



# Full Cumulation Guidelines

under the ASEAN-Australia-New Zealand  
Free Trade Area (AANZFTA) Agreement

April 2025



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# 1 Introduction & Objectives

These Guidelines on Full Cumulation under the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) serve as a guide on new arrangements available to producers and traders in the AANZFTA region, once the Second Protocol to Amend the AANZFTA enters into force.

These Guidelines provide an overview of procedures, practical scenarios and other matters related to the implementation of cumulative rules of origin under the AANZFTA Second Protocol. As set out in Section 4.6, the AANZFTA Sub-Committee on Rules of Origin may assist in navigating the commercial differences between AANZFTA Parties arising out of the legal text of the AANZFTA and its protocols.

The Guidelines are intended to be a source of key information about the full cumulation concept and its implementation under the AANZFTA. Implementation of the full cumulation rule, in line with obligations under AANZFTA, will be left to the regulatory practices and standard operating procedures of each AANZFTA Party government.

The Guidelines feature a background section describing cumulation rules under the AANZFTA Second Protocol and set out some key concepts and definitions. The Guidelines also include a set of full cumulation practices and processes, including how AANZFTA Parties can participate in the full cumulation rule, and the assessment of full cumulation in the context of 'regional value content', 'change in tariff classification' and other product specific rules. The Guidelines also provide an overview of the documentation and assessment of claims under the full cumulation rule. There is also an outline of the roles and obligations of exporters, importers and Issuing Authorities and Government agencies in issuing and verifying documentation, along with an overview of the mechanisms for troubleshooting and technical cooperation on full cumulation under the AANZFTA.

Lastly, the Guidelines include the legal text of the full cumulation rule under AANZFTA.

These Guidelines have been developed under the auspices of the AANZFTA Sub-Committee on Rules of Origin.



## 2 Key Concepts and Definitions

Where these terms are used in these Guidelines, they have the following definitions:

**AANZFTA:** Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area.

**Change in Tariff Classification (CTC):** rule of origin stating that for a good to qualify as originating, any materials from outside the AANZFTA region used in its production must be classified under a different HS code to the final good. The degree of tariff change required is specified either at Chapter, Heading or Subheading level.

**Cumulation:** a provision under free trade agreements that allows goods and materials meeting specified origin requirements in one party to be treated as originating content in production in another party.

**Cumulation under the Original AANZFTA and the 1<sup>st</sup> Protocol:** the original approach to cumulation under the AANZFTA that only allows the goods and materials meeting the origin requirements under AANZFTA in one Party to be treated as originating when determining whether a specified threshold is reached through further transformation of the materials in another Party (e.g., a change in tariff classification or region value content) (*may also be known as Originating Material Cumulation*).

**Cumulation under the AANZFTA Second Protocol:** under Article 6 of the AANZFTA Second Protocol the Participating Parties shall extend the application of cumulation to all production undertaken on, and value-added to, non-originating materials in any Participating Party, which are used in another Participating Party as materials in the production of another good or material. Such production undertaken on, or value added to, a non-originating material in the territory of one or more of the Participating Parties shall contribute towards the originating content of a good or material for the purpose of determining the origin of a good or material finished in the territory of a Participating Party, regardless of whether that production or value added was sufficient to confer originating status to the material itself (*may also be known as Material & Production Cumulation or Full Cumulation*).

**HS Code:** means the Harmonized Commodity Description and Coding System established by the *International Convention on the Harmonized Description and Coding System* done at Brussels on 14 June 1983, as amended.

**First Protocol:** First Protocol to Amend the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area, 2014.

**Minimal Operations and Processes:** the following operations or processes, undertaken by themselves or in combination with each other, are considered to be minimal and shall not be taken into account in determining whether or not a good is originating:

- a. ensuring preservation of goods in good condition for the purposes of transport or storage;
- b. facilitating shipment or transportation;
- c. packaging<sup>1</sup> or presenting goods for transportation or sale;
- d. simple processes, consisting of sifting, classifying, washing, cutting, slitting, bending, coiling and uncoiling and other similar operations;
- e. affixing of marks, labels or other like distinguishing signs on products or their packaging; and
- f. mere dilution with water or another substance that does not materially alter the characteristics of the goods.

Minimal operations can't be counted when undertaken by themselves or in combination with each other only.

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<sup>1</sup> This excludes encapsulation which is termed "packaging" by the electronics industry.





If the operations are part of more substantial transformation process, the value-add can still be included in RVC calculation.

**Non-Originating Material:** material originating outside of the free trade area.

**Non-Participating Party (NPP):** an AANZFTA Party which has opted not to accept cumulation under Article 6 of the AANZFTA Second Protocol as a rule of origin and has notified other Parties in writing through the FTA Joint Committee of its intention to not implement this provision.

**Participating Party (PP):** an AANZFTA Party which accepts cumulation under Article 6 of the AANZFTA Second Protocol as a rule of origin.

**Preferential Tariff Treatment:** reduced or zero-rated tariff treatment for qualifying goods.

**Product-Specific Rules (PSR):** the rules in **AANZFTA Second Protocol** Annex 3B (Product-Specific Rules) that specify that the materials used to produce a good have undergone a change in tariff classification or a specific manufacturing or processing operation or satisfy a regional value content criterion or a combination of any of these criteria.

**Regional Value Content (RVC):** a rule of origin whereby a good qualifies for preferential tariff treatment if the value added from operations within the free trade area meets a specified threshold.

**Rules of Origin (ROO):** rules that determine whether a good qualifies for preferential tariff treatment under a Free Trade Agreement.

**Specific Processing Rules:** special rules of origin applied to specified products, such as chemical reaction, cooking or cutting, sewing and assembly of clothing.

**Second Protocol:** Second Protocol to Amend the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area, signed on 21 August 2023.



### 3 Background

The original Agreement establishing the ASEAN-Australia-New Zealand Free Trade Area (**AANZFTA Agreement**) was Entered Into Force on 1 January 2010. The AANZFTA Agreement is a preferential trade agreement that eliminates or reduces tariffs (import taxes) on goods traded between member countries (called “AANZFTA Parties”). A key concept within free trade agreements is “rules of origin.” These rules define the originating status of a good for the purposes of the agreement and ensure that the heavily negotiated preferential tariffs are only available for trade falling under the AANZFTA agreement.

The original **AANZFTA Agreement** contains a provision known as ‘Cumulative Rules of Origin’ (Article 6 of the Rules of Origin Chapter). The provision on “cumulation” allows originating goods (those meeting the agreement’s rules) from one member Party to be treated as if they had been produced in another member Party.

