Two:	30,000,000
Year Three:	30,000,000
Year Four:	30,000,000
Year Five:	25,714,0000
Year Six:	21,428,000
Year Seven:	17,142,000
Year Eight:	12,856,000
Year Nine:	8,571,000
Year Ten:	4,285,000

12. An importing Party, through its competent authorities, may require that an importer claiming preferential tariff treatment for a fabric or apparel good under paragraph 9 or 10 present to the competent authorities at the time of entry a declaration of eligibility for preferential tariff treatment under that paragraph. The declaration shall be prepared by the importer and shall consist of information demonstrating that the good satisfies the requirements for preferential tariff treatment under paragraph 9 or 10. An exporting Party may require the exporter to prepare a declaration of eligibility for preferential tariff treatment under paragraph 9 or 10 in order to monitor the use of tariff preference levels.

13. To determine the quantity in square meters equivalent that is charged against the annual quantity set out in paragraph 11, the importing Party shall apply the conversion factors listed in, or utilize a methodology based on, the *Correlation: U.S. Textile and Apparel Category System with the Harmonized Tariff Schedule of the United States of America, 2003* ("The Textile Correlation"), U.S. Department of Commerce, Office of Textiles and Apparel, or successor publication.

14. Paragraphs 9 through 13 shall cease to apply beginning on the first day of the eleventh twelve-month period following the date of entry into force of this Agreement.

Treatment of Certain Cotton Goods

15. Each Party shall accord preferential tariff treatment to a textile or apparel good listed in Annex 4-A that is not an originating good solely because cotton fibers used in the production of the good do not undergo an applicable change in tariff classification as set

out in Annex 4-A if the cotton fibers, classified in HS heading 5201.00, used in the good originate in one or more of the least-developed beneficiary sub-Saharan African countries designated in Article 6 of the *Bulletin Officiel*, No. 4861 *bis* – 6 *chaoual* 1421 (1.1.2001), *Exoneration du droit d'importation en faveur des produits originaires et en provenance de certains pays d'Afrique*, as of the date of entry into force of this Agreement, and provided the cotton fibers are carded or combed in the territory of a Party or of a designated least-developed country. The total quantity of goods that may be accorded preferential tariff treatment based on this paragraph shall be limited to 1,067,257 kilograms annually. On request of either Party, the Parties shall consult on whether to adjust this quantity, or on any other matter related to this paragraph.

ARTICLE 4.4: CUSTOMS AND ADMINISTRATIVE COOPERATION

1. The Parties shall cooperate for purposes of:

   (a) enforcing or assisting in the enforcement of their measures affecting trade in textile and apparel goods;

   (b) verifying the accuracy of claims of origin;

   (c) enforcing or assisting in the enforcement of measures implementing international agreements affecting trade in textile and apparel goods; and

   (d) preventing circumvention of international agreements affecting trade in textile and apparel goods.

2. On the request of the importing Party, the exporting Party shall conduct a verification for purposes of enabling the importing Party to determine that a claim of origin for a textile or apparel good is accurate. The exporting Party shall conduct such a verification, regardless of whether an importer claims preferential tariff treatment for the good. The exporting Party also may conduct such a verification on its own initiative.

3. Where the importing Party has a reasonable suspicion that an exporter or producer of the exporting Party is engaging in unlawful activity relating to trade in textile or apparel goods, the exporting Party shall conduct, on the request of the importing Party, a verification for purposes of enabling the importing Party to determine that the exporter or producer is complying with applicable customs measures regarding trade in textile and apparel goods, including measures that the exporting Party adopts and maintains pursuant

to this Agreement and measures of either Party implementing other international agreements affecting trade in textile or apparel goods, or to determine that a claim of origin regarding textile or apparel goods exported or produced by that enterprise is accurate. For purposes of this paragraph, a **reasonable suspicion of unlawful activity** means a suspicion based on relevant factual information of the type set forth in Article 6.5.5 (Cooperation) or information that indicates:

(a) circumvention by the exporter or producer of applicable customs measures regarding trade in textile and apparel goods, including measures adopted to implement this Agreement; or

(b) conduct that facilitates the violation of measures relating to any other international agreement regarding trade in textile or apparel goods.

