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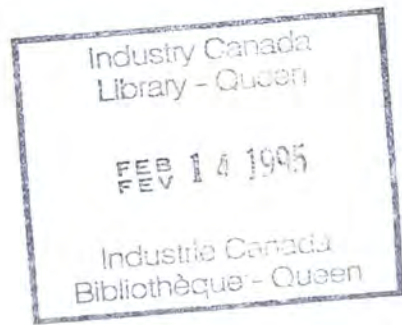
## THE PAPER PRODUCTS SECTOR



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# NAFTA AND THE PAPER PRODUCTS SECTOR



This booklet is part of a series of NAFTA sector publications prepared by Industry Canada.



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© Minister of Supply and Services Canada 1994  
Cat. No. C2-227/13-1994 E  
ISBN 0-662-22105-2  
PO PU 0070-93-01

*Également disponible en français sous le titre*  
L'ALENA et le secteur des produits du papier

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## **NAFTA AND THE CANADIAN PAPER PRODUCTS SECTOR**

The North American Free Trade Agreement (NAFTA) came into effect January 1, 1994. The overall objective of this Agreement is to promote employment and economic growth by expanding trade and investment opportunities in the North American free trade area and by enhancing the competitiveness of Canadian, Mexican and U.S. companies in global markets.

NAFTA provides Canadian manufacturers of paper products with continued preferential access to U.S. markets and new preferential access to Mexico. The Mexican market for paper products is one of the fastest growing in the world. Currently valued at over \$3 billion, it is projected to grow by 4.5 percent annually over the next few years and could provide new export opportunities for Canadian firms.

To make the most of these opportunities, you should first understand how the Agreement affects you and your business operations. Second, you should assess your strategic business plans and determine whether and how your production and marketing practices might need to be altered as a result of NAFTA.

This booklet highlights key aspects of the Agreement for the Canadian paper products sector including manufacturers of pulp, newsprint, fine papers and container board and of packaging materials, business forms and sanitary tissue. It provides product-specific information on tariff rates, tariff phase-outs and rules of origin, and it describes other provisions of the Agreement relevant to manufacturers and distributors of these products. It also provides an overview of the paper products market in North America and highlights potential new market opportunities in Mexico.

## TARIFFS FOR PAPER PRODUCTS

Under NAFTA, tariffs on pulp and paper products being traded between Canada, Mexico and the United States will be eliminated under the various tariff reduction phase-out categories established under the Agreement. Some tariffs were eliminated immediately on implementation of the Agreement on January 1, 1994, while most other tariffs will be reduced over five and ten years being completely eliminated by January 1, 1998 or by January 1, 2003.

### *Canada- United States Tariffs*

Trade between the United States and Canada will continue to be governed by the tariff phase-outs negotiated under the provisions of the Canada-United States Free Trade Agreement (FTA). As of January 1, 1993, qualifying paper products traded between the two countries were duty free.

### *Schedule of Phase-Outs*

Annex A contains a product-specific listing of the Mexican and Canadian NAFTA tariff elimination schedules for most paper products. The applicable tariff phase-out stages for other products and inputs are listed in the country-specific NAFTA tariff schedules.

A review of the Canadian and Mexican tariff phase-outs for your products will assist you in assessing the potential impact of NAFTA on your company.

### *Mexican Phase-Outs*

Most Mexican import tariffs will be eliminated over the five- and ten-year phase-out periods as Mexico considered this sector to be sensitive to competition from U.S. and Canadian suppliers. For some goods, the Mexican tariff phase-outs will not begin until 1997 or 1998 but will be completed in two or three years, respectively. Products in these phase-out categories include:

- ▶ some newsprint;
- ▶ some uncoated, fine writing paper;
- ▶ cellulose wadding;
- ▶ some uncoated, kraftliner;
- ▶ some light-weight, clay-coated fine paper;
- ▶ some coated, filter paper; and
- ▶ most cartons, boxes and cases.

Canada was able to negotiate immediate Mexican tariff elimination on:

- ▶ most wood pulp;
- ▶ some bleached and uncoated kraft paper;
- ▶ uncoated filter paper;
- ▶ uncoated felt paper;
- ▶ some heavy weight paper and paperboard used for graphics;
- ▶ specialty paper used in manufacturing dry cell batteries;
- ▶ some wallpaper;
- ▶ some paper apparel and asbestos millboard;
- ▶ felt, and
- ▶ paper.

### **Canadian Phase-Outs**

As of January 1, 1994, the Canadian tariffs were eliminated on qualifying Mexican paper products such as "sensitizing" and "carbonizing" base paper; fine, woodfree tissue paper; uncoated filter paper, felt paper and paperboard; crepe paper; clay-coated, heavy weight paperboard; paper labels and cellulose wadding and webs.

The 10-year tariff phase-outs negotiated under NAFTA, such as those for plastic coated wallpaper, toilet paper, facial tissues, sanitary napkins, diapers, waxed papers and board, and self-adhesive paper, may be superseded by the tariff eliminations that are part of Canada's commitments to the recently concluded Uruguay Round negotiations of the General Agreement on Tariffs and Trade (GATT).

### **Treatment of Jointly Produced Goods**

NAFTA protects the Canadian paper industry from inappropriate reductions in Canadian tariffs applied to goods jointly produced in the United States and Mexico. Such goods will generally face higher rates of duty when entering Canada than goods that are wholly produced in Mexico. The applicable base tariff rates for jointly produced goods are shown in brackets in Annex A.

### **Accelerated Duty Elimination**

As with the FTA, there is an acceleration clause in NAFTA. Tariffs for paper products may be phased out faster than originally negotiated if the three countries agree to such action. If only two countries agree, acceleration takes place only between those two.

