

## ATTACHMENT 2

### EXPLANATORY NOTES TO RULES OF ORIGIN FOR THE AGREEMENT ON THE COMMON EFFECTIVE PREFERENTIAL TARIFF SCHEME FOR THE ASEAN FREE TRADE AREA

#### 1. *RVC Calculation Formula*

For the purposes of paragraph 1(b) of Article 4 of the CEPT-AFTA ROO, RVC of a good specified in Appendix C shall be calculated in accordance with the formula provided for in paragraph 2 of Article 4 of the CEPT-AFTA ROO.

#### 2. *Substantial Transformation Criterion*

- a. A country of origin is that in which the last substantial transformation or process was performed resulting in a new product. Thus, materials which underwent a substantial transformation in a country shall be a product of that country.
- b. A product in the production of which two or more countries are involved shall be regarded as originating in the country in which the last substantial transformation or process was performed, resulting in a new product.
- c. A product will be considered to have undergone a substantial transformation or process if it has been transformed by means of substantial manufacturing or processing into a new and different article of commerce.
- d. A new and different article of commerce will usually result from manufacturing or processing operations if there is a change in:
  - i. Commercial designation or identity;
  - ii. Fundamental character; or
  - iii. Commercial use
- e. In determining whether a product has been subjected to substantial manufacturing or processing operations, the following will be considered:
  - i. The physical change in the material or article as a result of the manufacturing or processing operations;
  - ii. The time involved in the manufacturing or processing operations in the country in which they are performed;
  - iii. The complexity of the manufacturing or processing operations in the country in which they are performed;
  - iv. The level or degree of skill and/or technology required in the manufacturing or processing operations.

### **3. *Specific Rules Applicable for Textile and Textile Products***

- a. Textile and Textile Products covered under these Rules are set out in Attachment 1.
- b. Textile material or article shall be deemed to be originating in a Member State, when it has undergone, prior to the importation to another Member State, any of the following:
  - i. Petrochemicals which have undergone the process of polymerization or polycondensation or any chemicals or physical processes to form a polymer;
  - ii. Polymer which has undergone the process of melt spinning or extrusion to form a synthetic fiber;
  - iii. Spinning fiber into yarn;
  - iv. Weaving, knitting or otherwise forming fabric;
  - v. Cutting fabric into parts and the assembly of those parts into a completed article;
  - vi. Dyeing of fabric, if it is accompanied by any finishing operation which has the effect of rendering the dyed good directly;
  - vii. Printing of fabric, if it is accompanied by any finishing operation which has the effect of rendering the printed good directly usable;
  - viii. Impregnation or coating when such treatment leads to the manufacture of a new product falling within certain headings of customs tariffs;
  - ix. Embroidery which represents at least five percent of the total area of the embroidered good.
- c. Notwithstanding any provisions in CEPT-AFTA ROO, an article or material shall not be considered to be originating in the territory of a Member State by virtue of merely having undergone any of the following:
  - i. Simple combining operations, labeling, pressing, cleaning or dry cleaning or packaging operations, or any combination thereof;
  - ii. Cutting to length or width and hemming, stitching or overlocking fabrics which are readily identifiable as being intended for a particular commercial use;
  - iii. Trimming and/or joining together by sewing, looping, linking, attaching of accessory articles such as straps, bands, beads, cords, rings and eyelets;
  - iv. One or more finishing operations on yarns, fabrics or other textile articles, such as bleaching, waterproofing, decating, shrinking, mercerizing, or similar operations; or
  - v. Dyeing or printing of fabrics or yarns.

- d. The following items made of non-originating textile materials shall be considered as originating good if it has undergone the processes identified in sub-paragraph (b) but not merely performing the processes identified in sub-paragraph (c):
  - i. Handkerchiefs;
  - ii. Shawls, scarves, veils, and the like;
  - iii. Travelling rugs and blankets;
  - iv. Bed linen, pillow cases, table linen, toilet linen and kitchen linen;
  - v. Sacks and bags, of a kind used for packing of goods;
  - vi. Tarpaulins, awnings and sunblinds;
  - vii. Floor cloths, and dish cloths and other similar articles simply made up.

#### **4. *Specific Rules Applicable for Wood-based Products***

- a. Wood-based products covered under these rules are products classified under:
  - i. Harmonised System Chapter 44;
  - ii. Harmonised System Headings 94.01 - 94.03 and 94.06.
- b. An article or material shall not be considered to be originating in a Member State by virtue of merely having undergone any of the following:
  - i. Trimming, cutting-to-size, sanding, attaching accessory article such as decorative upholstery material; or
  - ii. Over-laying and/or coated either by chemical material or natural material.