

(c) to eliminate barriers to trade between Australia and New Zealand in a gradual and progressive manner under an agreed timetable and with a minimum of disruption; and  
(d) to develop trade between New Zealand and Australia under conditions of fair competition.

## Article 2

### Free Trade Area

1. The Free Trade Area (hereinafter in this Agreement called "the Area") to which this Agreement applies consists of Australia and New Zealand.

2. In this context New Zealand means the territory of New Zealand but does not include the Cook Islands, Niue and Tokelau unless this Agreement is applied to them under Article 23 and Australia means those parts of Australia to which this Agreement applies under Article 23.

3. "Goods traded in the Area" or similar expressions used in this Agreement shall mean goods exported from the territory of one Member State and imported into the territory of the other Member State.

## Article 3

### Rules of origin

1. Goods exported from the territory of a Member State directly into the territory of the other Member State or which, if not exported directly, were at the time of their export from the territory of a Member State destined for the territory of the other Member State and were subsequently imported into the territory of that other Member State, shall be treated as goods originating in the territory of the first Member State if those goods are:

(a) wholly the unmanufactured raw products of the territory of that Member State;  
(b) wholly manufactured in the territory of that Member State from one or more of the following:

(i) unmanufactured raw products;

(ii) materials wholly manufactured in the territory of one or both Member States;

(iii) materials imported from outside the Area that the other Member State has determined for the purposes of this Agreement to be manufactured raw materials; or

(c) partly manufactured in the territory of that Member State, subject to the following conditions:

(i) the process last performed in the manufacture of the goods was performed in the territory of that Member State; and

(ii) the expenditure on one or more of the items set out below is not less than onehalf of the factory or works cost of such goods in their finished state:

A. material that originates in the territory of one or both Member States;

B. labour and factory overheads incurred in the territory of one or both Member States;

C. inner containers that originate in the territory of one or both Member States.

2. The factory or works cost referred to in paragraph 1(c)(ii) of this Article shall be the sum of costs of materials (excluding customs, excise or other duties), labour,

factory overheads, and inner containers.

3. Where a Member State considers that in relation to particular goods partly manufactured in its territory the application of paragraph 1(c)(ii) of this Article is inappropriate, then that Member State may request in writing consultations with the other Member State to determine a suitable proportion of the factory or works cost different from that provided in paragraph 1(c)(ii) of this Article. The Member States shall consult promptly and may mutually determine for such goods a proportion of the factory or works cost different to that provided in paragraph 1(c)(ii) of this Article.

#### Article 4

##### Tariffs

1. Goods originating in the territory of a Member State which in the territory of the other Member State were free of tariffs on the day immediately before the day on which this Agreement enters into force or which subsequently become free of tariffs shall remain free of tariffs.

2. No tariff shall be increased on any goods originating in the territory of the other Member State.

3. Tariffs on all goods originating in the territory of the other Member State shall be reduced in accordance with paragraph 4 of this Article and eliminated within five years from the day on which this Agreement enters into force.

4. If, on the day immediately before the day on which this Agreement enters into force, goods originating in the territory of the other Member State are:

- (a) subject to tariffs not exceeding 5 per cent ad valorem or tariffs of equivalent effect, they shall be free of tariffs from the day on which this Agreement enters into force;
- (b) subject to tariffs of more than 5 per cent but not exceeding 30 per cent ad valorem or tariffs of equivalent effect, tariffs on those goods shall be reduced on the day on which this Agreement enters into force by 5 percentage points and rounded down to the nearest whole number where fractional rates are involved. Thereafter, tariffs shall be reduced by 5 percentage points per annum; or
- (c) subject to tariffs of more than 30 per cent ad valorem or tariffs of equivalent effect, tariffs on those goods shall be reduced on the day on which this Agreement enters into force and annually thereafter by an amount calculated by dividing by six the tariff applying to the goods on the day immediately before the day on which this Agreement enters into force and rounding to the nearest whole number, with an additional deduction being made, where necessary, at the time of the first reduction so that tariffs are eliminated over a five-year period. A fraction of exactly one-half per cent shall be rounded to the higher whole number.

5. For the purposes of paragraph 4 of this Article, the term "tariffs of equivalent effect" shall mean tariffs which are not expressed solely in ad valorem terms. Where goods are subject to such tariffs, for the purposes of determining which of the subparagraphs (a), (b) or (c) of paragraph 4 of this Article shall apply to those goods, those tariffs shall be deemed to be equivalent to the ad valorem rates obtained by expressing the tariff as a