## RULES OF ORIGIN FOR PAPER PRODUCTS

NAFTA provides preferential tariff treatment for all “originating” North American goods traded between Canada, the United States and Mexico. Rules of origin are used to determine whether a product qualifies as a good originating in North America. These rules ensure that NAFTA benefits are only available for goods substantively produced or transformed in North America.

Any goods produced in any or all of the three NAFTA countries, with components and materials that themselves are wholly sourced or manufactured in any of the three countries, qualify as originating goods entitled to preferential tariff treatment.

Goods using non-North American inputs must meet the requirements set out in the NAFTA rules of origin to be considered as “originating.” The NAFTA rules of origin for paper products require that:

- ▶ Each non-North American input must undergo sufficient transformation during production in one or more of the NAFTA countries to result in a specified change of tariff classification.

The product-specific rules of origin applicable to paper products are found in Annex B.

The NAFTA rules of origin build on the rules that were developed for the FTA. Canadian exporters will find the NAFTA rules clearer, more predictable and more flexible. The format for these rules is more detailed and user-friendly.

All paper products that qualified for FTA treatment by meeting the “tariff change” specified in the FTA rules of origin will continue to qualify under the NAFTA rules. None of the product-specific rules has changed.

If you export to the United States or Mexico, you should verify that your products qualify for NAFTA tariff preference. The following steps should assist your review.

- ▶ **Step 1.** If your good is manufactured in Canada using inputs wholly sourced or manufactured in North America it qualifies as “originating” and is entitled to preferential tariff treatment when exported to the United States or Mexico.

Exporters should be careful when determining whether their inputs are North American. Inputs purchased from North American suppliers are not necessarily North American, as they may have been produced or imported from non-North American sources.

- ▶ **Step 2.** If your good uses non-North American inputs, you must identify the tariff classification for the good and for any non-North American inputs. Should you have difficulties determining the tariff classification, contact the appropriate customs agencies identified in this booklet.

**How NAFTA Rules Differ from the FTA Rules**

**How to Use the Rules of Origin**



- ▶ **Step 3.** Look up the specific rule of origin for your product in Annex B or in the NAFTA text. As the rules will make mention of tariff chapters, headings, subheadings and items, some understanding of the classification system is necessary. A tariff item has eight digits. The first two digits identify its chapter, the first four digits the heading and the first six digits the subheading of the good.
- ▶ **Step 4.** In most cases, a rule will indicate what changes in tariff classification must occur between each of the non-North American inputs and the finished good. It will read something like “a change to heading (XXXX) from any other heading, except heading (YYYY).” The first number refers to the good, the second number to excluded inputs. As long as all non-North American inputs come from permitted headings or subheadings, the good qualifies.

### An Example

A Canadian producer of carbon paper put up in boxes uses carbonizing base paper imported from Germany.

Since some non-North American inputs are used, the carbon paper does not automatically qualify as originating. The product-specific rule must be used.

The producer determines that carbon paper put up in boxes is classified under tariff heading 4816. The non-North American input falls under heading 4802.

The rule of origin for heading 4816 requires “a change to heading 4816 from any other heading, except from heading 4809.” In this example, the carbon paper would qualify, as the non-North American input is classified under a different heading.

If the non-North American input were classified under heading 4809, which provides for carbon paper in large rolls or large sheets, the finished carbon paper would not qualify for preferential tariff treatment.

### Additional Information

More detailed information on the NAFTA rules of origin is contained in the following publications:

*Guide to Rules of Origin and Customs Procedures for Canadian Exporters to the U.S. Market*, available through InfoEx at 1-800-267-8376;

*Trilateral Customs Guide to NAFTA, and NAFTA Rules of Origin — A Step by Step Guide*, available from Revenue Canada, Customs Infoline (613) 941-0965 Fax: (613) 941-8138.

While all firms exporting to the United States or Mexico should obtain copies of these publications, they will be particularly useful for firms whose products are subject to a value content requirement.

## NAFTA CUSTOMS MATTERS

### *Classification and Origin Determination*

The tariff classification and origin status of your products should be determined before you start exporting.

- ▶ Advisory classifications and origin determinations may be obtained from your customs broker or from one of the three customs agencies listed at the end of this publication.
- ▶ Written, binding rulings on classification, origin status and marking requirements may now be obtained in advance from Canadian, U.S. and Mexican customs headquarters.

Rulings must be obtained from the country into which you are shipping your goods. Contacts for these are listed at the end of this publication.

### *Customs Administration*

From experience gained in the Canada-United States Free Trade Agreement, governments learned the importance of precisely describing and agreeing upon various customs administration procedures.

NAFTA contains a number of provisions that address some of the difficulties experienced by governments, importers and exporters. These include the following:

- ▶ uniform regulations to ensure consistent interpretation, application and administration of the rules of origin, and other customs administration matters;
- ▶ common record keeping requirements, a uniform Certificate of Origin, and standardized certification requirements;
- ▶ broader rights of appeal of determinations of origin and advance rulings to allow appeals by both the exporter and importer within the NAFTA area; and
- ▶ the creation and regular meetings of trilateral working groups to address future modification of the rules of origin, marking obligations and uniform customs regulations, and to review controversial customs issues.

## COUNTRY OF ORIGIN MARKING REQUIREMENTS

### Method of Marking

The United States and Mexico both require that imports be marked to indicate to the purchaser the country of origin. Goods incorrectly marked can be held at the border. To provide greater clarity and certainty to exporters, NAFTA provides for uniform standards on how goods are to be marked.

The country of origin of a good must be marked legibly and conspicuously and must be placed where it can be easily seen during normal handling.

