



February 2016

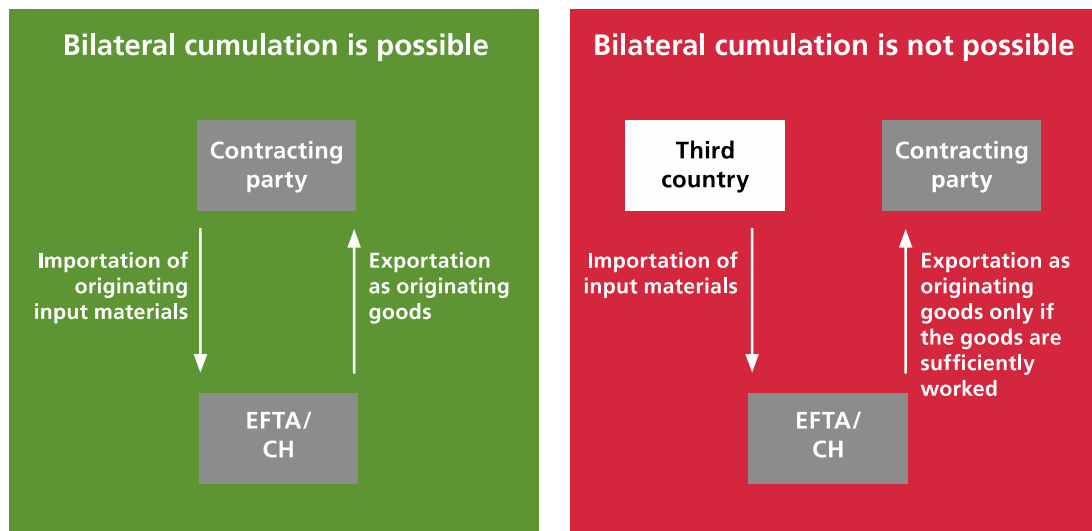
Cumulation in free trade agreements

Cumulation is a deviation from the principle that goods must be produced entirely in the country of exportation, or have undergone sufficient working or processing there, in order to qualify as originating goods. Cumulation makes it possible for goods from a free trade partner to be treated the same as those originating in the country of exportation. This therefore provides an incentive for a producer or exporter to use input materials originating from a free trade partner country. On the basis of this rule, input materials of this type must not fulfil the restrictive product specific list rules. Conversely, there is less incentive to use input materials from a third country, because customs duty must usually be paid at the time of importation, and when using them the corresponding list of requirements for working and processing must be fulfilled. A distinction is made between bilateral and diagonal cumulation.

1. Bilateral cumulation¹

Bilateral cumulation makes it possible for imported input materials to be treated as equivalent to input materials of Swiss origin, if they originate in the contracting party to which the finished goods are exported. Bilateral cumulation is provided for in all free trade agreements, including bilateral agreements on agriculture.

N.B. Bilateral cumulation does not cover other parties, even when another free trade agreement exists with those parties (e.g. no cumulation between EFTA/Switzerland – Mexico – EU).

