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# NAFTA

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## THE PLASTICS SECTOR



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# **NAFTA AND THE PLASTICS SECTOR**

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## **NAFTA AND THE CANADIAN PLASTICS 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 the Canadian plastics sector with continued preferential access to U.S. markets and new preferential access to Mexico. The expanding Mexican market for plastic construction and packaging products as well as for plastics processing equipment may provide some new opportunities for Canadian companies.

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 plastics sector including manufacturers of plastic resins, finished plastic products and plastics processing equipment. 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 plastic industry markets in North America and highlights potential new market opportunities in Mexico.

## TARIFFS FOR PLASTICS AND PLASTIC PRODUCTS

Under NAFTA, tariffs on plastic resins, products and manufacturing equipment traded between Canada, the United States and Mexico will be eliminated under the various tariff phase-out stages established by the Agreement. Some tariffs were eliminated immediately on implementation of the Agreement on January 1, 1994, while others will be reduced over five and ten years, being eliminated completely 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). These phase-out schedules are unaffected by NAFTA. Under the FTA, tariffs for most resins and plastics manufacturing equipment were eliminated as of January 1, 1993. Tariffs on plastic products have already been reduced by at least 60 percent and will be eliminated altogether by January 1, 1998.

### Schedule of Phase-Outs

Annex A contains a product-specific listing of the Mexican and Canadian tariff elimination schedules for most of the plastics industry's 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

Mexican tariffs on the products of interest to the Canadian plastics sector ranged between 10 and 20 percent prior to NAFTA. Many of these duties were eliminated on January 1, 1994, including duties on most plastics manufacturing equipment; some plastic pipes, tubes and hoses with fittings, not reinforced; and a wide variety of resins, such as:

- ▶ polyacetals;
- ▶ polycarbonates;
- ▶ most silicones in their primary forms;
- ▶ cellulose nitrates; and
- ▶ most epoxide resins.

By 1998, Mexico will have eliminated the tariffs on most injection and compression-type moulds for use in manufacturing plastic products, some polyvinyl acetate and melamine resins, alkyd resins and some monofilaments.

The Mexican tariffs on the majority of finished plastic products and a large number of resins and primary plastic materials will be phased out over 10 years.

**Canadian  
Phase-Outs**

Canadian import tariffs for most Mexican resins, primary plastic products and finished plastic products will be eliminated over five and ten years matching, where possible, Mexican tariff phase-outs.

**Treatment  
of Jointly  
Produced Goods**

NAFTA protects the Canadian plastics 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 plastic resins, products and manufacturing equipment 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 PLASTICS AND PLASTIC 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 plastics and plastic products set out the following requirements:

- ▶ 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.
- ▶ When certain materials of non-North American origin are used in the production of a good, the manufacturer may be required to meet a value-content test.

The specific rule of origin for each product sets out the required tariff classification change and indicates when a value-content test is required. The product-specific rules of origin applicable to plastics and plastic 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.

NAFTA introduces a limited number of changes in the product-specific rules of origin for plastics and plastic products. The changes, which are more restrictive than the FTA rules, affect certain semi-manufactured plastic goods (e.g. cellular or reinforced plates, sheets, film) and certain plastic sacks and bags.

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

In addition to the changes in the product-specific rules, NAFTA has introduced new provisions of general application that may assist some Canadian exporters. Notable changes include:

- ▶ **Easier, more flexible methods to calculate regional value content.** Regional value content for most goods may now be calculated by means of either a “net-cost” method or a new “transaction-value” method. In addition to providing producers with greater flexibility, this corrects the ambiguities experienced with the regional value content formula under the FTA. Producers who choose to use the “transaction-value” method will be able to avoid the need to maintain the cost-accounting systems required under the FTA and the “net-cost” method. The methods of calculating regional value content are described in Annex C.
- ▶ **The introduction of a *de minimis* rule.** Under NAFTA, a good is determined to originate in North America if the value of non-North American materials that fail to meet the specific rule of origin is no more than 7 percent of the transaction value or total cost of the good. This provision will be of particular interest to exporters whose products incorporate limited amounts of non-North American inputs. It can enable goods that otherwise might not qualify to qualify, or it can eliminate the imposition of the value content requirement for such goods.

Producers of goods subject to a regional value content requirement should carefully examine the new NAFTA methods of calculation. This is particularly important for firms that either barely met or that failed to meet the FTA requirements.

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 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.
- ▶ **Step 5.** Usually, if the rule precludes the use of certain non-North American inputs, there will be an alternative rule permitting such changes if a value-content test is met. It will read something like “a change to heading (XXXX) from heading (YYYY) provided there is a regional value content of not less than...” In these cases a producer must calculate the regional value content in accordance with one of the two methods specified in NAFTA. Annex C describes the two methods of calculating regional value content.

### **An Example**

A Canadian producer of plastic baths uses acrylic polymers imported from the United Kingdom.

Since some non-North American inputs are used, these plastic baths do not automatically qualify as “originating.” The product-specific rule must be used.

