



Australian Government

Department of Foreign Affairs and Trade

FACT SHEET – RULES OF ORIGIN

The Rules of Origin (ROO) under AANZFTA will facilitate trade between the Free Trade Agreement (FTA) partners by:

- bringing a high level of flexibility to the origin tests applying to most goods;
- encouraging greater regional integration of the ASEAN, Australian and New Zealand economies;
- implementing a robust system of certification and verification.

The Importance of Rules of Origin

The ROO provide the basis for determining which goods will qualify for the tariff commitments negotiated as part of the FTA.

The ROO criteria guarantee that materials from outside the AANZFTA region are substantially transformed within the region prior to trade between the FTA partners. ROO are typically based on one of three tests:

- that materials from outside the FTA region undergo a change in their tariff classification under the Harmonized Commodity Description and Coding System (HS Code) – the so-called change in tariff classification (CTC) approach. The HS Code is used to classify goods for the collection of tariffs and statistical information, and is divided into a structure consisting of chapters (2 digits), headings (4 digits) and sub-headings (6 digits);
- that the proportion of the value of an exported good added within the FTA region reach at least a specified threshold level – the regional value content (RVC) approach – with the general threshold being that originating materials, costs and charges must represent at least 40 per cent of the *free on board* (FOB) value of the exported good;
- that materials from outside the FTA region undergo specified processing within the region.

A Flexible Approach to Rules of Origin

The AANZFTA ROO will allow a high degree of flexibility in determining the origin of goods for export:


- for around 83 per cent of sub-headings the ROO will be based on a “co-equal” approach under which exporters will be free to choose to meet either a CTC-based rule or an equivalent RVC rule. About half of these sub-headings are covered by co-equal rules of either a change in tariff classification from any other heading or a RVC of 40 per cent, while the rules for all other sub-headings are outlined in an annex of product-specific rules attached to the ROO chapter in the Agreement;
- a CTC-only approach will apply to about 10 per cent of sub-headings, including most textile and clothing products;
- approximately 1 per cent of sub-headings – mainly in the automotive sector – will have a RVC rule only;
- approximately 1.4 per cent of sub-headings will be covered by special rules for waste and scrap products;
- for the remaining 4.5 per cent of sub-headings – covering many agriculture and aquaculture goods – normal product-specific ROO are not relevant and these products will need to meet the provisions covering goods wholly produced or obtained within the AANZFTA region.

For around two-thirds of chemicals sub-headings, exporters will be able to make use of the popular chemical reaction test to meet the ROO. There will be a work program after the Agreement’s entry-into-force (EIF) to examine the extension of the chemical reaction test and other chemical process rules to additional sub-headings.

The key benefit of the “co-equal” approach is that it marries the objectivity of Australia’s preferred CTC approach – there is a single, clear rule for each tariff line – with ASEAN’s greater familiarity and comfort with the RVC-based approach. The agreement to adopt alternative approaches to ROO also provides additional flexibility for Australian exporters who may choose to export their goods by meeting the RVC-based test.

The AANZFTA ROO will encourage a greater level of regional integration by allowing regional cumulation – ie originating materials from an AANZFTA country used in the manufacture of goods in another member country can be treated the same as materials from that second country in determining the origin of the final goods:

- materials originating in any AANZFTA country can count towards Australian goods meeting the ROO for export to ASEAN countries or New Zealand;
- similarly, exports by ASEAN countries and New Zealand to other AANZFTA parties can count originating materials from Australia towards meeting AANZFTA ROO.



Regional cumulation should be particularly valuable to the manufacturing sector by supporting greater integration into supply chains in the region.

Certification Procedures

The AANZFTA ROO will be supported by a requirement that exports be accompanied by a Certificate of Origin issued by a designated authority, providing an additional guarantee on the integrity of claims made under the FTA. For Australian exporters the Certificates of Origin will be issued by a number of industry associations in an approach similar to that applying under the Thai-Australia FTA.

In a further boost to ensuring the integrity and freer flow of trade between AANZFTA partners, Customs agencies will cooperate in verification actions where the origin of goods is in question.