Marking must be sufficiently permanent to remain in place unless deliberately removed. Acceptable marking methods include stampings, mouldings, stickers, labels, tags and paint.

Imports do not have to be marked with their country of origin when:

- ▶ the cost of marking would discourage importation;
- ▶ marking would materially impair the function of the good;
- ▶ marking would substantially detract from its appearance;
- ▶ the good is a crude substance; or
- ▶ the importer will substantively transform the good.

### Country of Origin

NAFTA provides for very precise and detailed rules on how the country of origin of a good is to be determined. However, almost all goods manufactured in Canada that qualify for NAFTA tariff preference can be marked as originating in Canada.

Firms that only do minor processing, simple assembly or blending of imported inputs or those whose goods do not meet the NAFTA rule of origin should carefully check the marking rules of the country into which they are exporting. Their product may be able to be marked as a product of Canada, but in some cases it must be marked as a product of the country from which the inputs originate.

If there is doubt as to how to correctly mark a product, exporters can request an advance ruling from the importing country. A listing of the customs agencies is included in the contacts section of this publication.

## WHAT ELSE YOU SHOULD KNOW

### Temporary Entry for Business Purposes

While the following provisions of the Agreement may not be specific to the paper products industry, they nonetheless affect the overall North American trading environment and are of interest to companies participating in it.

Canadian manufacturers of paper products will be able to use NAFTA temporary entry provisions to facilitate travel necessary to promote the sales of goods in the United States and Mexico. Such "business visitors" are required to carry proof that they are citizens of one of the NAFTA countries, and a letter from their employer indicating the nature of their visit, their principal place of employment and the actual place of accrual of profits.

Sales representatives may bring commercial samples, advertising materials and equipment necessary to carry out the business activity without having to pay duty on those goods.

Temporary entry is also available for other business travellers such as traders and investors, intra-company transferees and professionals.

If you expect to use any of the temporary entry provisions, you should check with the relevant immigration or customs authorities for information on any documentation requirements.

### Duty Drawback

Duty drawback is the refund of customs duties levied on materials and components imported from other countries when they are incorporated into goods that are subsequently exported.

For Canada-United States trade, the FTA prescribed that all duty drawback programs were to be eliminated by January 1, 1994. NAFTA extends this deadline by two years. These programs can now be used until January 1, 1996. For trade with Mexico, existing drawback programs can be used until January 1, 2001.

After these dates, each country will still be able to adopt a partial duty-refund procedure for those goods that do not benefit from the preferential NAFTA tariff. This will avoid the payment of duties in two countries. The amount of duties waived or refunded under such programs cannot exceed the duties charged for the imported inputs or the duties charged on the finished good, whichever is less.

## Safeguard Mechanism

As under the FTA, NAFTA establishes rules and procedures under which a country may take special “safeguard” actions to provide temporary relief to industries adversely affected by surges in volumes of imports.

If increased imports injure or threaten to seriously injure Canadian industry, Canada can suspend further tariff concessions or even “snap-back” the tariff to the pre-NAFTA rates of duty.

To maintain liberalized trade and avoid abuse, any country choosing to take a safeguard action must pay compensation, usually in the form of reduced duties for other goods being imported. The cost of taking safeguard actions can be considerable, and this remedy must be pursued with caution.

## Dispute Settlement

NAFTA strengthens the dispute settlement mechanism negotiated under the FTA. There are three steps in the NAFTA provisions:

- ▶ **A consultative process.** When a country believes that its NAFTA access rights have been impaired, it can ask for consultations with the allegedly offending country. The other NAFTA country can also participate if it wishes.
- ▶ **An arbitration process.** If agreement is not reached through consultations, a meeting of the NAFTA Trade Commission may be called to discuss how the disagreement may be settled amicably. The commission is composed of cabinet level representatives designated by each country.
- ▶ **A “panel process.”** If agreement cannot be reached through arbitration by the NAFTA Trade Commission, a NAFTA panel can be convened. The panel process would determine whether any trade action taken by a NAFTA country is consistent with the NAFTA provisions. Dispute resolution must occur within strict time limits and countries must comply with panel recommendations or offer acceptable compensation.

## Procurement

Under NAFTA there are greater opportunities for Canadian firms to sell to the Mexican and U.S. governments. Whereas the FTA procurement disciplines applied only to goods purchased by some government departments, NAFTA expands the scope of obligations to include services and construction, lowers the thresholds for competitive bidding, expands the coverage to include more U.S. departments and agencies, and includes Mexican government purchases.

The purchasing requirements of the existing and newly covered departments and agencies in the United States and Mexico may provide new sales opportunities for Canadian producers of finished papers. The newly covered U.S. bodies include the departments of Energy and Transport, and the Army Corps of Engineers. In Mexico, most government departments as well as the giant state-owned telecommunications, oil and gas, and power utilities will be subject to open competitive bidding processes. Access in Mexico will initially be subject to certain restrictions, which will be phased out over 10 years.

NAFTA does not extend competitive tendering disciplines to state and local governments, nor does it eliminate the legislated preferences that the United States extends to its small and minority businesses.

The Agreement does include detailed tendering procedures, a requirement for governments to publish most procurement requests, and bid challenge procedures similar to those in place under the FTA. This results in a fairer, less discriminatory, and more transparent and predictable procurement process.

## Standards

NAFTA includes provisions to help prevent standards from becoming trade barriers. NAFTA promotes the use of compatible standards, technical regulations and conformity-assessment procedures. In time, this provision will reduce the burden of compliance with different standards for different countries.