The producer determines that the plastic baths are classified under tariff heading 3922. The non-North American materials fall under heading 3906.

The rule of origin for heading 3922 (i.e. plastic baths) requires “a change to heading 3922 from any other heading, provided there is a regional value content of not less than 60 percent where the transaction-value method is used, or 50 percent where the net-cost method is used.” In this example, if the value of the North American content exceeds either of these figures, the plastic baths would qualify.

Under the *de minimis* provision, however, if the value of the acrylic polymers used in producing the finished bath is no more than 7 percent of the value of the finished bath, the good would automatically qualify and the value content requirement would not be triggered.

**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

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.

### Method of Marking

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 plastics industry, they nonetheless affect the overall North American trading environment and are of interest to companies participating in it.

Canadian manufacturers of plastics and plastic 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" require 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.

After-sales service providers are also classified as business visitors under NAFTA. Therefore, Canadian firms can now provide service and training as part of a warranty or a service contract. Such service providers may obtain duty-free, temporary entry status for the equipment necessary to do the job.

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.

## 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.

## **Intellectual Property Rights**

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.

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**

The Canadian plastic products industry comprises companies that process synthetic resins into intermediate and final products. The broader plastics industry encompasses companies that produce and compound synthetic resins as well as the manufacturers of the machinery and moulds used by processors.

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

In accordance with the Canada-U.S. Free Trade Agreement (FTA), tariffs on synthetic resins, machinery and moulds were phased out on January 1, 1993. Tariffs on plastic products have been considerably reduced and will be completely eliminated by January 1998.

The Canadian plastic products industry has traditionally had a domestic focus and has consistently had a trade deficit. Over 90 percent of Canadian exports in plastic products go to the United States. Imports from the United States represent 80 percent of all imports and account for 30 percent of the Canadian domestic market. U.S. exports to Canada represent 35 percent of total U.S. exports. The levels of import and export trade in both countries have increased significantly since the FTA came into effect.

The synthetic resins, machinery and mould industries have traditionally been export oriented. While the United States is the most important partner, substantial trade also occurs with other countries.

### **Canada-Mexico Trade**

Trade between Canada and Mexico in all elements of the plastics industry is small, with a total of about \$7.5 million worth of goods traded between the two countries. In order for Canadian companies to take advantage of the potential that exists in Mexico, aggressive marketing and industry affiliations will be required.

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

Mexican exports to the United States are all minor compared with the corresponding U.S. exports to Mexico. The United States is currently the number one exporter of plastics production machinery to Mexico. However, there is increasing competition from German, Italian and Japanese companies with aggressive marketing strategies.

### **Competitive Implications of NAFTA**

NAFTA will provide opportunities for exports of finished products, materials and, in some cases, technology. The reduction or elimination of tariffs suggests easier and more economical access to the Mexican market. Industry development policies in Mexico and increased competition will make the domestic plastics industry more productive.

## **New Mexican Market Opportunities**

Increased Mexican competition in Canadian plastics markets is expected to be minimal. However, Canadian plastics producers may want to assess the extent to which the expansion of other industries in Mexico may have an impact on their traditional customer base in Canada.

Trade in many plastic products is limited by transportation costs. The products that offer the best opportunity for export to distant markets like Mexico fall into two generic categories: construction products and packaging. Even within these categories, the real opportunity in Mexico likely lies in the exportation of Canadian technology specifically through joint ventures or the acquisition of Mexican companies.

Imports of resins are still vital to the Mexican plastic industry. Some specialty, high quality resins are not readily available from domestic suppliers.

The Mexican market for plastics manufacturing equipment continues to offer opportunities. Imported technology and modern equipment will be required for the Mexican plastics industry to competitively supply its growing domestic demand. Mexico has predominantly used extrusion and injection moulding machinery. Other processes are becoming popular and good sales prospects also exist for machinery used in blow moulding, rotational moulding, foaming, compression moulding and thermoforming. Small and medium sized machines are in greater demand than large machines. The United States is the main source of plastics machinery in Mexico. However, Germany, Italy and Japan are all making inroads through aggressive marketing strategies.

You may obtain information on planned 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:**

Chemicals, Plastics and Advanced Materials

Tel.: (613) 954-3016

Fax: (613) 954-3079, 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 Information line:

(613) 941-0965 Fax: (613) 941-8138

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

## 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
- ▶ Paper Products
- ▶ 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 Market Study on Plastics Production, Machinery, Equipment and Resins*

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 plastic resins, plastic products and plastics manufacturing equipment 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;
- B+ – tariff to be eliminated in seven stages ending January 1, 2001;
- 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” between Mexico and the United States, and are imported into Canada;
- nes– not elsewhere specified in the tariff schedule.