**The AANZFTA Second Protocol** Entered Into Force on 21 April 2025, and takes this concept a step further. It includes an extended provision that allows the value of originating materials and any added value (labour, materials, production) from **any** AANZFTA Participating Party (not just added value that confers originating status) to be counted towards the origin requirements of a final product made in another any Participating Party.

Types of Cumulation	Originating Material Cumulation under Original AANZFTA Agreement	Full Cumulation under the AANZFTA Second Protocol
<div>1</div> <b>Concept</b>	Allows originating goods from one Party to be treated as originating in another.	Allows the value of originating materials and any added value from any AANZFTA Participating Party to be counted towards the origin requirements of a final product made in another Party.
<div>2</div> <b>Materials Counted</b>	Originating materials from AANZFTA Parties AND any added value (labour, materials, production) from the exporting AANZFTA Party.  <i>Note: Added value (materials, labour, production) from other AANZFTA Parties which does not confer originating status is not counted.</i>	Originating materials from AANZFTA Parties AND any added value (labour, materials, production) from any AANZFTA Participating Party.
<div>3</div> <b>Current Status</b>	Existing system for all AANZFTA parties.	Full cumulation is a new provision under the Second Protocol and will be optional for AANZFTA Parties.

Full Cumulation offers new opportunities to utilise the AANZFTA Agreement. AANZFTA Parties can decide whether or not to participate in the new cumulation rule. The following sections will delve deeper into the procedures and scenarios under *the Second Protocol* cumulation.



## 4 Full Cumulation Procedures and Scenarios

This section provides processes and illustrative scenarios that show how full cumulation under the AANZFTA Second Protocol would apply in practice.

### 4.1 HOW DO THE CUMULATION PROVISIONS UNDER THE SECOND PROTOCOL APPLY TO AANZFTA PARTIES?

#### Key Points

- **Participating and non-Participating Parties:** The Second Protocol creates two categories of countries: Participating Parties (**PP**) and non-Participating Parties (**NPP**).
- **Participation by default:** By default, all AANZFTA countries are considered **PPs** and allow full cumulation.
- **Opt-Out and Opt-In:** Countries can choose to opt-out of full cumulation (that is, to be an **NPP**) within 120 days of the Second Protocol's entry into force and can later rejoin the full cumulation regime by notifying the relevant committee.



Full cumulation provisions will come into effect 180 days after entry into force of the Second Protocol. But not necessarily for every AANZFTA Party.

The Second Protocol creates two categories of Parties for the purposes of implementing the cumulation provisions under Article 6 of the Rules of Origin chapter. By default, an AANZFTA Party will be a **Participating Party (PP)** (Art 6.4) and will apply the provisions of the full cumulation regime to non-originating materials imported from other Participating Parties.

A Party that chooses to be a **non-Participating Party (NPP)** must notify other Parties by a notification made through the FTA Joint Committee within 120 days of entry into force of the Protocol (Art 6.5).

An **NPP** can join the full cumulation regime at any time by advising the Joint Committee of its decision to become a **PP**, and its decision will take effect 180 days after notification (Art 6.6).



## 4.2 HOW IS REGIONAL VALUE CONTENT (RVC) DETERMINED UNDER FULL CUMULATION RULES?

### Key Points

- The Second Protocol allows for the value, including production costs of all processing of materials within **Participating Parties (PPs)** to be included in RVC testing of a good for export from a **PP**.
- Exporters in **non-Participating Parties (NPPs)** cannot include the value of processing of materials imported from other Parties if those materials have not qualified as originating when entering the exporter's Party.
- The application of the Minimal Operations and Processes provisions has not been changed as a result of the introduction of full cumulation.



The Rules of Origin under AANZFTA are generally liberal, flexible and progressive, allowing importers a number of pathways to demonstrate that goods qualify for preferential tariff treatment. The rules encourage a deeper level of regional economic integration. However, experience since AANZFTA entered into force has shown that there could be opportunities for greater flexibility in the rules – particularly in the areas of the Product Specific Rules (PSRs) and the application of the cumulation principle.

In order to get preferential tariff treatment under the original AANZFTA and the First Protocol, manufacturers in the AANZFTA region are allowed to include the value of materials imported from another AANZFTA country if the material satisfies the AANZFTA Rules of Origin within the supplying AANZFTA country. The material needs to meet any one of the following:

- PSRs (RVC, CTC, Specific Processing Rules or a combination); or
- be Wholly Produced or Obtained (WO); or
- Produced Exclusively (PE) from originating materials produced in a Party exclusively from originating materials from one or more of the Parties for that material to qualify as an originating material in production in another Party.

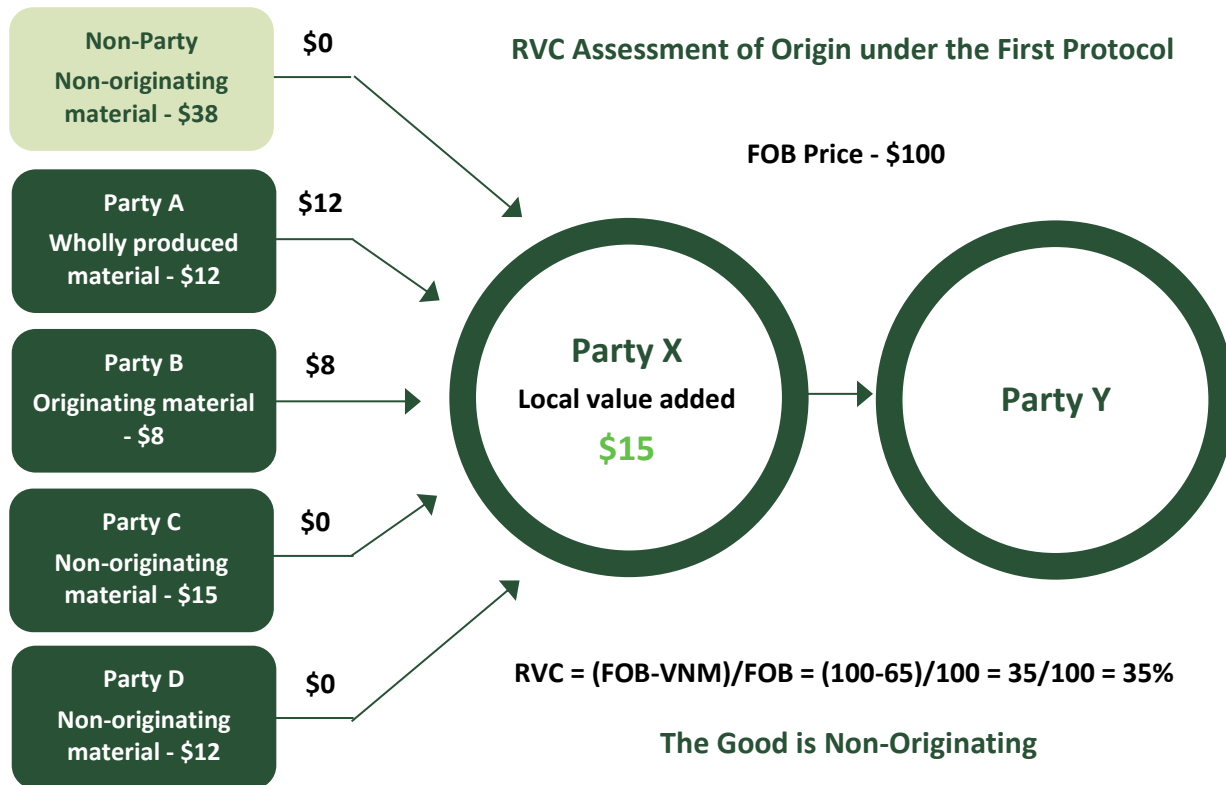
The original and First Protocol Rules of Origin do, however, allow more flexible treatment for certain goods – essentially textiles and apparel – under which full cumulation applies, allowing materials to meet the Specific Processing Rule as a result of processes undertaken in “one or more of the Parties”.





