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**self-produced material** means a material that is produced by the producer of a good and used in the production of that good;

**shipping and packing costs** means the costs incurred in packing a good for shipment and shipping the good from the point of direct shipment to the buyer, excluding costs of preparing and packaging the good for retail sale;

**total cost** means all product costs, period costs, and other costs incurred in the territory of one or more of the Parties;

- (a) product costs are costs that are associated with the production of a good and include the value of materials, direct labor costs and direct overheads;
- (b) period costs are costs, other than product costs, that are expensed in the period in which they are incurred, such as selling expenses and general and administrative expenses; and
- (c) other costs are all costs recorded on the books of the producer that are not product costs or period costs, such as interest.

Total cost does not include profits that are earned by the producer, regardless of whether they are retained by the producer or paid out to other persons as dividends, or taxes paid on those profits, including capital gains taxes.

**transaction value** means the customs value as determined in accordance with the *Customs Valuation Agreement*, that is, the price actually paid or payable for a good or material with respect to a transaction of, except for the application of Article 10.3 and 10.4(a) in Appendix 1 to Annex 4-B, the producer of the good, adjusted in accordance with the principles of Articles 8(1), 8(3), and 8(4) of the *Customs Valuation Agreement*, regardless of whether the good or material is sold for export;

**used** means used or consumed in the production of goods;

**value** means value of a good or material for purposes of calculating customs duties or for the purposes of applying Chapter 4.

#### **Article 4.2: Originating Goods**

Except as otherwise provided in this Chapter, each Party shall provide that a good is originating if it is:

- (a) wholly obtained or produced entirely in the territory of one or more of the Parties, as defined in Article 4.3;

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- (b) produced entirely in the territory of one or more of the Parties using non-originating materials provided the good satisfies all applicable requirements of Annex 4-B (Product-Specific Rules of Origin);
- (c) produced entirely in the territory of one or more of the Parties exclusively from originating materials; or
- (d) except for a good provided for in Chapter 61 to 63 of the Harmonized System:
  - (i) produced entirely in the territory of one or more of the Parties; and
  - (ii) one or more of the non-originating materials provided for as parts under the Harmonized System used in the production of the good cannot satisfy the requirements set out in Annex 4-B (Product-Specific Rules of Origin) because both the good and its materials are classified in the same subheading, or heading that is not further subdivided into subheadings or, the good was imported into the territory of a Party in an unassembled or a disassembled form but was classified as an assembled good pursuant to General Rule of Interpretation 2(a) of the Harmonized System; and
  - (iii) the regional value content of the good, determined in accordance with Article 4.11 (*Accumulation*), is not less than 60 per cent if the transaction value method is used, or not less than 50 percent if the net cost method is used;

and the good satisfies all other applicable requirements of this Chapter.

**Article 4.3: Wholly Obtained or Produced Goods**

Each Party shall provide that, for the purposes of Article 4.2 a good is wholly obtained or produced entirely in the territory of one or more of the Parties if it is:

- (a) a mineral good or other naturally occurring substance extracted or taken from there;
- (b) a plant, plant good, vegetable or fungus, grown, cultivated, harvested, picked, or gathered there;
- (c) a live animal born and raised there;
- (d) a good obtained from a live animal there;
- (e) an animal obtained by hunting, trapping, fishing, gathering or capturing there;

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- (f) a good obtained from aquaculture there;
- (g) fish, shellfish, and other marine life taken from the sea, seabed or subsoil outside the territories of the Parties and, under international law, outside the territorial sea of non-Parties, by vessels that are registered, listed, or recorded with a Party and entitled to fly the flag of that Party;
- (h) a good produced from goods referred to in subparagraph (g) on board a factory ship that is registered, listed, or recorded with a Party and entitled to fly the flag of that Party;
- (i) a good other than fish, shellfish and other marine life taken by a Party or a person of a Party from the seabed or subsoil outside the territories of the Parties, provided that Party has the right to exploit that seabed or subsoil;
- (j) waste and scrap derived from:
  - (i) production there; or
  - (ii) used goods collected there, provided the goods are fit only for the recovery of raw materials; and
- (k) a good produced there, exclusively from goods referred to in subparagraphs (a) through (j), or from their derivatives, at any stage of production.

**Article 4.4: Treatment of Recovered Materials Used in the Production of a Remanufactured Good**

1. Each Party shall provide that a recovered material derived in the territory of one or more of the Parties is treated as originating when it is used in the production of, and incorporated into, a remanufactured good.
2. For greater certainty:
  - (a) a remanufactured good is originating only if it satisfies the applicable requirements of Article 4.2 (Originating Goods); and
  - (b) a recovered material that is not used or incorporated in the production of a remanufactured good is originating only if it satisfies the applicable requirements of Article 4.2 (Originating Goods).

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**Article 4.5: Regional Value Content**

1. Except as provided in paragraph 6, each Party shall provide that the regional value content of a good shall be calculated, at the choice of the importer, exporter or producer of the good, on the basis of either the transaction value method set out in paragraph 2 or the net cost method set out in paragraph 3.

2. Each Party shall provide that an importer, exporter, or producer may calculate the regional value content of a good on the basis of the following transaction value method:

$$RVC=(TV-VNM)/TV \times 100$$

where

RVC is the is the regional value content, expressed as a percentage;

TV is the transaction value of the good, adjusted to exclude any costs incurred in the international shipment of the good; and

VNM is the value of non-originating materials including materials of undetermined origin used by the producer in the production of the good.

3. Each Party shall provide that an exporter or producer may calculate the regional value content of a good on the basis of the following net cost method:

$$RVC=(NC-VNM)/NC \times 100$$

where

RVC is the is the regional value content, expressed as a percentage;

NC is the net cost of the good; and

VNM is the value of non-originating materials including materials of undetermined origin used by the producer in the production of the good.

4. Except as provided in Article 10.3 of Appendix 1 to Annex 4-B, for a motor vehicle identified in Article 10.4.2(a) of that Appendix, or a component identified in Table G of that Appendix, the value of non-originating materials used by the producer in the production of a good shall not, for the purposes of calculating the regional value content of the good under paragraph 2 or 3, include the value of non-originating materials used to produce originating materials that are subsequently used in the production of the good.