To reduce exporters' costs, NAFTA encourages mutual acceptance of test results and certification procedures. Approved facilities will eventually be able to certify that a product meets the standards of all three countries. The Canadian Standards Association is now able to certify that certain products meet the more than 360 U.S. health and safety standards. Underwriters' Laboratories of Illinois has been granted approval to certify that products comply with Canadian standards.

NAFTA requires that the three countries seek to ensure that provincial, state and local governments, as well as non-government standard-setting bodies, comply with the provisions described. This clause was negotiated to help Canadian manufacturers who presently face a myriad of U.S. state regulations.

Notwithstanding these improvements, Canadian firms exporting to Mexico or the United States must still ensure that products meet the safety regulations, labelling requirements and other technical standards of the country into which they are being exported.

## **Intellectual Property Rights**

Canadian producers rely on patent and trademark protection to safeguard innovative products, special manufacturing processes and internationally known names. NAFTA provides extensive protection for patents, trademarks and trade secrets. It is the first trade agreement to offer protection for trade secrets, which can include formulas, customer lists and production processes.

The Agreement also contains extensive provisions on intellectual property enforcement, including civil and administrative procedures, provisional remedies, criminal penalties and border enforcement mechanisms.

Further information may be obtained on intellectual property matters by calling the Intellectual Property Directorate, Industry Canada at (819) 997-1936.

## **Other NAFTA Provisions**

The Agreement contains provisions on a variety of other issues including investment, the environment, competition policy, cultural industries and cross-border trade.

To obtain additional information on these and other provisions of NAFTA, consult the publications listed at the end of this booklet.

## **THE CANADIAN INDUSTRY IN A NORTH AMERICAN CONTEXT**

### **Industry Overview**

The Canadian pulp and paper products industry is largely Canadian owned and operated. The 750 companies range in size from large, integrated multi-nationals to small independent businesses. This industry produces a variety of products including traditional commodity items, such as market pulp, newsprint, fine papers and container board, and higher value products, such as packaging, business forms, sanitary tissue, stationery and other consumer products.

The Canadian pulp and paper industry generates over \$21 billion in annual sales, two thirds of these being exports. Canada is the world's third largest producer of pulp and paper.

### **Canada- United States Trade**

The United States is Canada's most important export market, accounting for more than 65 percent of export shipments. Canada enjoys a substantial trade surplus with the United States, primarily supplying newsprint, bleached sulphate wood pulp, printing papers and writing papers. Canada imports about \$1.5 billion worth of paper products from the United States.

Canadian exports of converted paper products to the United States have been increasing. Some identified areas of strength include toilet paper; sanitary paper products; containers such as bags, corrugated and folding boxes; pressure-sensitive adhesive paper; embossed paper; and paper dishes.

The ongoing success of the Canadian industry is partly due to domestic restructuring and modernization, particularly with respect to environmental protection. These efforts should prove helpful in maintaining Canada's trade position through to the end of the century.

The Canada-United States Free Trade Agreement (FTA) improved access to the U.S. market for Canadian higher value products. Firms are now more aware of cross border markets and intensified competition. Canadian firms, including some producers of folding cartons and corrugated containers, are penetrating U.S. markets by revising their marketing strategies, creating strategic alliances and accessing U.S. sources of raw materials.



### **Canada-Mexico Trade**

Canadian exports of pulp and paper products to Mexico have been very limited to date. In 1992, Canada exported roughly \$56 million worth of these products to Mexico including 45,000 tonnes of wood pulp and 42,000 tonnes of newsprint.

The expanding Mexican market for paper products and lower Mexican tariffs may provide new export opportunities for Canadian companies. Canadian producers are not expected to face increased competition from Mexican production.

### **United States- Mexico Trade**

The United States has traditionally supplied the majority of Mexico's imports of paper products, accounting for more than 75 percent of the import market. Paper producers from the southeastern United States benefit from lower transportation costs and have made a concerted effort to develop the Mexican market.

The United States can be expected to continue its dominance in the Mexican market over the short term. Given the strong competition already being encountered by Canadian and U.S. firms in their domestic markets, some pulp and paper firms located in the southern United States may focus their marketing efforts on the Mexican market for export growth.

### **New Mexican Market Opportunities**

Mexico is one of the world's fastest growing markets for paper products. It is estimated to be worth over \$3 billion and is projected to grow by 4.5 percent annually for the next few years.

Packaging paper and paperboard have accounted for more than half of Mexico's paper product consumption. Writing and printing paper and newsprint have the next highest rates of consumption, possibly providing some opportunities for aggressive Canadian producers.

There are potential opportunities in Mexico for a broad spectrum of pulp and paper products, including pulp, newsprint, draft paper, fine paper, writing paper, coated papers and converted paper products such as folding boxes, paperboard and sanitary paper products. Canadian firms hoping to benefit from NAFTA may face strong competition from pulp and paper mills located in the southern United States. Canadian firms will need to be knowledgeable about Mexican paper markets and may want to consider targeting specific niche markets or establishing strategic alliances.

You may obtain information on trade fairs or missions and on the Mexican market by contacting InfoEx or the Industry Canada contacts listed at the end of this publication.



## **TAKING ADVANTAGE OF NAFTA OPPORTUNITIES**

Individual companies need to look at the facts to clearly determine how North American trade liberalization will affect their business. Prudent company directors will formulate a business plan to ensure that the business continues to grow while the opportunities provided by NAFTA are taken advantage of.

In assessing the impacts of the Agreement for your business, you should ask yourself the following questions:

- ▶ What effect will NAFTA tariff reductions have on my business?
- ▶ How might the changes to the rules of origin affect my products?
- ▶ Do the extended duty drawback provisions, and the improved standards, safeguards and investment provisions affect my business?
- ▶ How will NAFTA affect my customers, suppliers, and competitors?