# PLASTICS INDUSTRY

## CANADA-MEXICO TARIFF PHASE-OUT SCHEDULE

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3901.10	Polyethylene having a specific gravity of less than 0.94	3901.10.00	6.5	A	3901.10.01	Free	D
					3901.10.02	Free	D
3901.20	Polyethylene having a specific gravity of 0.94 or more	3901.20.00	6.5	A	3901.20.01	Free	D
					3901.20.02	Free	D
3901.30	Ethylene-vinyl acetate copolymers	3901.30.00	6.5	A	3901.30.01	10	A
3901.90	Polymers of ethylene, nes, in primary forms	3901.90.00	6.5	B	3901.90.01	10	A
					3901.90.02	10	A
					3901.90.03	10	A
					3901.90.99	10	C
3902.10	Polypropylene	3902.10.00	6.5	B+	3902.10.01	10	B+
					3902.10.99	10	C
3902.20	Polyisobutylene	3902.20.00	3.5	A	3902.20.01	Free	D
					3902.20.99	10	A
3902.30	Propylene copolymers	3902.30.00	6.5	C	3902.30.01	10	C
3902.90	Polymers of propylene nes or of olefins nes, in primary forms	3902.90.00	4.5	A	3902.90.01	10	A
3903.11	Polystyrene, expansible	3903.11.00	7	C	3903.11.01	15	C
3903.19	Polystyrene, nes	3903.19.10	7	C	3903.19.01	10	A
					3903.19.02	15	C
					3903.19.99	15	C
3903.20	Styrene-acrylonitrile (SAN) copolymers	3903.20.10	7	C	3903.20.01	15	C
3903.30	Acrylonitrile-butadiene-styrene (ABS) copolymers	3903.30.10	7	C	3903.30.01	10	C
3903.90	Polymers of styrene, nes, in primary forms	3903.90.00	6.5	C	3903.90.01	15	C
					3903.90.02	15	A
					3903.90.03	10	A
					3903.90.04	10	C
					3903.90.05	15	C
					3903.90.99	10	C
3904.10	Polyvinyl chloride, not mixed with any other substances	3904.10.00	6.5	B	3904.10.01	10	C
					3904.10.02	10	B
					3904.10.03	10	B
3904.21	Polyvinyl chloride, nes, not plasticized	3904.21.00	6.5	B	3904.21.01	10	C
					3904.21.02	10	C
					3904.21.03	10	A
3904.22	Polyvinyl chloride nes, plasticized	3904.22.00	6.5	C	3904.22.01	10	C
					3904.22.02	10	C
3904.30	Vinyl chloride-vinyl acetate copolymers	3904.30.00	6.5	C	3904.30.01	15	C
					3904.30.02	10	C
3904.40	Vinyl chloride copolymers, nes	3904.40.00	6.5	C	3904.40.01	10	A
					3904.40.99	10	C
3904.50	Vinylidene chloride polymers	3904.50.00	4.5	A	3904.50.01	10	A
3904.61	Polytetrafluoroethylene	3904.61.00	4.5	A	3904.61.01	10	A
3904.69	Fluoro-polymers, nes	3904.69.00	4.5	C	3904.69.99	10	C
3904.90	Polymers of vinyl chloride, nes, or of other halogenated olefins	3904.90.00	4.5	C	3904.90.99	10	C

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3905.11	Polyvinyl acetate, in aqueous dispersion	3905.11.00	6.5	C	3905.11.01	15	C
3905.19	Polyvinyl acetate, nes	3905.19.00	5.5	B	3905.19.01	15	C
					3905.19.02	15	B
					3905.19.03	10	B
					3905.19.04	10	B
					3905.19.99	10	B
3905.20	Polyvinyl alcohols, whether or not containing unhydrolyzed acetate groups	3905.20.00	5.5	A	3905.20.01	15	A
3905.90	Polyvinyl esters nes; other vinyl polymers in primary forms	3905.90.00	4.5	A	3905.90.01	10	A
					3905.90.02	10	A
					3905.90.03	10	A
					3905.90.04	10	A
					3905.90.99	10	A
3906.10	Polymethyl methacrylate	3906.10.00	5.5	B	3906.10.01	15	A
					3906.10.02	10	A
					3906.10.99	10	C
3906.90	Acrylic polymers, nes, in primary forms	3906.90.00	5.5	A	3906.90.01	15	A
					3906.90.02	15	C
					3906.90.03	15	A
					3906.90.04	15	A
					3906.90.05	10	A
					3906.90.06	10	A
					3906.90.07	10	A
					3906.90.08	Free	D
					3906.90.09	Free	D
3906.90.99	10	A					
3907.10	Polyacetals	3907.10.00	5.5	A	3907.10.01	15	B
					3907.10.02	10	A
					3907.10.03	15	A
					3907.10.04	10	A
					3907.10.99	15	A
3907.20	Polyethers, nes	3907.20.10	6.5	B	3907.20.01	10	A
		3907.20.90	5.5	B	3907.20.02	10	A
					3907.20.03	10	B
					3907.20.04	10	A
					3907.20.05	10	A
					3907.20.06	15	C
					3907.20.99	10	B
3907.30	Epoxide resins	3907.30.00	5.5	C	3907.30.01	15	C
					3907.30.02	10	A
					3907.30.03	10	A
					3907.30.99	15	A
3907.40	Polycarbonates	3907.40.10	7	A	3907.40.01	10	A
		3907.40.90	6	A	3907.40.02	10	A
					3907.40.03	10	A
					3907.40.04	10	A
					3907.40.99	15	A
3907.50	Alkyd resins	3907.50.00	6.5	B	3907.50.01	15	B
					3907.50.02	10	B
					3907.50.99	15	B
3907.60	Polyethylene terephthalate	3907.60.00	6.5	C	3907.60.01	15	C
					3907.60.02	10	C
3907.91	Polyesters, nes, unsaturated	3907.91.00	6.5	B	3907.91.01	10	C
					3907.91.02	15	C
					3907.91.99	15	A