4. The exporting Party, through its competent authorities, shall permit the importing Party, through its competent authorities, to assist in a verification conducted pursuant to paragraph 2 or 3, including by conducting, along with the competent authorities of the exporting Party, visits in the territory of the exporting Party to the premises of an exporter, producer, or any other enterprise involved in the movement of a textile or apparel good from the territory of the exporting Party to the territory of the importing Party. The importing Party shall notify the exporting Party in advance of any such visits.

5. Each Party shall provide to the other Party, consistent with the Party's law, production, trade, and transit documents and other information necessary for the exporting Party to conduct a verification under paragraph 2 or 3. Each Party shall treat any documents or information exchanged in the course of such a verification in accordance with Article 6.6 (Confidentiality).

6. While a verification is being conducted, the importing Party may, consistent with its law, take appropriate action, which may include suspending the application of preferential tariff treatment to:

(a) the textile or apparel good for which a claim of origin has been made, in the case of a verification under paragraph 2; or

(b) any textile or apparel good exported or produced by the person subject to a verification under paragraph 3, where the reasonable suspicion of unlawful activity relates to that good.

7. The Party conducting a verification under paragraph 2 or 3 shall provide the other Party with a written report on the results of the verification, which shall include all documents and facts supporting any conclusion that the Party reaches.

8. (a) If the importing Party is unable to make the determination described in paragraph 2 within 12 months after its request for a verification, or makes a negative determination, it may, consistent with its law, take appropriate action, including denying preferential tariff treatment to the textile or apparel good subject to the verification, and to similar goods exported or produced by the person that exported or produced the good.

(b) If the importing Party is unable to make a determination described in paragraph 3 within 12 months after its request for a verification, or makes a negative determination, it may, consistent with its law, take appropriate action, including denying preferential tariff treatment to any textile or apparel good exported or produced by the person subject to the verification.

9. (a) The importing Party may deny preferential tariff treatment or entry under paragraph 8 only after notifying the other Party of its intention to do so.

(b) If the importing Party takes action under paragraph 8 because it is unable to make a determination described in paragraph 2 or 3, it may continue to take appropriate action under paragraph 8 until it receives information sufficient to enable it to make the determination.

10. On the request of either Party, the Parties shall consult to resolve any technical or interpretive difficulties that may arise under this Article or to discuss ways to improve the effectiveness of their cooperative efforts. In addition, either Party may request technical or other assistance from the other Party in implementing this Article. The Party receiving such a request shall make every effort to respond favorably and promptly.

ARTICLE 4.5: DEFINITIONS

For purposes of this Chapter:

base rate of duty means: a) with respect to the United States, the HTSUS Column 1 General rates of duty in effect January 10, 2003; and b) with respect to Morocco, the HTSMOROCCO MFN rates of duty in effect January 1, 2003;

claim of origin means a claim that a textile or apparel good is an originating good;

exporting Party means the Party from whose territory a textile or apparel good is exported;

importing Party means the Party into whose territory a textile or apparel good is imported; and

textile or apparel good means a good listed in the Annex to the Agreement on Textiles and Clothing.

CHAPTER FIVE
RULES OF ORIGIN

ARTICLE 5.1: ORIGINATING GOODS

Except as otherwise provided in this Chapter or Chapter Four (Textiles and Apparel), each Party shall provide that a good is an originating good where it is imported directly from the territory of one Party into the territory of the other Party, and

(a) it is a good wholly the growth, product, or manufacture of one or both of the Parties;

(b) for goods other than those covered by the rules in Annex 4-A or Annex 5-A , the good is a new or different article of commerce that has been grown, produced, or manufactured in the territory of one or both of the Parties; and the sum of (i) the value of materials produced in the territory of one or both of the Parties, plus (ii) the direct costs of processing operations performed in the territory of one or both of the Parties is not less than 35 percent of the appraised value of the good at the time it is imported into the territory of a Party; or

(c) for goods covered by the rules in Annex 4-A or Annex 5-A, the good has satisfied the requirements specified in that Annex.