You will want to assess how to adapt your business to the new environment under NAFTA. Some questions to be considered include:

- ▶ Which U.S. and Mexican markets have the best growth potential for my products?
- ▶ What are the best transportation, distribution and servicing arrangements for the new markets?
- ▶ Which of my products will face tougher competition domestically?
- ▶ Do I need to change my product line to take advantage of the NAFTA opportunities?
- ▶ Can new technologies or production processes reduce my costs?
- ▶ Can I take better advantage of NAFTA tariff preferences by using more North American inputs?
- ▶ What effect will expanding my market have on my cash flow, profit and loss account, and balance sheet?
- ▶ Are my human resource needs going to change?

Answering these questions will provide a good start on the type of information that you need to develop and implement a strategic plan of action in response to NAFTA's competitive environment. A full strategic plan is necessary for companies to compete successfully in today's open market system. If you need assistance in developing a strategic plan call your regional Industry Canada office or the sector contact listed at the end of this publication.

## CONTACTS

**For further information concerning the subject matter contained in this publication contact Industry Canada at:**

Forest Industries Directorate  
 Tel.: (613) 954-3060  
 Fax: (613) 941-8048, or  
 NAFTA Information Desk  
 International Business Branch  
 Tel.: (613) 952-5010  
 Fax: (613) 952-0540

**For information on NAFTA-related customs matters, advanced rulings on classification, and tariff rates contact:**

Revenue Canada — Customs NAFTA Infoline:  
 (613) 941-0965 Fax: (613) 941-8183  
 Mexico Customs Service NAFTA Hotline:  
 (011-525) 211-3545 Fax: (011-525) 224-3000  
 U.S. Customs Service NAFTA Hotline:  
 (202) 927-0066 Fax: (202) 927-0097

**For information on NAFTA-related export development programs and activities contact:**

InfoEx  
 Foreign Affairs and International Trade Canada  
 Tel.: 1-800-267-8376 (Ottawa area: (613) 944-4000 or 993-6435)  
 Fax: (613) 996-9709

**To obtain product-specific reports on North American trade data contact:**

Market Intelligence and Technology Opportunities Service  
 Industry Canada  
 Tel.: (613) 954-4970 Fax: (613) 954-2340

**To obtain information on how to access government procurement opportunities in Canada, the United States and Mexico contact:**

Open Bidding Info Line  
 Public Works, Government Services Canada  
 Tel.: (819) 956-3440  
 Open Bidding Registration  
 Tel.: 1-800-361-4637 (Ottawa area: (613) 737-3374)

## OTHER PUBLICATIONS

The other sector-specific NAFTA publications in this series include:

- ▶ Apparel
- ▶ Chemicals
- ▶ Construction Materials
- ▶ Electrical Equipment
- ▶ Electronic Components
- ▶ Environmental Equipment and Services
- ▶ Fish and Fish Products
- ▶ Furniture
- ▶ Health Care Products
- ▶ Industrial Equipment
- ▶ Major Appliances
- ▶ Plastics
- ▶ Primary Metals
- ▶ Professional and Business Services
- ▶ Resource Equipment
- ▶ Sporting and Recreational Equipment
- ▶ Telecommunications Equipment
- ▶ Textiles
- ▶ Urban Transit and Rail
- ▶ Wood and Wood Products

To order any of the above or additional copies of this publication contact:

NAFTA Information Desk  
 Industry Canada  
 Tel.: (613) 952-5010  
 Fax: (613) 952-0540

The following publications provide additional information on the Agreement and guidance on exporting within the NAFTA trade area:

- ▶ *NAFTA: What's it all about?*
- ▶ *North American Free Trade Agreement*
- ▶ *Documents and Regulations for Exporting to Mexico*
- ▶ *Guide to Rules of Origin and Customs Procedures for Canadian Exporters to the U.S. Market*
- ▶ *Mexico: A Guide for Canadian Exporters*
- ▶ *Government Procurement in Mexico*
- ▶ *Mexican Study on the Pulp and Paper Market*
- ▶ *Mexican Forest, Lumber, Pulp and Paper Industries*

These are available from:

InfoEx  
Foreign Affairs and International Trade Canada  
Tel.: 1-800-267-8376 (Ottawa area: (613) 993-6435)  
Fax: (613) 996-9709

For additional information on importing products to Canada and on other customs issues, the following publications are available:

- ▶ *Importing Goods Into Canada*
- ▶ *Trilateral Customs Guide to NAFTA*
- ▶ *NAFTA Rules of Origin — A Step by Step Guide*

These may be obtained from the regional offices of Revenue Canada — Customs or by contacting:

Revenue Canada — Customs  
Tel.: (613) 941-0965 Fax: (613) 941-8138

The following publication provides reports on 36 manufacturing sectors and describes the new benefits and opportunities in Mexico and Canada for U.S. industries:

- ▶ *NAFTA Opportunities for U.S. Industries* (PB#94-100849)

The above publication or the individual sector reports may be ordered through:

U.S. Department of Commerce  
Tel.: (703) 487-4650

## ANNEX A

### Canada-Mexico NAFTA Tariff Phase-Outs

This annex lists the tariff phase-out stages for most paper products by tariff classification number. It contains a brief description of the products in each tariff subheading as well as the specific phase-out category and base rate of duty for each tariff item.

**The information contained in this annex is to be used as a guide only. In the event of any discrepancy in information between this schedule and the official country-specific tariff schedule, the latter will prevail.**

Tariff classifications are identical for all countries up to the "subheading level," as indicated by the first six digits of the classification of a good. At the eight-digit or "tariff item" level, however, classifications often differ between Canada, Mexico and the United States. Consequently, it may be necessary to refer to each country's tariff schedule to find the product descriptions at the more detailed tariff item level.