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3907.99	Polyesters, nes, in primary forms	3907.99.00	6.5	B	3907.99.01	15	B
					3907.99.02	15	C
					3907.99.03	10	A
					3907.99.04	10	A
					3907.99.05	10	C
					3907.99.06	10	B
					3907.99.07	10	B
					3907.99.08	10	A
					3907.99.09	10	B
					3907.99.10	10	B
					3907.99.11	10	A
					3907.99.12	10	A
					3907.99.99	15	B
3908.10	Polyamide-6, -11, -12, -6,6, -6,9, -6,10 or -6,12	3908.10.10	5	B	3908.10.01	10	A
		3908.10.90	5.5	B	3908.10.02	10	A
					3908.10.03	10	A
					3908.10.04	15	C
					3908.10.05	15	B
					3908.10.99	15	A
3908.90	Polyamides, nes, in primary forms	3908.90.00	5.5	B	3908.90.01	10	A
					3908.90.02	10	A
					3908.90.99	15	C
3909.10	Urea resins; thiourea resins	3909.10.10	6.5	B	3909.10.01	15	B
		3909.10.20	5	B	3909.10.99	15	B
		3909.10.90	4.5	B			
3909.20	Melamine resins	3909.20.10	6.5	B	3909.20.01	15	B
		3909.20.90	5.5	B	3909.20.02	15	C
					3909.20.99	15	B
3909.30	Amino-resins, nes	3909.30.00	4.5	B	3909.30.01	15	B
					3909.30.02	10	A
					3909.30.99	15	B
3909.40	Phenolic resins	3909.40.10	5.5	C	3909.40.01	15	C
		3909.40.90	4.5	C	3909.40.02	15	C
					3909.40.03	10	C
					3909.40.04	10	C
					3909.40.05	15	C
					3909.40.99	15	C
3909.50	Polyurethanes in primary forms	3909.50.10	6	B	3909.50.01	15	C
		3909.50.90	4.5	B	3909.50.02	15	C
					3909.50.03	15	A
					3909.50.04	10	A
					3909.50.99	15	C
3910.00	Silicones in primary forms	3910.00.00	4.5	A	3910.00.01	10	A
					3910.00.02	15	A
					3910.00.03	10	A
					3910.00.04	15	A
					3910.00.05	15	A
					3910.00.06	15	A
					3910.00.07	15	A
					3910.00.08	15	A
					3910.00.09	15	A
					3910.00.10	15	A
					3910.00.11	10	C
					3910.00.12	Free	D
					3910.00.13	15	A
			3910.00.99	15	A		
3911.10	Petroleum resins, coumarone, indene or coumarone-indene resins and polyterpenes	3911.10.00	5.5	A	3911.10.01	10	A
					3911.10.99	10	A