ARTICLE 5.2: NEW OR DIFFERENT ARTICLE OF COMMERCE

For purposes of this Chapter, **new or different article of commerce** means a good that has been substantially transformed from a good or material that is not wholly the growth, product, or manufacture of one or both of the Parties and that has a new name, character, or use distinct from the good or material from which it was transformed.

ARTICLE 5.3: NON-QUALIFYING OPERATIONS

Each Party shall provide that, for purposes of Article 5.1, no good shall be considered a new or different article of commerce by virtue of having merely 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.

ARTICLE 5.4: CUMULATION

1. Each Party shall provide that direct costs of processing operations performed in one or both of the Parties as well as the value of materials produced in the territory of one or both of the Parties may be counted without limitation toward satisfying the 35 percent value-content requirement specified in Article 5.1(b).

2. Each Party shall provide that an originating good or a material produced in the territory of one or both of the Parties, incorporated into a good in the territory of the other Party, shall be considered to originate in the other Party.

3. Each Party shall provide that a good grown, produced, or manufactured in the territory of one or both of the Parties by one or more producers shall be an originating good, provided that it satisfies the requirements of Article 5.1 and all other applicable requirements in this Chapter and Chapter Four (Textiles and Apparel).

ARTICLE 5.5: VALUE OF MATERIALS

1. For purposes of this Chapter, each Party shall provide that the value of a material produced in the territory of one or both of the Parties includes:

(a) the price actually paid or payable by the producer of the good for the material;

(b) when not included in the price actually paid or payable by the producer of the good for the material, the freight, insurance, packing, and all other costs incurred in transporting the material to the producer's plant;

(c) the cost of waste or spoilage, less the value of recoverable scrap; and

(d) taxes or customs duties imposed on the material by one or both of the Parties, provided the taxes or customs duties are not remitted on exportation.

2. Each Party shall provide that where the relationship between the producer of the good and the seller of the material influenced the price actually paid or payable for the material, or where paragraph 1 is otherwise not applicable, the value of the material produced in the territory of one or both of the Parties includes:

(a) all expenses incurred in the growth, production, or manufacture of the material, including general expenses;

(b) a reasonable amount for profit; and

(c) freight, insurance, packing, and all other costs incurred in transporting the material to the producer's plant.

ARTICLE 5.6: DIRECT COSTS OF PROCESSING OPERATIONS

1. For purposes of this Chapter, **direct costs of processing operations** means those costs either directly incurred in, or that can be reasonably allocated to, the growth, production, or manufacture of the good. Such costs include the following, to the extent that they are includable in the appraised value of goods imported into the territory of a Party:

(a) all actual labor costs involved in the growth, production, or manufacture of the specific good, including fringe benefits, on-the-job training, and the costs of engineering, supervisory, quality control, and similar personnel;

(b) tools, dies, molds, and other indirect materials, and depreciation on machinery and equipment that are allocable to the specific good;

(c) research, development, design, engineering, and blueprint costs, to the extent that they are allocable to the specific good;

(d) costs of inspecting and testing the specific good; and

(e) costs of packaging the specific good for export to the territory of the other Party.

2. For greater certainty, costs that are not included as direct costs of processing operations are those that are not directly attributable to the good or are not costs of growth, production, or manufacture of the good. These include:

(a) profit; and

(b) general expenses of doing business that are either not allocable to the good or are not related to the growth, production, or manufacture of the good, such as administrative salaries, casualty and liability insurance, advertising, and salesmen's salaries, commissions, or expenses.

ARTICLE 5.7: PACKAGING AND PACKING MATERIALS AND CONTAINERS FOR RETAIL SALE AND FOR SHIPMENT

Each Party shall provide that packaging and packing materials and containers for retail sale and for shipment shall be disregarded in determining whether the good qualifies as an originating good, except to the extent that the value of such packaging and packing materials and containers may be counted toward satisfying the 35 percent value-content requirement specified in Article 5.1(b), where applicable.