In Example A below, the value of originating materials is \$35 (\$20 of originating materials from Parties A and B, and \$15 of local value-added in Party X) out of a total FOB price of \$100, so the product does not meet the required threshold of 40% RVC - and so does not qualify under the original AANZFTA and First Protocol using the RVC rule.

#### Example A – Generic Product with only an RVC(40) PSR under the First Protocol



These provisions remain for goods under the Second Protocol and are laid out in Article 6.1, which is the same text as Article 6 from the original and First Protocol rules of origin chapter.

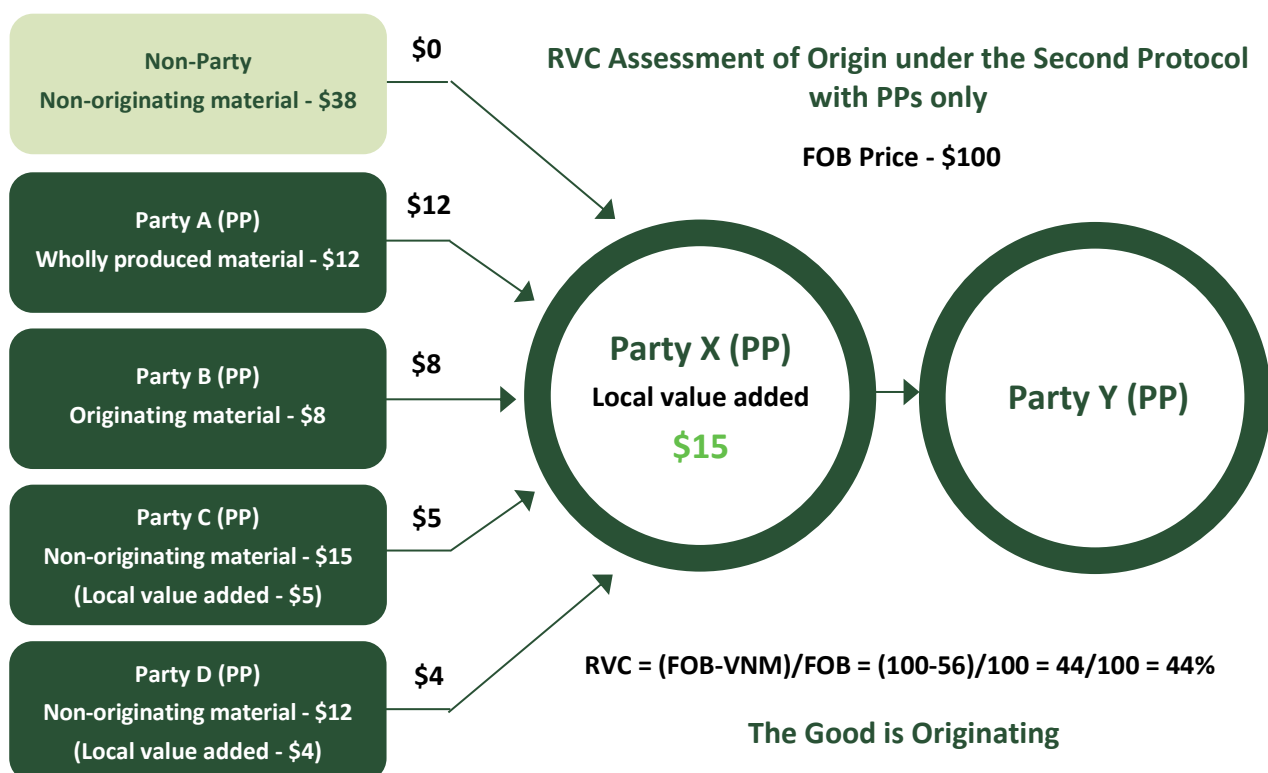


#### 4.2.1 How does cumulation under the Second Protocol allow for other value-added in AANZFTA Parties?

The Second Protocol extends the cumulation provisions to allow for cumulation of “all production undertaken on, and value-added to, non-originating materials in any Participating Party” (Article 6.2).

Under the Second Protocol, a product can gain access to the AANZFTA preferential tariff treatment by including the value of any processing or originating content within a material imported from another Participating Party. The full cumulation rules ‘look inside’ the material (even if it does not qualify as originating under the ROO) to identify any value-add that does qualify - and adds this to the calculation of Regional Value Content. This applies to all goods.

##### Example B – Generic Product with only an RVC (40) PSR under the Second Protocol



In Example B above, the local value-add of \$9 (from Participating Parties C and D) is added to the \$35 of originating materials, making a total of \$44 out of an FOB price of \$100. This means the same good can now qualify for the AANZFTA preferential tariff treatment under the RVC rule.

The capacity to make use of the value of processing of non-originating materials in the two **PPs** – C and D – would encourage sourcing of materials from within the AANZFTA region and add to both greater regional integration and economic development in those Parties.