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3911.90	Polysulphides, polysulphones and other products of Note 3 Chapter 39, nes	3911.90.00	4.5	B	3911.90.01	10	A
					3911.90.02	10	A
					3911.90.03	15	C
					3911.90.04	15	C
					3911.90.99	15	C
3912.11	Cellulose acetates, non-plasticized	3912.11.00	6	C	3912.11.01	10	C
3912.12	Cellulose acetates, plasticized	3912.12.00	6	A	3912.12.01	10	A
3912.20	Cellulose nitrates (including collodions)	3912.20.00	6	A	3912.20.01	Free	D
					3912.20.02	10	A
					3912.20.03	10	A
					3912.20.99	10	A
3912.31	Carboxymethylcellulose and its salts	3912.31.00	8	C	3912.31.01	15	C
					3912.31.02	15	C
3912.39	Cellulose ethers, nes, in primary forms	3912.39.10	Free	D	3912.39.01	10	C
					3912.39.02	10	C
		3912.39.90	6	C	3912.39.03	10	C
					3912.39.04	15	C
					3912.39.05	15	C
3912.39.99	15	C					
3912.90	Cellulose derivatives, nes, in primary forms	3912.90.10	Free	D	3912.90.01	10	A
					3912.90.02	10	A
		3912.90.90	6	A	3912.90.99	15	A
3913.10	Alginic acid, its salts and esters	3913.10.00	7.5	A	3913.10.01	10	A
					3913.10.02	15	A
					3913.10.03	10	A
					3913.10.04	10	A
					3913.10.05	10	A
3913.10.99	15	A					
3913.90	Natural polymers, modified natural polymers, nes, in primary forms	3913.90.10	Free	D	3913.90.01	10	C
					3913.90.02	15	C
		3913.90.90	5.5	A	3913.90.03	Free	D
					3913.90.04	10	A
					3913.90.05	15	B
					3913.90.06	10	A
					3913.90.07	15	C
					3913.90.08	10	A
3913.90.99	15	A					
3914.00	Ion-exchangers based on polymers of Nos. 39.01 to 39.13 in primary forms	3914.00.10	6	A	3914.00.01	15	A
					3914.00.02	15	A
		3914.00.90	4.5	A	3914.00.99	15	A
3915.10	Polyethylene waste and scrap	3915.10.00	6.5	A	3915.10.01	20	A
3915.20	Polystyrene waste and scrap	3915.20.00	6.5	A	3915.20.01	20	A
3915.30	Polyvinyl chloride waste and scrap	3915.30.00	5.5	A	3915.30.01	20	A
3915.90	Plastics waste and scrap, nes	3915.90.10	6.5	A	3915.90.01	20	A
		3915.90.20	5.5	A	3915.90.99	15	A
		3915.90.30	5.5	A			
		3915.90.40	5.5	A			
		3915.90.50	6.5	A			
		3915.90.60	5.5	A			
		3915.90.71	9	A			
		3915.90.79	5.5	A			
		3915.90.80	6	A			
		3915.90.90	5.5	A			

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3916.10	Monofilaments >1 mm, profile shapes etc. of polymers of ethylene	3916.10.00	9	C	3916.10.01	10	C
					3916.10.02	15	C
3916.20	Monofilaments >1 mm, profile shapes etc. of polymers of vinyl chloride	3916.20.00	9	C	3916.20.01	15	C
					3916.20.02	15	B
					3916.20.03	15	B
					3916.20.04	15	C
3916.90	Monofilaments >1 mm, profile shapes etc. of plastics, nes	3916.90.11	6	C	3916.90.01	15	B
		3916.90.19	6.5	C	3916.90.02	10	B
		3916.90.90	9	C	3916.90.03	10	B
					3916.90.99	15	C
3917.10	Sausage casings of hardened protein or of cellulosic materials	3917.10.11	5.5	A	3917.10.01	15	C
		3917.10.12	8	C	3917.10.02	10	C
		3917.10.90	9	C	3917.10.99	15	C
3917.21	Tubes, pipes and hoses, rigid; of polyethylene	3917.21.00	9	C	3917.21.01	15	C
					3917.21.02	10	C
					3917.21.99	15	C
3917.22	Tubes, pipes and hoses, rigid; of polypropylene	3917.22.00	9	C	3917.22.01	15	C
					3917.22.02	10	C
					3917.22.99	15	C
3917.23	Tubes, pipes and hoses, rigid; of polyvinyl chloride	3917.23.00	9	C	3917.23.01	10	C
					3917.23.02	15	C
					3917.23.03	10	C
					3917.23.99	15	C
3917.29	Tubes, pipes and hoses, rigid; of plastics, nes	3917.29.00	9	B	3917.29.01	15	B
					3917.29.03	15	C
					3917.29.05	10	B
					3917.29.06	10	B
					3917.29.07	10	B
					3917.29.99	15	B
3917.31	Tubes, pipes and hoses, flexible, plastic, minimum burst pressure of 27.6 MPa	3917.31.00	9	C	3917.31.01	15	C
3917.32	Tubes, pipes and hoses, nes, plastic, not reinforced etc., without fittings	3917.32.00	9	B	3917.32.01	10	A
					3917.32.02	10	A
					3917.32.03	10	A
					3917.32.99	15	A
3917.33	Tubes, pipes and hoses, nes, plastic, not reinforced etc., with fittings	3917.33.00	9	C	3917.33.01	20	C
					3917.33.99	15	C
3917.39	Tubes, pipes and hoses, nes, plastic	3917.39.00	9	C	3917.39.01	10	C
					3917.39.02	10	C
3917.40	Fittings, plastic	3917.40.00	9	C	3917.40.01	15	C
3918.10	Floor, wall and ceiling coverings etc., of polymers of vinyl chloride	3918.10.11	16.5	C	3918.10.01	20	C
		3918.10.19	15	C	3918.10.99	20	C
		3918.10.90	9	C			
3918.90	Floor, wall and ceiling coverings etc., of plastics, nes	3918.90.11	16.5	C	3918.90.01	20	C
		3918.90.19	15	C			
		3918.90.91	9	C			
		3918.90.99	9	C			
3919.10	Self-adhesive plates, sheets, film etc., of plastic in rolls <20 cm wide	3919.10.11	16.5	C	3919.10.01	15	C
		3919.10.19	15	C	3919.10.02	15	C
		3919.10.20	6.5	C	3919.10.99	15	C
		3919.10.30	8	C			
		3919.10.91	9	C			
		3919.10.99	9	C			