ARTICLE 5.8: INDIRECT MATERIALS

Each Party shall provide that indirect materials shall be disregarded in determining whether the good qualifies as an originating good, except that the cost of such indirect materials may be counted toward satisfying the 35 percent value-content requirement where applicable.

ARTICLE 5.9: TRANSIT AND TRANSSHIPMENT

For purposes of this Chapter, each Party shall provide that a good shall not be considered to be imported directly from the territory of the other Party if the good undergoes subsequent production, manufacturing, or any other operation outside the territories of the Parties, other than unloading, reloading, or any other operation necessary to preserve it in good condition or to transport the good to the territory of the other Party.

ARTICLE 5.10: IMPORTER REQUIREMENTS

Each Party shall provide that whenever an importer makes a claim for preferential tariff treatment for a good, the importer:

(a) shall be deemed to have certified that the good qualifies for preferential tariff treatment; and

(b) shall submit to the customs authority of the importing Party, on request, a

signed declaration setting forth all pertinent information concerning the growth, production, or manufacture of the good. Each Party may require that the declaration contain at least the following details:

(i) a description of the good, quantity, numbers, and invoice numbers and bills of lading;

(ii) a description of the operations performed in the growth, production, or manufacture of the good in the territory of one or both of the Parties and, where applicable, identification of the direct costs of processing operations;

(iii) a description of any materials used in the growth, production, or manufacture of the good that are wholly the growth, product, or manufacture of one or both of the Parties, and a statement as to the value of such materials;

(iv) a description of the operations performed on, and a statement as to the origin and value of, any materials used in the good that are claimed to have been sufficiently processed in the territory of one or both of the Parties so as to be materials produced in the territory of one or both of the Parties, or are claimed to have undergone an applicable change in tariff classification specified in Annex 4-A or Annex 5-A; and

(v) a description of the origin and value of any foreign materials used in the good that are not claimed to have been substantially transformed in the territory of one or both of the Parties, or are not claimed to have undergone an applicable change in tariff classification specified in Annex 4-A or Annex 5-A.

The importing Party should request a declaration only when that Party has reason to question the accuracy of a deemed certification referred to in subparagraph (a), when that Party's risk assessment procedures indicate that verification of an entry is appropriate, or when the Party conducts a random verification. The importer shall retain the information necessary to prepare the declaration for five years from the date of importation of the good.

ARTICLE 5.11: OBLIGATIONS RELATING TO IMPORTATION

1. Each Party shall grant any claim for preferential tariff treatment, unless the Party possesses information indicating that the importer's claim fails to comply with any requirement under this Chapter or Chapter Four (Textiles and Apparel).

2. To determine whether a good imported into its territory qualifies for preferential tariff treatment, the importing Party may, through its customs authority, verify the origin.

3. Where a Party denies a claim for preferential tariff treatment, it shall issue a written determination containing findings of fact and the legal basis for its determination. The Party shall issue the determination within a period established under its law.

4. Nothing in this Article shall prevent a Party from taking action under Article 4.4 (Customs and Administrative Cooperation).

ARTICLE 5.12: CONSULTATIONS AND MODIFICATIONS

1. The Parties shall consult and cooperate to ensure that this Chapter is applied in an effective and uniform manner, in accordance with the objectives of this Agreement.

2. The Parties may establish *ad hoc* working groups, or a subcommittee of the Joint Committee established pursuant to Article 19.2 (Joint Committee), to consider any matter related to this Chapter (including Annex 5-A). On request of a Party, the Parties may direct a working group or subcommittee to review operation of this Chapter (including Annex 5-A) and develop recommendations for amending them in the light of pertinent developments, including changes in technology and production processes, and other relevant factors.

ARTICLE 5.13: REGIONAL CUMULATION

At a time to be determined by the Parties, and in the light of their desire to promote regional integration, the Parties shall enter into discussions with a view to deciding the extent to which materials that are products of countries in the region may be counted for purposes of satisfying the origin requirement under this Agreement as a step toward achieving regional integration.