#### 4.2.2 What could be counted as RVC under Full Cumulation?

The practical implication of this is that, in undertaking an assessment of whether a good for export to another Party meets the RVC criteria for the good, an exporter in a **PP** can include:

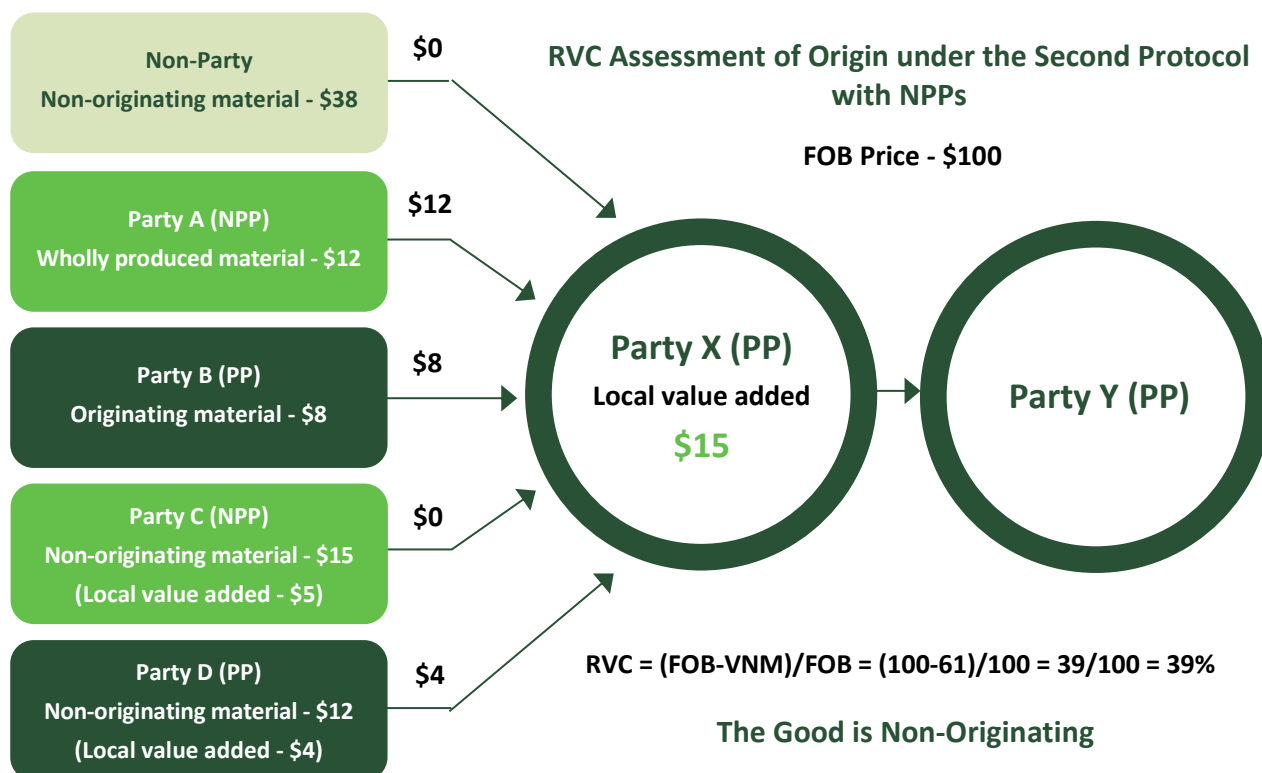
1. the **full value of imported materials** that meet the relevant ROO for the material, when imported from another AANZFTA Party (regardless of whether the Party was a **PP** or a **NPP**);
2. the value of **any originating materials and processing added** in the exporting Party (e.g., Party X in Example B);
3. in the case where a material imported from a **PP** failed to meet any relevant PSR for that material, the following can be counted as originating content:
  - the value of any originating materials; and
  - the value-add from the processing of non-originating materials done in a **PP** earlier in the supply chain (e.g. Party C and D in the Example B above).



#### 4.2.3 What happens when NPPs are included in the production?

A **PP** is not permitted to include the value of any originating content for non-originating materials imported from a **NPP**. In other words, value added in a **NPP** is not counted by manufacturers in **PPs** if the value-added is not enough to meet a PSR by itself.

#### Example C – Generic Product with only an RVC (40) PSR under the Second Protocol



In the above Example C, where Parties A and C are **NPPs**, an exporter in Party X can include the whole value of the material from Party A, because it is wholly produced there. The exporter in Party X can include the full value of the originating material from Party B, as well as the value of \$4 from processing the non-originating material from Party D, which is a **PP**.

However, the exporter cannot include the value of processing in Party C as the material sourced from there did not qualify as originating. Note that if Party C was a Participating Party, the local value-add of \$5 would be counted.

Therefore, the final good from Party X does not meet the RVC threshold and as a result, the importer in Party Y would not be eligible for the AANZFTA preferential tariff treatment.

Article 6.2 of the Second Protocol (Rules of Origin) allows an exporter in a **PP** to include any content from other **PPs** without specifying the effect of any processing in **NPPs** in the production chain. It should be possible, therefore, for an exporter in a **PP** to include any processing in any **PP** provided the exporter is able to provide proof of any processing of materials in other **PPs**.

In the case where Party X is a **NPP**, the outcome would be the same as under Example A - in other words, the same as under the cumulation rule applying before the introduction of the Second Protocol. Party X, as an **NPP** would be able to include the value of the originating materials from Parties A and B, but could not include the value of the non-originating materials imported from the non-AANZFTA supplier, nor any of the value of the non-originating materials from Parties C and D. The resulting good would therefore not meet the RVC test.