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3919.90	Self-adhesive plates, sheets, film etc., of plastic, nes	3919.90.11	16.5	C	3919.90.01	10	C
		3919.90.19	15	C			
		3919.90.91	9	C			
		3919.90.99	9	C			
3920.10	Film and sheet etc., non-cellular etc., of polymers of ethylene	3920.10.00	9	C	3920.10.01	10	C
					3920.10.02	15	C
					3920.10.03	15	C
					3920.10.04	15	C
					3920.10.99	10	C
3920.20	Film and sheet etc., non-cellular etc., of polymers of propylene	3920.20.00	9	C	3920.20.01	10	C
					3920.20.02	10	C
					3920.20.03	10	B
					3920.20.04	15	C
					3920.20.99	15	C
3920.30	Film and sheet etc., non-cellular etc., of polymers of styrene	3920.30.00	9	C	3920.30.01	15	C
					3920.30.02	15	C
					3920.30.03	10	B
					3920.30.99	15	C
3920.41	Film and sheet etc., non-cellular etc., of polymers of vinyl chloride, rigid	3920.41.00	9	C	3920.41.01	15	C
					3920.41.02	15	C
					3920.41.03	15	C
					3920.41.99	15	C
3920.42	Film and sheet etc., non-cellular etc., of polymers of vinyl chloride, flexible	3920.42.00	9	C	3920.42.01	15	C
					3920.42.02	15	B
					3920.42.99	15	C
3920.51	Film and sheet etc., non-cellular etc., of polymethyl methacrylate	3920.51.00	6.5	C	3920.51.01	15	C
3920.59	Film and sheet etc., non-cellular etc., of acrylic polymers, nes	3920.59.00	9	B	3920.59.01	15	B
					3920.59.02	15	C
					3920.59.99	15	C
3920.61	Film and sheet etc., non-cellular etc., of polycarbonates	3920.61.00	9	B	3920.61.01	10	B
3920.62	Film and sheet etc., non-cellular etc., of polyethylene terephthalates	3920.62.00	9	B	3920.62.01	Free	D
					3920.62.02	15	B
					3920.62.03	15	B
					3920.62.99	15	B
3920.63	Film and sheet etc., non-cellular etc., of unsaturated polyesters	3920.63.00	9	B	3920.63.01	15	C
					3920.63.02	15	B
					3920.63.99	15	B
3920.69	Film and sheet etc., non-cellular etc., of polyesters, nes	3920.69.00	9	B	3920.69.01	10	A
					3920.69.99	15	A
3920.71	Film and sheet etc., non-cellular etc., of regenerated cellulose	3920.71.00	8	C	3920.71.01	15	C
3920.72	Film and sheet etc., non-cellular etc., of vulcanized rubber	3920.72.00	6	A	3920.72.01	10	A
3920.73	Film and sheet etc., non-cellular etc., of cellulose acetate	3920.73.00	6.5	A	3920.73.01	Free	D
					3920.73.99	15	A
3920.79	Film and sheet etc., non-cellular etc., of cellulose derivatives, nes	3920.79.00	6.5	B	3920.79.01	15	A

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3920.91	Film and sheet etc., non-cellular etc., of polyvinyl butyral	3920.91.00	9	C	3920.91.01	15	C
3920.92	Film and sheet etc., non-cellular etc. of polyamides	3920.92.00	9	B	3920.92.01	10	B
					3920.92.99	15	C
3920.93	Film and sheet etc., non-cellular etc., of amino-resins	3920.93.00	9	A	3920.93.01	15	A
3920.94	Film and sheet etc., non-cellular etc., of phenolic resins	3920.94.00	9	A	3920.94.01	15	A
3920.99	Film and sheet etc., non-cellular etc., of plastics, nes	3920.99.00	9	B	3920.99.01	15	A
					3920.99.02	15	A
					3920.99.99	15	A
3921.11	Film and sheet etc., cellular of polymers of styrene	3921.11.00	9	C	3921.11.01	15	C
3921.12	Film and sheet etc., cellular of polymers of vinyl chloride	3921.12.10	9	C	3921.12.01	15	C
		3921.12.90	9	C			
3921.13	Film and sheet etc., cellular of polyurethane	3921.13.10	9	C	3921.13.01	15	C
		3921.13.90	9	C			
3921.14	Film and sheet etc., cellular of regenerated cellulose	3921.14.00	8	B	3921.14.01	15	A
3921.19	Film and sheet etc., cellular of plastics, nes	3921.19.10	9	C	3921.19.01	10	C
		3921.19.90	9	C	3921.19.99	15	C
3921.90	Film and sheet etc., nes, of plastics	3921.90.10	16.5	C	3921.90.01	10	C
		3921.90.21	15	C	3921.90.02	10	C
		3921.90.30	6.5	C	3921.90.03	10	C
		3921.90.90	9	C	3921.90.04	15	C
					3921.90.05	10	C
					3921.90.06	10	C
					3921.90.07	15	C
					3921.90.08	15	C
					3921.90.99	15	C
3922.10	Baths, shower-baths and wash basins, of plastics	3922.10.00	7.5	C	3922.10.01	20	C
3922.20	Lavatory seats and covers of plastics	3922.20.00	7.5	C	3922.20.01	20	C
3922.90	Bidets, lavatory pans, flushing cisterns and similar plastic sanitary ware	3922.90.10	7.5	C	3922.90.01	20	C
		3922.90.90	9	C	3922.90.99	20	C
3923.10	Boxes, cases, crates and similar articles of plastic	3923.10.00	9	C	3923.10.01	20	C
3923.21	Sacks and bags (including cones) of polymers of ethylene	3923.21.00	9	C	3923.21.01	15	C
3923.29	Sacks and bags (including cones) of plastics, nes	3923.29.00	9	C	3923.29.01	15	C
					3923.29.02	10	C
					3923.29.99	15	C
3923.30	Carboys, bottles, flasks and similar articles of plastics	3923.30.10	9	C	3923.30.01	20	C
		3923.30.90	9	C	3923.30.02	20	C
					3923.30.99	20	C
3923.40	Spools, cops, bobbins and similar supports, of plastics	3923.40.00	9	C	3923.40.01	20	C
					3923.40.99	20	C
3923.50	Stoppers, lids, caps and other closures of plastics	3923.50.10	9	C	3923.50.01	20	C
		3923.50.90	9	C			