The following provides a key to the various phase-out categories and other abbreviations used:

- A – tariff elimination occurred on implementation of the Agreement on January 1, 1994;
- B – tariff to be eliminated in five equal annual stages beginning January 1, 1994 and ending January 1, 1998;
- B8 – tariff to be eliminated in two stages: 50 percent reduction on January 1, 1998, with the remaining tariff eliminated on January 1, 2001;
- Bp – tariff to be eliminated in three stages: 20 percent reduction on January 1, 1997; 10 percent on January 1, 1998; and 70 percent reduction on January 1, 1999.
- C – tariff to be eliminated in 10 equal annual stages beginning January 1, 1994 and ending January 1, 2003;
- D – the tariff is already zero or free;
- ( ) – the bracketed tariff rate is to be applied when calculating the duty on goods that are "jointly produced" by Mexico and the United States, and are imported into Canada;
- nes – not elsewhere specified in the tariff schedule.

# PAPER PRODUCTS

## CANADA-MEXICO TARIFF PHASE-OUT SCHEDULE

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
4701.00	Mechanical wood pulp	4701.00.00	Free	D	4701.00.01	5	C
4702.00	Chemical wood pulp, dissolving grades	4702.00.00	Free	D	4702.00.01	Free	D
					4702.00.02	Free	D
					4702.00.99	Free	D
4703.11	Chemical wood pulp, soda or sulphate, coniferous, unbleached	4703.11.00	Free	D	4703.11.01	Free	D
					4703.11.02	5	A
					4703.11.99	10	A
4703.21	Chemical wood pulp, soda or sulphate, coniferous, semi-bleached or bleached, nes	4703.21.00	Free	D	4703.21.01	Free	D
					4703.21.02	5	A
					4703.21.03	Free	D
4703.29	Chemical wood pulp, soda or sulphate, non-coniferous, semi-bleached or bleached, nes	4703.29.00	Free	D	4703.29.01	Free	D
					4703.29.02	Free	D
4704.11	Chemical wood pulp, sulphite, coniferous, unbleached	4704.11.00	Free	D	4704.11.01	5	A
4704.21	Chemical wood pulp, sulphite, coniferous semi-bleached or bleached, nes	4704.21.00	Free	D	4704.21.01	Free	D
4704.29	Chemical wood pulp, sulphite, non-coniferous, semi-bleached or bleached, nes	4704.29.00	Free	D	4704.29.01	5	A
4705.00	Semi-chemical wood pulp	4705.00.00	Free	D	4705.00.01	5	C
4707.20	Waste and scrap of paper or paperboard made of bleached chemical pulp, not coloured, nes	4707.20.00	Free	D	4707.20.01	Free	D
4707.30	Waste and scrap of paper or paperboard made mainly of mechanical pulp, nes	4707.30.00	Free	D	4707.30.01	5	A
					4707.30.99	Free	D
4707.90	Waste and scrap of paper or paperboard, nes (including unsorted waste and scrap)	4707.90.00	Free	D	4707.90.01	Free	D
4801.00	Newsprint, in rolls or sheets	4801.00.00	Free	D	4801.00.01	15	Bp
					4801.00.02	15	A
					4801.00.03	15	B
					4801.00.04	15	Bp
					4801.00.99	15	Bp
4802.20	Paper, sensitizing base stock, in rolls or sheets, uncoated	4802.20.00	4	A	4802.20.01	10	B
					4802.20.02	10	A
					4802.20.99	10	B
4802.30	Paper, carbonizing base, in rolls or sheets, uncoated	4802.30.00	Free	A	4802.30.01	10	B
					4802.30.02	10	A
4802.51	Paper, fine, woodfree, in rolls or sheets, <40 gram/metre, uncoated, nes	4802.51.11	Free	A	4802.51.01	10	A
					4802.51.02	10	C
					4802.51.03	10	B
					4802.51.04	10	A
					4802.51.05	Free	D
					4802.51.06	10	B
					4802.51.07	10	C
					4802.51.08	10	C
					4802.51.99	10	C