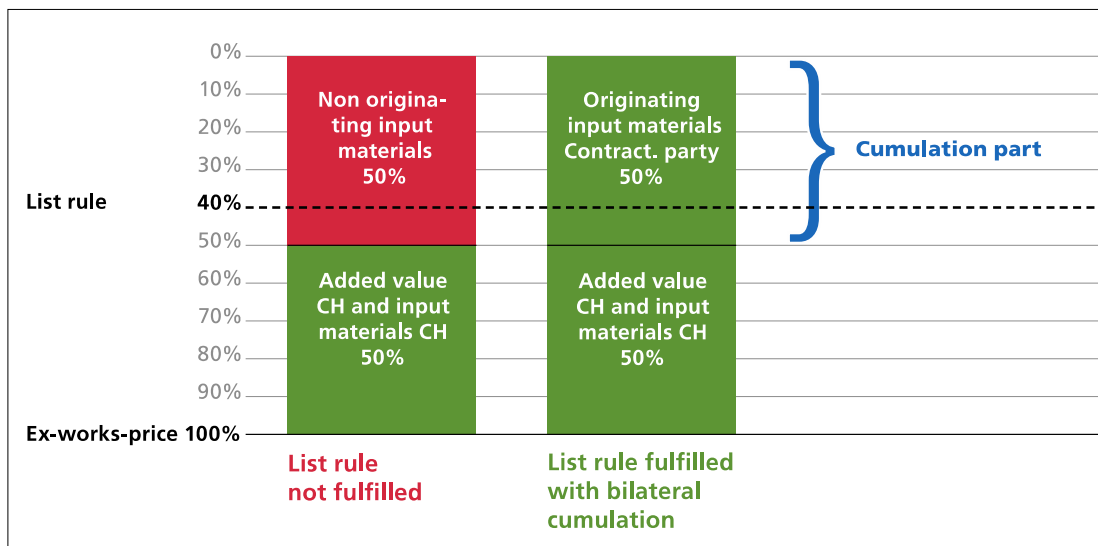


¹ Example of legal foundation: agreement between EFTA and the Republic of Korea (Annex I, article 3, paragraph 1): "... materials originating in another Party within the meaning of this Annex shall be considered to be materials originating in the Party concerned..."

Example of bilateral cumulation

In Switzerland, cleaning cloths are manufactured using imported fabric and sewing thread of Swiss origin. The imported fabric constitutes 50% of the value of the ex-works-price of the cloths, while the sewing thread accounts for 1%. In order for the cloths to qualify as originating goods on exportation to the contracting party, in accordance with the list of requirements for working and processing, the value of the imported third-country input materials must not exceed 40% of the ex-works-price.

Originating status can thus only be achieved in this case through bilateral cumulation. The imported fabric must therefore be an originating product from the contracting party. This means the manufacturer has an incentive to use fabric of Swiss origin or from the contracting party, rather than that of a third country.



2. Diagonal cumulation²

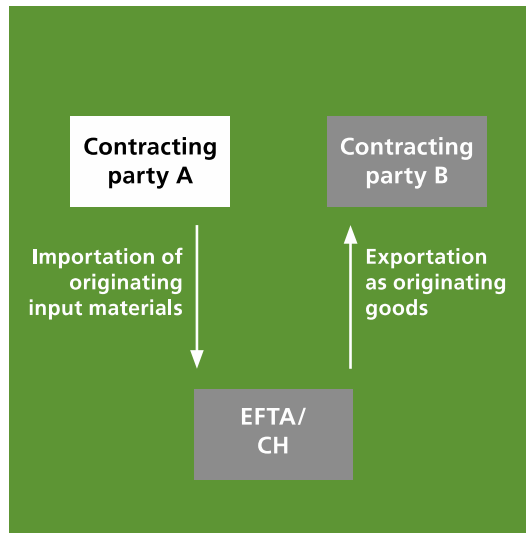
Diagonal cumulation makes it possible to use input materials originating in different free trade parties, provided that all parties taking part in the process have free trade agreements with one another using the same rules of origin. As with bilateral cumulation, input materials with originating status are treated as equivalent to input materials originating in the exporting party. Diagonal cumulation is however only possible among participants in a diagonal cumulation system, i.e. in each of the participants agreements the corresponding diagonal cumulation must be provided for. To date, this is only the case with the Pan-Euro-Mediterranean origin system ("Euromed"; cf. [Euromed guide](#)).

Important: Unlimited diagonal cumulation is only applicable to the Euromed-System and only for goods of HS chapters 25–97 (industrial goods). For agricultural products (Chapters 1-24 of customs tariff) it is only applicable with restrictions.³

² Example of legal foundation in the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention), Appendix I, Article 3, paragraph 2: "... products shall be considered as originating in the exporting Contracting Party if they are obtained there, incorporating materials originating in the Faroe Islands, any participant in the Barcelona Process other than Turkey, or any Contracting Party other than those referred to in paragraph 1.."