SUB-HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3923.90	Articles for the conveyance or packing of goods, nes, of plastics	3923.90.00	9	C	3923.90.99	20	C
3924.10	Tableware and kitchenware of plastics	3924.10.10	9	C	3924.10.01	20	C
		3924.10.90	9	C			
3924.90	Household and toilet articles, nes, of plastics	3924.90.10	10	C	3924.90.01	20	C
		3924.90.90	9 (13.6)	C			
3925.10	Reservoirs, tanks, vats etc. of a capacity exceeding 300 l, of plastics	3925.10.00	9	C	3925.10.01	20	C
3925.20	Doors, windows and their frames and thresholds for doors, of plastics	3925.20.00	9	C	3925.20.01	20	C
3925.30	Shutters, blinds (including Venetian) and similar articles and parts of plastics	3925.30.00	7.5	C	3925.30.01	20	C
3925.90	Builders' ware, nes, of plastics	3925.90.00	9	C	3925.90.99	20	C
3926.10	Office or school supplies, of plastics	3926.10.00	9 (13.6)	C	3926.10.01	20	C
3926.20	Apparel and clothing accessories (including gloves) of plastic	3926.20.11	17 (25.5)	C	3926.20.01	10	A
		3926.20.19	16.5 (25)	C	3926.20.02	20	A
		3926.20.20	10 (15)	C	3926.20.99	20	A
		3926.20.30	9 (13.6)	C			
		3926.20.81	22.5	C			
		3926.20.82	13 (20)	B			
		3926.20.89	25	C			
		3926.20.90	9 (13.6)	C			
3926.30	Fittings for furniture, coachwork or the like, of plastics	3926.30.00	9 (13.6)	B	3926.30.01	20	B
					3926.30.99	20	B
3926.40	Statuettes and other ornamental articles, of plastics	3926.40.10	6.5 (10.2)	B	3926.40.01	20	B
		3926.40.90	9 (13.6)	B			
3926.90	Articles of plastics or of other materials of Nos. 39.01 to 39.14 nes	3926.90.10	11.5 (17.5)	C	3926.90.01	20	C
		3926.90.20	Free	D	3926.90.02	10	C
		3926.90.30	10 (15)	C	3926.90.03	20	A
		3926.90.40	7.5 (11.3)	C	3926.90.04	20	C
		3926.90.50	2.5 (9.2)	C	3926.90.05	20	C
		3926.90.60	Free	D	3926.90.06	20	C
		3926.90.70	Free	D	3926.90.07	20	C
		3926.90.80	Free	D	3926.90.08	20	C
		3926.90.90	9 (13.6)	C	3926.90.09	10	A
					3926.90.10	10	A
					3926.90.11	20	C
					3926.90.12	10	C
					3926.90.13	20	C
					3926.90.14	20	C
					3926.90.15	20	C
					3926.90.16	10	A
					3926.90.17	10	C
					3926.90.18	20	C
3926.90.19	20	C					
3926.90.20	20	A					
3926.90.21	10	C					
3926.90.22	10	A					
3926.90.23	10	C					
3926.90.24	20	C					
3926.90.26	10	A					