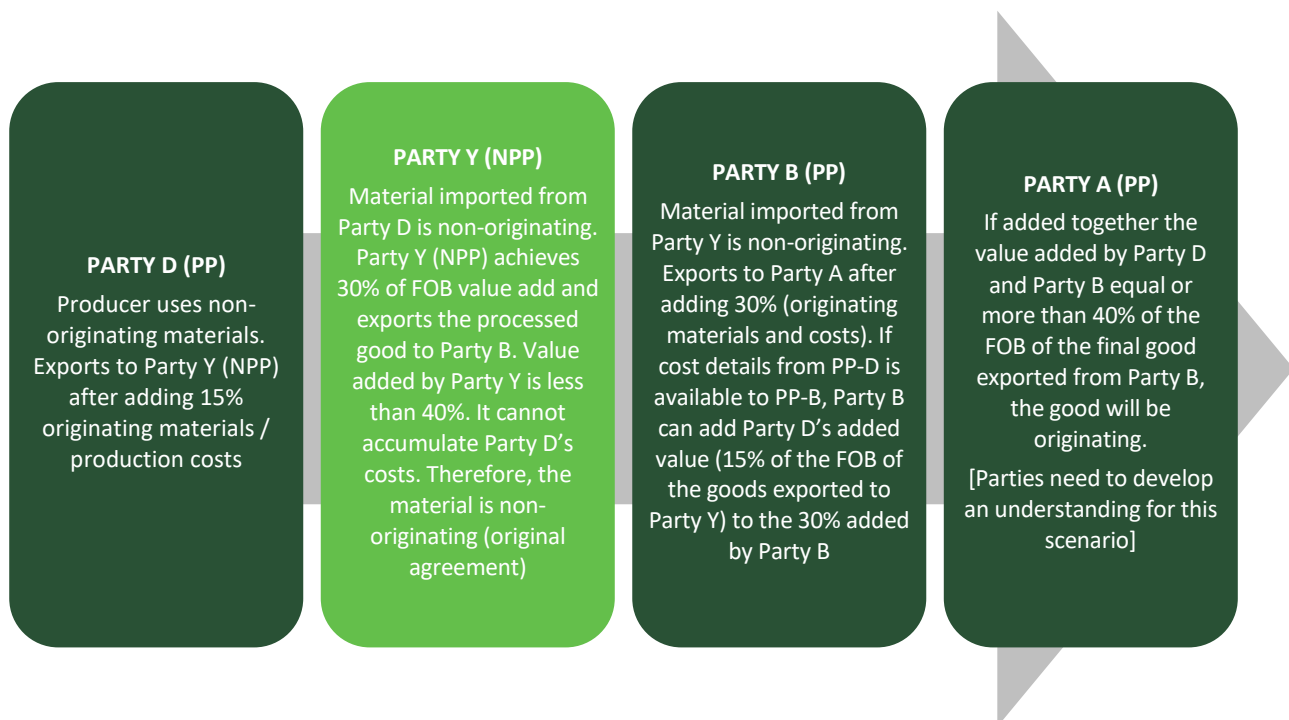
#### 4.2.4 What happens when a supply chain includes an NPP in the middle of the production cycle?

If a good is processed in a combination of **PPs** and **NPPs** and the RVC threshold (of 40%) is achieved in each stage of production, then the final good will qualify as originating (this is through the current application of material cumulation).

Example D below illustrates what happens to the originating status of a final good which was processed in both **PPs** and **NPPs** where the value threshold is not achieved.

- Final good imported by Party A which is a **PP**.
- Party A imports from Party B which is a **PP**.
- Party B imports from Party Y which is an **NPP**.
- Party Y imports from Party D which is an **PP**.
- Party D imports raw materials from an unknown source (non-originating material).

#### Example D – Generic Product with NPP in the supply chain under the Second Protocol



Note: In the supply chain scenario above, there is an **NPP** between two **PPs**. In this scenario, Party B (a **PP**) can accumulate the value added by Party D (another **PP**) provided Party D is able to provide a 'statement of origin' declaring the *originating* content added by it. In Example D, the RVC content added by Party D (15%). When Party B adds the originating content to Party D's originating content, the total accumulated originating content increases up to approximately 45%. The good produced by Party D is now originating under material and production cumulation. Parties need to develop a clear understanding for this scenario.





#### 4.2.5 How does full cumulation apply to Minimal Operations and Processes?

The original AANZFTA has a provision which clarifies that some basic activities **do not count towards the RVC, when undertaken by themselves or in combination with each other**. These actions are considered too minor to affect the origin, and include things like:

- Packing and labelling the product.
- Keeping the product safe during transport.
- Simple actions like washing, cutting, or bending materials.

The minimal operations and processes provisions only apply in cases where a good is being tested solely by the RVC methodology. They do not apply for goods being tested under CTC rules that also require that the good meet a certain RVC threshold. For example, the minimal operations rules do not apply for headphones (HS Code 8518.30) when applying one of the PSR options - namely, Change in Tariff Subheading and an RVC of 35 per cent.

Under the Second Protocol Minimal Operations and Processes provisions continue to only apply to the RVC methodology.

Minimal operations cannot be counted when undertaken by themselves or in combination with each other only. If the operations undertaken in one **PP** are part of a more substantial transformation process, the value-add can still be included in RVC calculation.

A minimal operation or process done in a **PP** can contribute value for the calculation of RVC for a finished good, but only if that minimal operation is done in addition to other operations that are not listed in the minimal operational and process.



## 4.3 HOW DOES FULL CUMULATION APPLY TO CTC AND OTHER PSRS?

### Key Points

- **CTC Rules:**
  - Without exceptions: The AANZFTA Second Protocol does not affect determination of origin using CTC rules that do not have exceptions.
  - With exceptions: There may be extremely limited instances where CTC rules with exclusions for intermediate goods will now allow origin to be achieved through the cumulation of stages of production in a chain of **PPs**, under the full cumulation rule.
- **PSRs which include both CTC and RVC:**
  - **PPs can include** the value of any processing of non-originating materials in other **PPs** (but not **NPPs**).
  - **NPPs cannot include** the value of processing of any materials from other AANZFTA Parties if those materials are considered non-originating when imported from another Party.
- **Specific Process Rules:** full cumulation rules are unlikely to impact any of the specific process rules, as these generally involve a single process that would happen within one AANZFTA party, rather than across borders. Several examples are given to illustrate how it would work where a number of processes are included in the specific process rules.





#### 4.3.1 CTC Rules without exceptions / exclusions

There will be no change in the basic application of CTC rules as a result of the full cumulation provisions under the Second Protocol. Under the CTC rules, origin is granted at the point where the tariff shift occurs to non-originating materials, in the AANZFTA region. This could be in the first AANZFTA party in the chain, or a good may be traded within the region as a non-originating good and achieve the tariff shift in a second or later party.

As such, the basic application of CTC rules will not change after the full cumulation provisions come into force.

##### Example: Manufacture of a helicopter (HS Code 8802.11)

A Party imports parts of helicopter rotors under HS Code 8807.10 from outside the AANZFTA region. These are by definition non-originating and would not meet the CTC rule when combined with other (originating and/or non-originating) parts in an AANZFTA Party to form a complete rotor, which is also classified under HS 8807.10. It would not matter if the Party was a **PP** or an **NPP**.

However, the rotor could be used in the manufacture of an originating helicopter classified under HS 8802.11 in an AANZFTA Party as the parts (and for illustration we will assume all imported parts) would meet the CTC rule for 8802.11 of CTH. Again, it would not matter whether the Parties in these processes were **PPs** or **NPPs**.

Once a material or good has met the test of origin, it is considered to be entirely originating thereafter for all AANZFTA Parties (both **PPs** and **NPPs**).