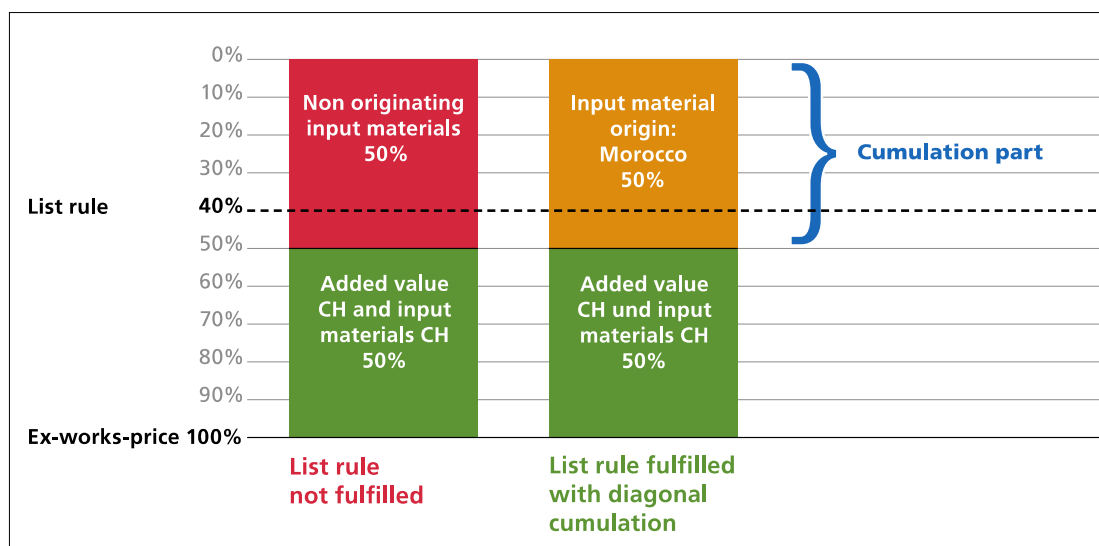
Paragraph 5: "... the cumulation provided for in this Article may be applied only provided that... materials and products have acquired originating status by the application of rules of origin identical to those given in this Protocol..."

³ The rules of origin in the agreements with Euro-Med partner states for industrial goods (25–97) are identical. This is only partially the case for goods under headings 1–24. See also Circular ["Application, dès le 1er février 2016, de la convention régionale sur les règles d'origine préférentielles paneuroméditerranéennes dans le cadre de l'accord de libre-échange entre la Suisse et l'Union européenne"](#) (not available in English).



Example of diagonal cumulation

In Switzerland, cleaning cloths are manufactured using imported fabric and sewing thread of Swiss origin. The imported fabric constitutes 50% of the value of the ex-works-price of the cloths, while the sewing thread accounts for 1%. In order for the cloths to qualify as originating goods on exportation to a contracting party of the Euro-med system (e.g. to the EU), in accordance with the list of requirements for working and processing, the value of the imported input materials of third-country origin must not exceed 40% of the ex-works-price. Origin can thus only be achieved in this case through cumulation. In addition to bilateral cumulation, diagonal cumulation is also possible. The imported fabric must therefore be an originating product from a contracting party participating in the Euromed system (e.g. Morocco). This means the manufacturer has an incentive to use fabric of Swiss origin or from a contracting party participating in the Euromed system, rather than that of a third country.



3. Re-exportation in unaltered condition

Goods imported as originating products from a contracting state which are then re-exported unaltered count as originating products, provided they are re-exported to the original contracting party (bilateral). For example: importation from Italy (EU) as EU originating goods / re-exportation to Germany (EU). Naturally the goods in this case do not obtain Swiss origin, but retain their EU origin.

Within the framework of the Euromed system, diagonal transfer of origin is possible, under the same conditions described under point 2 above. For example: importation from EU as EU originating goods / re-exportation to Morocco (cf. also [Euromed guide](#)).