SUB-HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
4802.52	Paper, fine, woodfree, in rolls or sheets, between 40 g/m and 150 g/m, uncoated nes	4802.52.10	4	B	4802.52.01	10	Bp
		4802.52.90	5	B	4802.52.02	10	B
					4802.52.03	Free	D
					4802.52.04	10	Bp
					4802.52.05	10	Bp
					4802.52.99	10	Bp
4802.60	Paper, fine, woodcontaining, in rolls or sheets, uncoated, nes	4802.60.11	Free	D	4802.60.01	10	B
		4802.60.19	4	A	4802.60.02	10	A
		4802.60.90	5	A	4802.60.99	10	A
4803.00	Paper, household/sanitary, rolls of a width >36 cm, sheets one side >36 cm	4803.00.10	Free	D	4803.00.01	10	Bp
		4803.00.20	4 (6.5)	B	4803.00.02	10	C
		4803.00.90	6	A	4803.00.03	10	A
					4803.00.99	10	B
4804.11	Paper, Kraftliner, in rolls or sheets, unbleached, uncoated	4804.11.00	4	B	4804.11.01	10	Bp
4804.19	Paper, Kraftliner, in rolls or sheets, uncoated	4804.19.00	4	B	4804.19.01	10	B
					4804.19.02	10	Bp
					4804.19.99	10	B
4804.21	Paper, sack kraft, in rolls, unbleached, uncoated	4804.21.10	Free	D	4804.21.01	10	C
		4804.21.90	6	C			
4804.31	Other kraft paper and paper-board weighing 150g/m or less, in rolls or sheets, unbleached, uncoated, nes	4804.31.10	1.5	A	4804.31.01	10	B
		4804.31.21	Free	D	4804.31.02	10	B
		4804.31.29	6	B	4804.31.03	10	A
		4804.31.91	2.5	A	4804.31.99	10	B
		4804.31.99	6	B			
4804.39	Other kraft paper and paper-board weighing 150g/m or less, in rolls or sheets, uncoated, nes	4804.39.10	4	B	4804.39.01	10	B
		4804.39.90	6	B	4804.39.99	10	B
4804.52	Paper, kraft, rolls or sheets, bleached, >95% chemical pulp, uncoated, nes	4804.52.10	Free	D	4804.52.01	10	A
		4804.52.90	6	A	4804.52.99	10	A
4805.10	Paper, fluting (corrugating medium), in rolls, semi-chemical, uncoated	4805.10.00	2.5	B	4805.10.01	10	C
4805.22	Paper, multi-ply, with only one layer bleached, rolls or sheets, uncoated, nes	4805.22.00	6	C	4805.22.01	10	C
4805.29	Paper, multi-ply, >0.2m thick rolls or sheets, uncoated, nes	4805.29.10	Free	D	4805.29.99	10	C
		4805.29.20	4	C			
		4805.29.90	6	C			
4805.40	Paper, filter, in rolls or sheets, uncoated	4805.40.10	Free	A	4805.40.01	10	A
		4805.40.20	4	A	4805.40.99	10	A
		4805.40.90	6	A			
4805.50	Paper, felt, in rolls or sheets, uncoated	4805.50.10	Free	D	4805.50.01	10	A
		4805.50.20	Free	A			
		4805.50.90	Free	A			
4805.60	Paper in rolls or sheets, weighing 150g/m or less, uncoated	4805.60.10	1.5	A	4805.60.99	10	C
		4805.60.21	Free	D			
		4805.60.29	6	C			
		4805.60.30	2.5	B			
		4805.60.91	4	C			
		4805.60.99	6	C			



SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
4805.70	Paper, weighing >150 g/m but <225 g/m, uncoated, nes, including shoeboard.	4805.70.10	Free	D	4805.70.01	10	C
		4805.70.20	Free	A			
		4805.70.30	Free	D			
		4805.70.41	Free	D			
		4805.70.49	6	C			
		4805.70.50	4	C			
		4805.70.90	6	C			
4805.80	Paper, in rolls or sheets, weighing 225 g/m or more, uncoated, nes including shoeboard	4805.80.10	Free	D	4805.80.01	10	C
		4805.80.20	Free	A			
		4805.80.31	Free	D			
		4805.80.39	6	C			
		4805.80.91	Free	A			
		4805.80.99	6	C			
4807.99	Paper, composite, in rolls or sheets, nes, not coated	4807.99.10	Free	D	4807.99.99	10	C
		4807.99.90	6	C			
4808.30	Paper, kraft, creped or crinkled, in rolls or sheets, nes	4808.30.10	Free	D	4808.30.01	10	A
		4808.30.90	6.5	A	4808.30.02	10	B
					4808.30.99	10	B
4810.11	Paper, fine, woodfree, in rolls or sheets, <150 g/m, clay coated	4810.11.11	Free	D	4810.11.01	10	B
		4810.11.12	4	B	4810.11.02	10	B
		4810.11.19	5	B	4810.11.03	10	B
		4810.11.20	6	B	4810.11.04	10	B
					4810.11.05	10	B
					4810.11.06	10	B
					4810.11.99	10	Bp
4810.12	Paper, fine, woodfree, in rolls or sheets, >150 g/m clay coated	4810.12.11	4	A	4810.12.01	10	A
		4810.12.19	5	A	4810.12.02	10	A
		4810.12.20	6	A	4810.12.03	10	A
					4810.12.04	10	A
					4810.12.05	10	A
					4810.12.99	10	Bp
4810.21	Paper, fine, light-weight coated, in rolls or sheets, clay coated	4810.21.10	1.5	A	4810.21.01	10	Bp
		4810.21.90	5	B	4810.21.99	10	Bp
4810.91	Paper, multi-ply, in rolls or sheets, clay coated, nes	4810.91.00	6	B	4810.91.01	10	B
4811.10	Paper, tarred, bituminized or asphalted, in rolls or sheets, nes	4811.10.00	Free	A	4811.10.01	10	A
					4811.10.02	10	A
					4811.10.03	10	A
					4811.10.99	10	A
4811.21	Paper, self-adhesive, in rolls or sheets, nes	4811.21.00	6.5	C	4811.21.01	10	C
4811.29	Paper, gummed or adhesive, in rolls or sheets, nes	4811.29.00	6.5	B	4811.29.01	10	B
4811.31	Paper, in rolls or sheets, bleached, >150 g/m, coated, impregnated or covered with plastics, nes	4811.31.10	4	A	4811.31.01	10	A
		4811.31.90	6	A	4811.31.02	10	A
					4811.31.03	10	A
					4811.31.04	10	Bp
					4811.31.05	10	A
					4811.31.99	10	B
4811.39	Paper, in rolls or sheets, coated, impregnated or covered with plastics, nes	4811.39.00	6	A	4811.39.01	10	B
					4811.39.02	10	A
					4811.39.03	10	Bp
					4811.39.04	10	Bp
					4811.39.05	10	A
					4811.39.99	10	B