#### 4.3.2 CTC Rules with Exceptions/Exclusions for Intermediate Stages of Production

There are a number of tariff lines which exclude transformation of goods from certain HS codes from qualifying as origin-conferring processes. Most of these are in the metals chapters and include processes such as rolling sheets or coils to thinner forms, cutting sheets or extruding wire from rods. Many of the PSRs for these products have been changed under the Second Protocol, meaning that several of the transformations from primary to intermediate forms of metals now confer origin on the resulting goods – but a number of exclusions still exist.

Under the CTC rules for these goods, transformation of non-originating semi-worked forms of the metals – e.g. unworked slabs and plates – to intermediate forms of the metals does not confer origin. Nor does transformation of some of the intermediate forms to other intermediate forms or some finished goods if this takes place in another party. If all stages occur in one party, the resulting goods would qualify as originating.

Under cumulation of the Second Protocol, manufacturers in a **PP** would be able to cumulate earlier processing of the products in another **PP** and could export the resulting good to another Party as an originating good. If there was a **NPP** involved in this production chain, the final good may not qualify as originating depending where in the supply chain the **NPP** input was.

Most of the remaining PSRs with exceptions/exclusions cover simple assembly or modifications to existing machinery and devices. These are largely unchanged from the First Protocol PSRs and would not involve lengthy supply chains that would result in different outcomes depending on whether the Parties involved in trade are **PPs** or **NPPs**.

##### Example: Manufacturer of plated or coated steel products (HS Code 7210) and the CTC Rule for HS 7210 is CTH except from 7208, 7209 or 7211.

A Party – **PP** – imports semi-finished non-alloy steel sheets (HS Code 7207) from outside the AANZFTA region. The sheets are processed into uncoated flat rolled steel (HS Code 7208) before being exported to another Party – another **PP**. The transformation from HS Code 7207 is insufficient to meet the PSR for HS Code 7208 and the goods are still classified as non-originating and are not eligible for preferential tariff treatment.

The steel is coated and painted in the second Party to produce a product of HS Code 7210, before being exported to a third Party. The transformation from HS Code 7208 is insufficient to meet the PSR for HS Code 7210. However, as both the first and second Parties are **PPs**, the exporter can cumulate the production, with the initial goods under 7207 will becoming the final goods under 7210, thus meeting the PSRs and being eligible for preferential tariff treatment under an importing **PP**.

If either the first or second Party is a **NPP**, the HS Code 7210 good would be classified as non-originating.





#### 4.3.3 Change in Tariff Classification Rules – CTC plus RVC

For these rules, cumulation provisions under the Second Protocol will allow the value-added by a **PP** on a non-originating material to be included in the importing **PP**'s RVC calculation.

However, processing of a non-originating material in a **NPP** could not be included in the RVC calculation for the final good in a **PP**. Nor could processing of non-originating materials be included in calculating the RVC element in a **NPP**.

##### Example: Manufacture of an LED lamp (HS Code 8539.52)

The PSR for LED Lamps is - CTSH+RVC35. This requires a CTC at the sub-heading level plus at least 35% regional value content.

The CTC part of the rule is straightforward - if parts were combined in a Party - whether a **PP** or **NPP** - to produce a LED lamp, the lamp would meet the CTC requirement of the rule.

The RVC part of the rule requires more analysis under full cumulation.

- Any processing of non-originating parts that had taken place in **PPs could be counted** towards the 35% RVC requirement.
- Any processing of non-originating parts in **NPPs could not be counted** towards the 35% RVC requirement.

In the case of a lamp produced in a **NPP**, the value of processing of non-originating materials in another Party could not be included in RVC calculation, unless the processing of those materials was sufficient to confer origin.







#### 4.3.4 Specific Process Rules

There are a range of different Specific Process Rules that apply to PSRs across several of the HS Code chapters. Under the original AANZFTA the PSRs included Specific Process Rules that made use of cumulation. The implications are likely to be very limited, based on the commercial practicality of the processing across a number of different Parties.

Examples of the way in which full cumulation works with these Specific Process Rules are on the following pages.

##### 4.3.4.1 Refining of Oils

Chapter 15 (Animal, Vegetable or Microbial Fats and Oils) has several subheadings that allow for origin on the basis of refining of fats or oils. The relevant PSRs make no reference to Parties. As such, full cumulation would not impact the application of these specific process rules – it would not matter whether refining took place in a **PP** or a **NPP**.

The definition of refining in the chapter notes for Chapter 15 does not specify that the full process of refining must be completed for this rule to apply - an oil could be imported from outside the AANZFTA region in its crude form or as a partially refined product and fully refined or further refined within a Party, and as a result it would meet the processing rule in that Party and become an originating product. This does not change under the Second Protocol.

##### Example: cod liver oil (HS Code 1504.10)

A manufacturer in a Party imports chilled cod (HS Code 0302.51) from China. It processes the fish, including removing the livers (HS Code 0302.91). The livers are classified as non-originating as the PSR for them is that they be wholly originating (WO). This is the case regardless of whether the Party is a **PP** or **NPP**.

The cod livers are exported to another Party, where they are processed to produce refined cod liver oil (HS Code 1504.10).

The refined cod liver oil would qualify if the raw oil was imported to a Party from China despite not changing its HS Code as the refining process (removing colour, taste and odour) confers origin on the product.





#### 4.3.4.2 Food and Food Products

There are two groups of food and food products with specific processing rules that are different in their wording and effect – smoked fish under Chapter 3 (Fish, Crustaceans, Molluscs and other Aquatic Invertebrates) where origin is determined on the basis of smoking in “the territory of a Party”, and cooking of certain products under Chapter 7 (Edible Vegetables and Certain Roots and Tubers) that refers to cooking “in the territories of the Parties”. In both cases, it is possible that there could be an issue if the processing (i.e. smoking, cooking) took place across a number of Parties, one or more of which was a **NPP**. The separation of these processes in different countries is not likely to be commercially viable, as the entire cooking process would typically take place within a single Party. However, the theoretical application of full cumulation is provided in the example below.

##### Example: tinned tuna products (HS Code 1604.13)

A manufacturer in a Party imports chilled tuna (HS Code 0302) from China. The tuna is cooked in that Party and becomes an originating product classified under HS Code 1604.13 as it has been cooked in the Party. The result is the same whether the Party is a **PP** or **NPP**.

The cooked tuna is then combined with spices (HS Code 0910) from other Parties, and canola oil (HS Code 1514.99) from a **NPP** and tinned, where it is still classified as a product of HS Code 1604.13. The CTC rule for tinned tuna is CC. The spices and oil meet this PSR.