ARTICLE 5.14: DEFINITIONS

For purposes of this Chapter:

foreign material means a material other than a material produced in the territory of one or more of the Parties;

good means any merchandise, product, article, or material;

goods wholly the growth, product, or manufacture of one or both of the Parties means goods consisting entirely of one or more of the following:

(a) mineral goods extracted in the territory of one or both of the Parties;

(b) vegetable goods, as such goods are defined in the Harmonized System, harvested in the territory of one or both of the Parties;

(c) live animals born and raised in the territory of one or both of the Parties;

(d) goods obtained from live animals raised in the territory of one or both of the Parties;

(e) goods obtained from hunting, trapping, or fishing in the territory of one or both of the Parties;

(f) goods (fish, shellfish, and other marine life) taken from the sea by vessels registered or recorded with a Party and flying its flag;

(g) goods produced on board factory ships from the goods referred to in subparagraph (f) provided such factory ships are registered or recorded with that Party and fly its flag;

(h) goods taken by a Party or a person of a Party from the seabed or beneath the seabed outside territorial waters, provided that a Party has rights to exploit such seabed;

(i) goods taken from outer space, provided they are obtained by a Party or a person of a Party and not processed in the territory of a non-Party;

(j) waste and scrap derived from:

(i) production or manufacture in the territory of one or both of the Parties, or

(ii) used goods collected in the territory of one or both of the Parties, provided such goods are fit only for the recovery of raw materials;

(k) recovered goods derived in the territory of a Party from used goods and utilized in the Party's territory in the production of remanufactured goods; and

(l) goods produced in the territory of one or both of the Parties exclusively from goods referred to in subparagraphs (a) through (j), or from their derivatives, at any stage of production;

indirect material means a good used in the growth, production, manufacture, testing, or inspection of a good but not physically incorporated into the good, or a good used in the maintenance of buildings or the operation of equipment associated with the growth, production, or manufacture of a good, including:

(a) fuel and energy;

(b) tools, dies, and molds;

(c) spare parts and materials used in the maintenance of equipment and buildings;

(d) lubricants, greases, compounding materials, and other materials used in the growth, production, or manufacture of a good or used to operate equipment and buildings;

(e) gloves, glasses, footwear, clothing, safety equipment, and supplies;

(f) equipment, devices, and supplies used for testing or inspecting the good;

(g) catalysts and solvents; and

(h) any other goods that are not incorporated into the good but whose use in the growth, production, or manufacture of the good can reasonably be demonstrated to be a part of that growth, production, or manufacture;

material means a good, including a part or ingredient, that is used in the growth, production, or manufacture of another good that is a new or different article of commerce that has been grown, produced, or manufactured in one or both of the Parties;

material produced in the territory of one or both of the Parties means a good that is either wholly the growth, product, or manufacture of one or both of the Parties, or a new or different article of commerce that has been grown, produced, or manufactured in the territory of one or both of the Parties;

recovered goods means materials in the form of individual parts that are the result of: (1) the complete disassembly of used goods into individual parts; and (2) the cleaning, inspecting, testing, or other processing of those parts as necessary for improvement to sound working condition;

remanufactured goods means industrial goods assembled in the territory of a Party that: (1) are entirely or partially comprised of recovered goods; (2) have similar life expectancies and meet similar performance standards as new goods; and (3) enjoy similar factory warranties as new goods;

simple combining or packaging operations means operations such as adding batteries to electronic devices, fitting together a small number of components by bolting, gluing, or soldering, or packing or repacking components together; and

substantially transformed means, with respect to a good or material, changed as the result of a manufacturing or processing operation where: (1) the good or material has multiple uses and is converted into a good or material with limited uses; (2) the physical properties of the good or material are changed to a significant extent; or (3) the operation undergone by the good or material is complex in terms of the number of processes and materials involved, as well as the time and level of skill required to perform these processes; and the good or material loses its separate identity in the resulting, new good or material.