SUB-HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
4811.40	Paper, in rolls or sheets coated, impregnated or covered with wax, stearin, oil or glycerol, nes	4811.40.00	6	C	4811.40.01	10	C
					4811.40.99	10	C
4811.90	Paper including cellulose wadding and webs, in rolls or sheets coated, impregnated, covered, surface-coloured or printed, nes	4811.90.00	6	A	4811.90.01	10	B
					4811.90.02	10	A
					4811.90.03	10	A
					4811.90.04	10	C
					4811.90.05	10	C
					4811.90.06	10	A
					4811.90.07	10	A
					4811.90.08	10	B
					4811.90.09	10	C
					4811.90.99	10	C
4814.20	Wallpaper, coated or covered on the face side with a decorated layer of plastics	4814.20.00	Free	A	4814.20.01	10	A
4814.90	Wallpaper and similar wall coverings, nes	4814.90.10	6.5	C	4814.90.99	10	C
		4814.90.90	Free	A			
4818.10	Toilet paper	4818.10.00	6.5	C	4818.10.01	10	C
4818.20	Handkerchiefs, cleansing or facial tissues and towels, of paper	4818.20.00	6.5	C	4818.20.01	10	C
4818.40	Sanitary articles of paper, including sanitary towels and napkins, (diapers) for babies	4818.40.10	10	C	4818.40.01	10	C
		4818.40.90	6.5	C	4818.40.02	10	C
					4818.40.99	10	C
4818.50	Articles of apparel and clothing accessories, of paper, nes	4818.50.00	6.5	A	4818.50.01	10	A
4819.10	Cartons, boxes and cases, of corrugated paper or paperboard	4819.10.00	Free	A	4819.10.01	10	B8
4819.20	Cartons, boxes and cases, folding, of non-corrugated paper or paperboard	4819.20.00	Free	A	4819.20.01	10	B8
					4819.20.99	10	B8
4819.40	Sacks and bags, of paper, nes, including cones	4819.40.10	5	C	4819.40.01	10	C
		4819.40.91	Free	A	4819.40.02	10	C
		4819.40.99	Free	A	4819.40.99	10	C
4819.50	Containers, packing, nes (including record sleeves) of paper	4819.50.00	Free	A	4819.50.99	10	B8
4820.10	Registers, account books, note books, diaries and similar articles of paper	4820.10.00	7	C	4820.10.01	10	C
					4820.10.99	10	C
4820.20	Exercise books of paper	4820.20.00	7.5	C	4820.20.01	10	C
4820.30	Binders, folders and file covers, of paper	4820.30.00	6.5	B	4820.30.01	10	B
4820.40	Manifold business forms and interleaved carbon sets, of paper	4820.40.00	8	C	4820.40.01	10	C
4820.50	Albums for samples or for collections, of paper	4820.50.10	Free	A	4820.50.01	10	A
		4820.50.90	6.5	A			
4820.90	Office supplies nes, of paper	4820.90.10	Free	D	4820.90.01	10	B
		4820.90.90	6.5	B	4820.90.99	10	B
4821.10	Paper labels of all kinds, printed	4821.10.00	Free	A	4821.10.01	10	C

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
4821.90	Paper labels of all kinds, not printed	4821.90.00	Free	A	4821.90.99	10	B
4823.11	Paper, self-adhesive, cut to size, in strips or rolls	4823.11.00	6.5	A	4823.11.01	10	A
4823.20	Paper, filter, cut to size or shape	4823.20.10	Free	A	4823.20.01	10	A
		4823.20.90	6.5	A	4823.20.99	10	C
4823.59	Paper, fine, cut to size or shape, nes	4823.59.00	Free	A	4823.59.99	10	Bp
4823.60	Trays, dishes, plates, cups and the like, of paper	4823.60.00	6.5	C	4823.60.01	10	C
4823.70	Moulded or pressed articles of paper pulp, nes	4823.70.10	Free	D	4823.70.01	10	C
		4823.70.20	Free	D	4823.70.02	10	A
		4823.70.90	6.5	A	4823.70.03	10	C
					4823.70.99	10	C
4823.90	Paper and paper articles, nes	4823.90.10	Free	D	4823.90.01	10	C
		4823.90.91	8.5	A	4823.90.02	10	A
		4823.90.99	6.5	A	4823.90.03	10	C
					4823.90.04	10	A
					4823.90.05	10	C
					4823.90.06	10	C
					4823.90.07	10	C
					4823.90.08	10	C
					4823.90.09	10	A
					4823.90.10	10	C
					4823.90.11	10	C
					4823.90.12	10	C
					4823.90.13	10	C
					4823.90.14	10	C
					4823.90.15	10	C
					4823.90.16	10	A
4823.90.17	10				C		
4823.90.99	10	C					
6812.60	Asbestos paper, millboard and felt	6812.60.00	5	A	6812.60.01	15	A
					6812.60.02	10	A

**Note:** You are reminded that this schedule is to be used as a guide only.



## **ANNEX B**

### ***Rules of Origin for Paper Products***

Chapter 47	<b>Pulp of Wood or of Other Fibrous Cellulosic Material; Waste and Scrap of Paper or Paperboard</b>
47.01-47.07	A change to heading 47.01 through 47.07 from any other chapter.
Chapter 48	<b>Paper and Paperboard; Articles of Paper Pulp, of Paper or of Paperboard</b>
48.01-48.07	A change to heading 48.01 through 48.07 from any other chapter.
48.08-48.09	A change to heading 48.08 through 48.09 from any heading outside that group.
48.10-48.13	A change to heading 48.10 through 48.13 from any other chapter.
48.14-48.15	A change to heading 48.14 through 48.15 from any heading outside that group.
48.16	A change to heading 48.16 from any other heading, except from heading 48.09.
48.17-48.23	A change to heading 48.17 through 48.23 from any heading outside that group.