The resulting product would still qualify as originating whether it is tinned in the Party where it is cooked or in another Party, as the cooked fish retains its originating status when traded to another Party. This will be the case whether the Parties are **PPs** or **NPPs**.



#### 4.3.4.3 Chemical Reaction Rules

Several products under Chapters 28, 29 and 32 provide for origin to be determined as a result of a defined chemical reaction that has “occurred in a Party”. It is unlikely a chemical reaction would be able to occur across a number of Parties, as the definition of a chemical reaction is that this is a single stage in production, which would occur in a single location.

##### Example: Hydrochloric acid (HS Code 2806.10)

A manufacturer in a Party imports chlorine (HS Code 2801.10) from India and combines it with locally produced hydrogen (HS Code 2804.10) to produce hydrochloric acid (HS Code 2806.10). The resulting product is considered originating as it is the result of a defined chemical reaction.





#### 4.3.4.4 Active Ingredients

While not a specific processing requirement as such, certain pesticides, herbicides and similar products of Chapter 38 are covered by PSRs which require that a certain percentage of the active ingredient(s) be originating. Full cumulation would not affect the application of these PSRs – active ingredients imported from other Parties would continue to be assessed as originating or non-originating in the same manner as is presently the case.

#### 4.3.4.5 Animal Hides

Particular products of Chapter 41 – namely those covering reptile hides under 4106.40 – allow for origin without any CTC provided non-originating hides are transformed from the wet state to the dry state. All other hides have separate subheadings for the wet and dry states. However, full cumulation should have no impact on current AANZFTA practice, as the transformation will almost certainly occur in a single location.

##### Example: Crocodile hides (HS Code 4106.40)

A manufacturer in a Party imports unprocessed crocodile skins packed in a preserving fluid from a non-Party and fully processes the hide to produce leather for handbags. Provided the drying stages of the processing of the raw hides takes place in an AANZFTA Party, the resulting processed hide will be classed as originating – regardless of whether the AANZFTA Party is a **PP** or **NPP**.





#### 4.3.4.6 Textiles and Apparel

Several of the PSRs for goods of Chapters 42, 43, 50-55, 58 and 61-63 have always allowed for specific processing to take place in “one or more of the Parties”. The application of full cumulation should have no impact on how origin is assessed for these goods, provided Parties continue to follow the practice that is currently allowed, which already allows for cumulation for Specific Process Rules in these particular tariff classifications.

##### Example: Cut corduroy (HS 5801.22)

Non-originating cut corduroy of HS 5801.22 is imported into a **PP** where it is subject to the textile finishing processes of Brushing and Singeing. It is then imported into a **NPP** as a non-originating material where it is Dyed.

As the PSR for 5801.22 is “**CC or A change from fabric that is constructed but not further prepared or finished provided that it is dyed or printed and undergoes at least two subsequent finishing processes in the territory of one or more of the Parties to render it directly usable**” and the cut corduroy has been dyed, brushed and singed in the territory of one or more Parties, the good is originating.



#### 4.3.4.7 Waste and Scrap

Several products from Chapters 26, 38-39, 71-81 and 85 have PSRs which confer origin to goods “derived from production or consumption in a Party”. Generally, the application of full cumulation should see no change to current practice.

##### Example: Copper waste (HS Code 7404.00)

A manufacturer in a Party imports copper rods (HS Code 7407.10) from outside the AANZFTA region and uses these to produce copper wire (HS Code 7408.19). While the copper wire would not meet the CTC rule for wire, it could still be classified as originating if it meets the RVC threshold of 40 per cent.

Waste copper from the production of the wire is collected and exported to another Party for reprocessing. The copper waste, classified under HS Code 7404.00 would be classified as originating in the exporting Party as it has been derived from production there. This would be the case regardless of whether the exporting Party is a **PP** or a **NPP**.





#### 4.3.4.8 Recording on Electronic Media

Certain provisions of Chapter 85 confer origin for recording onto a blank medium. The PSR is silent on whether this can occur across a number of Parties, but in practice the recording of the sound and/ or video onto the blank medium would take place in a single location. Full cumulation would have no impact on this provision.

##### Example: Solid state storage devices (HS Code 8523.51)

A manufacturer in a Party imports blank solid state storage devices from a non-Party and records sound and video onto the devices before exporting them to another Party. The resulting good is deemed to originate in the exporting Party under the specific process rule, regardless of whether the manufacturer is a **PP** or an **NPP**.



#### 4.3.4.9 Medical Instruments – Assembly from Parts

Certain medical instruments under Headings 9018 and 9019 allow for assembly from parts classified in the same subheading as the final good. Full cumulation should not have an impact on origin assessments for these goods, as the PSRs do not specify whether the assembly must take place in a single Party.





## 4.4 WHAT DOCUMENTS SHOULD BE PREPARED TO SUPPORT CLAIMS FOR CUMULATION UNDER SECOND PROTOCOL?

**The Proof of Origin documentation under the Second Protocol builds on those from the First Protocol.**

The manufacturer, producer, or exporter of the good or its authorised representative are still able to declare the origin of their goods through a Certificate of Origin issued by a recognized authority. Under the Second Protocol, the accepted forms of documentation are expanded to allow for more flexibility through use of Declarations of Origin.

Importers will still need to make a claim for preferential tariff treatment based on the Proof of Origin documentation.

The Issuing Authority/Body, manufacturer, producer, exporter, importer and their authorised representatives will need to maintain for a period of not less than three years after the date of exportation or importation, as the case may be, all records relating to that exportation or importation which are necessary to demonstrate that the good for which a claim for preferential tariff treatment was made qualifies for preferential tariff treatment. Similarly, verification processes haven't changed.

**The key difference arises with the full cumulation provisions of the Second Protocol.** There is no specific form of documentation required to demonstrate the nature and value of processing done within a Participating Party on non-originating materials (materials from outside the trade zone). Since there's no declaration or certificate for these materials, the responsibility falls on the entities involved in the transaction to demonstrate the value and nature of this processing.

For this purpose, producers, manufacturers, and exporters should be guided by **Rule 6 of the Operational Certification Procedures (OCP)**. This rule requires them to possess "appropriate supporting documents and other relevant information" to make a declaration or apply for a certificate of origin. While the OCP doesn't specify what these documents should be, exporters need to be confident they have gathered enough evidence to support the nature and value of the non-originating materials used, including any processing undertaken in other AANZFTA Participating Parties.

The OCP does not specify what form such documentation should take. However, it could include, but is not limited to:

- a statement of domestic content on an invoice for the non-originating material(s).
- a 'Statement of Origin' which demonstrates the value of all inputs, including those from **PPs** and **NPPs**.
- a list of HS Codes of non-originating materials used as inputs for goods exported as non-originating materials.

