



FTA Provisions for Indirect Materials

All FTAs except for Israel and Jordan have a provision for Indirect Materials.



FTA Provisions for Indirect Materials

An indirect material shall be considered to be an originating material without regard to where it is produced. The term “indirect material” means a good used in the production, testing or inspection of a good but not physically incorporated into the good, or a good used in the maintenance of buildings or the operation of equipment associated with the production of a good, including:

- fuel and energy
- tools, dies and molds
- spare parts and materials used in the maintenance of equipment or buildings
- lubricants, greases, compounding materials and other materials used in production or used to operate equipment and buildings
- gloves, glasses, footwear, clothing, safety equipment and supplies
- equipment, devices and supplies used for testing or inspecting the goods
- catalysts and solvents
- any other goods that are not incorporated into the good but the use of which in the production of the good can reasonably be demonstrated to be a part of that production

Bahrain, Morocco and Oman

Indirect materials shall be disregarded in determining whether a good qualifies as an originating good, except that the cost of such indirect materials may be included in meeting the 35 percent value-content requirement.

Korea

An indirect material shall be disregarded in determining whether a good is an originating good under the terms of this note, except for purposes of any applicable regional value-content or other requirements set forth in such subdivision (o);

Look to the specific FTA on how to value indirect materials, but it is usually based on the cost registered in the accounting records of the producer of the good.