While the Second Protocol does not specify the types or form of information to support full cumulation claims by traders, this may be something that AANZFTA Parties provide guidance on in the future.



## 4.5 HOW WILL AANZFTA CUSTOMS OFFICIALS ASSESS DOCUMENTATION FOR CUMULATION UNDER SECOND PROTOCOL?

In terms of documentation that customs authorities need to consider in assessing a claim for origin, the documents referenced in the AANZFTA Rules of Origin Operational Certification Procedures (Annex 3A) are:

- Certificate of Origin issued by an Issuing Authority/Body (Rule 1a).
- Declaration of Origin by an approved exporter (Rule 1b).
- Declaration of Origin by exporter or producer (Rule 1c).

For customs officials needing to assess origin claims for full cumulation, where exporters have made use of value-addition in a **PP** that does not itself confer origin, the key issue will be complying with Rule 25.1 to provide proof of the nature and value of that processing. The records are those which are necessary to demonstrate that the good qualifies for preferential tariff treatment.

As the OCP do not prescribe what form such documentation should take, assessment of whether the documentation provides sufficient proof of the validity of a claim for origin must be considered on a case-by-case basis by the importing Customs authorities.

Officials will need to be satisfied that the necessary value or nature of processing of non-originating materials within all **PPs** in the supply chain meets the rule of origin for the goods being assessed.

As above, while the Second Protocol does not specify the types or form of information to support full cumulation claims by traders, this may be something that AANZFTA Parties provide guidance on in the future.

## 4.6 TROUBLESHOOTING AND TECHNICAL COOPERATION

As not all Parties will ratify the Second Protocol at the same time, companies in the AANZFTA region may experience some uncertainty as to the impact of the full cumulation provisions in the early stages of implementation. Parties who decide to become an **NPP** can withdraw the notification at a later date and become **PP**.

The full cumulation provisions are intended to provide additional flexibility for sourcing and supply across and within the AANZFTA region. Therefore, it may take some time for authorities and traders to ensure that certain supply chains and inputs will qualify.

At first instance, a trader should turn to their Issuing Bodies/Authorities or Trade/Commerce Ministries to confirm any country's **PP** or **NPP** status, as well as whether they have ratified and are Party to the Second Protocol.

Once full cumulation is in effect, there may be opportunities to create more certainty around issues such as supporting documentation and other mechanisms for traders to rely on.

The AANZFTA itself establishes the platform for resolution of technical issues, through the Rules of Origin Sub-Committee, which (among other things) is designed to:

- a. monitor implementation and administration of the Rules of Origin;
- b. discuss Rules of Origin implementation issues;
- c. discuss proposed modifications to the Rules of Origin; and
- d. consult on any issues related to Rules of Origin and administrative cooperation.



# ANNEX 1

## PROVISIONS ON FULL CUMULATION UNDER THE SECOND PROTOCOL

### Article 6

#### Cumulative Rules of Origin

1. Unless otherwise provided in this Agreement, goods and materials which comply with the origin requirements provided in Article 2 (Originating Goods), and which are used in another Party as materials in the production of another good or material, shall be considered as originating in the Party where working or processing of the finished good or material has taken place.
2. In addition to Paragraph 1, the Participating Parties shall extend the application of cumulation referred to in Paragraph 1 to all production undertaken on, and value-added to, non-originating materials in any Participating Party, which are used in another Participating Party as materials in the production of another good or material. Such production undertaken on, or value added to, a non-originating material in the territory of one or more of the Participating Parties shall contribute towards the originating content of a good or material for the purpose of determining the origin of a good or material finished in the territory of a Participating Party, regardless of whether that production or value added was sufficient to confer originating status to the material itself.
3. The Participating Parties shall implement Paragraph 2 180 days after the date of entry into force of the Second Protocol.
4. For the purposes of this Article, “Participating Party” means:
  - a. Party that does not make a notification under Paragraph 5; or
  - b. Party that has withdrawn its notification in accordance with Paragraph 6.
5. Paragraph 2 shall not apply to a Party<sup>2</sup> if that Party notifies the other Parties in writing through the FTA Joint Committee of its intention to not implement Paragraph 2 (and is therefore a “non-Participating Party” for the purposes of this Article) within 120 days after the date of entry into force of the Second Protocol.
6. A Party that has made a notification under Paragraph 5 may at any time notify the other Parties in writing through the FTA Joint Committee of its withdrawal of the notification. 180 days after the date of a Party’s notification of withdrawal, Paragraph 2 shall apply with respect to that Party.
7. For greater certainty, for the purposes of Paragraph 2:
  - a. production undertaken or value added that does not confer originating status to a non-originating material in the territory of a non-Participating Party shall not contribute towards the originating content of a good or material for the purpose of determining the origin of a good or material finished in the territory of a Participating Party;
  - b. production undertaken or value added that does not confer originating status to a non-originating material in the territory of a Participating Party shall not contribute towards the originating content of a good or material for the purpose of determining the origin of a good or material finished in the territory of a non-Participating Party; and
  - c. production undertaken or value added that does not confer originating status to a non-originating material in the territory of a non-Participating Party shall not contribute towards the originating content of a good or material for the purpose of determining the origin of a good or material finished in the territory of another non-Participating Party.

<sup>2</sup> For greater certainty, a Party for whom the Second Protocol has not entered into force may also make a notification under this Paragraph.



## About RT4D

The \$48.7million Regional Trade for Development (RT4D) initiative, funded by both the Governments of Australia and New Zealand, assists ASEAN Member States (AMS) in meeting their commitments and realising the advantages offered by the Agreement establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA), and the Regional Comprehensive Economic Partnership (RCEP). RT4D supports AMS in benefitting from an open, free and rules-based trading system.

Through the AANZFTA Implementation Support Program (AISP) and the RCEP Implementation Support Program (RISP), RT4D provides tailored support to enhance the capabilities of ASEAN Member States by strengthening skills, building networks, facilitating policy options and ensuring that trade benefits everyone, including Micro, Small and Medium Enterprises (MSMEs), women and people with disabilities.

The Regional Trade for Development Initiative:

- provides ASEAN with access to world class technical expertise to support economic cooperation activities.
- delivers economic cooperation activities, working closely with ASEAN Member States and ASEAN Secretariat.
- has a strong focus on less developed ASEAN economies to ensure that it responds to the different needs and readiness of ASEAN.
- facilitates implementation of the provisions of selected FTAs to support inclusive development outcomes.



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