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
					3926.90.27	20	C
					3926.90.28	10	A
					3926.90.29	20	C
					3926.90.30	10	A
					3926.90.31	15	C
					3926.90.32	15	C
					3926.90.99	15	C
8477.10	Injection-moulding machines for working rubber or plastics, nes	8477.10.11	2.5	A	8477.10.01	10	A
		8477.10.19	2.5	A	8477.10.02	10	A
		8477.10.20	2.5	A	8477.10.03	10	A
8477.20	Extruders for working rubber or plastics, nes	8477.20.11	2.5	A	8477.20.01	20	A
		8477.20.19	2.5	A	8477.20.99	10	A
		8477.20.20	2.5	A			
8477.30	Blow moulding machines for working rubber or plastics, nes	8477.30.11	2.5	A	8477.30.01	10	A
		8477.30.19	2.5	A			
		8477.30.20	2.5	A			
8477.40	Vacuum moulding machines and other thermoforming machines for working rubber or plastics, nes	8477.40.11	2.5	A	8477.40.01	10	A
		8477.40.19	2.5	A			
		8477.40.20	2.5	A			
8477.51	Machines for moulding or retreading pneumatic tires or for moulding or forming inner tubes, nes	8477.51.10	2.5	A	8477.51.01	10	A
		8477.51.20	2.5	A			
8477.59	Machines for moulding or otherwise forming rubber or plastics, nes	8477.59.10	2.5	A	8477.59.99	10	A
		8477.59.20	2.5	A			
8477.80	Machines for working rubber or plastics or for the manufacture of products from these materials, nes.	8477.80.10	2.5	A	8477.80.01	15	B
		8477.80.90	2.5	A	8477.80.02	15	B
					8477.80.03	15	B
					8477.80.04	15	A
					8477.80.05	10	B
					8477.80.06	15	B
					8477.80.07	15	B
					8477.80.99	10	B
8480.71	Moulds, injection or compression types, for rubber or plastics	8480.71.00	2.5	A	8480.71.01	15	B
					8480.71.02	10	B
					8480.71.99	15	B
8480.79	Moulds for rubber or plastics, nes	8480.79.00	2.5	A	8480.79.01	10	C
					8480.79.02	10	C
					8480.79.03	10	C
					8480.79.04	10	C
					8480.79.05	15	C
					8480.79.99	15	B

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

**ANNEX B*****Rules of Origin for Plastics and Plastic Products*****Chapter 39****Plastics and Articles Thereof**

39.01-39.20

A change to heading 39.01 through 39.20 from any other heading, including another heading within that group, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction-value method is used, or
- (b) 50 percent where the net-cost method is used.

3921.11-3921.13

A change to subheading 3921.11 through 3921.13 from any other heading, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction-value method is used, or
- (b) 50 percent where the net-cost method is used.

3921.14

A change to subheading 3921.14 from any other heading, except from subheading 3920.20 or 3920.71. In addition, the regional value content must be not less than:

- (a) 60 percent where the transaction-value method is used, or
- (b) 50 percent where the net-cost method is used.

3921.19

A change to subheading 3921.19 from any other heading, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction-value method is used, or
- (b) 50 percent where the net-cost method is used.

3921.90

A change to subheading 3921.90 from any other heading, except from subheading 3920.20 or 3920.71. In addition, the regional value content percentage must be not less than:

- (a) 60 percent where the transaction-value method is used, or
- (b) 50 percent where the net-cost method is used.

39.22

A change to heading 39.22 from any other heading, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction-value method is used, or
- (b) 50 percent where the net-cost method is used.

3923.10-3923.21

A change to subheading 3923.10 through 3923.21 from any other heading, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction-value method is used, or
- (b) 50 percent where the net-cost method is used.

3923.29

A change to subheading 3923.29 from any other heading, except from subheading 3920.20 or 3920.71. In addition, the regional value content percentage must be not less than:

- (a) 60 percent where the transaction-value method is used, or
- (b) 50 percent where the net-cost method is used.

- 3923.30-3923.90 A change to subheading 3923.30 through 3923.90 from any other heading, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction-value method is used, or
  - (b) 50 percent where the net-cost method is used.
- 39.24-39.26 A change to heading 39.24 through 39.26 from any other heading, including another heading within that group, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction-value method is used, or
  - (b) 50 percent where the net-cost method is used.

## ANNEX C

### Calculating Regional Value Content

The rules of origin specify that certain goods must meet a regional value content requirement.

NAFTA provides two alternative methods that exporters can use to calculate the regional value content of their goods:

- ▶ the transaction-value method; and
- ▶ the net-cost method.

In most cases, exporters can choose either method.

If exporters select the transaction-value method and they are advised by Customs that the transaction value of the good (or the value of any material used to produce the good) is unacceptable or needs to be adjusted, they can choose to use the net-cost method.

However, if they select the net-cost method initially and the results are unfavourable, they cannot switch to the transaction-value method.

#### Transaction-Value Method

Under the transaction-value method, exporters have to subtract the value of any non-originating material (i.e. non-North American) used to produce the good from the actual price paid or payable for the good. In most cases, the value of non-originating material is the total amount it costs producers to purchase the material and get it to the production site.

Then, exporters have to divide the difference by the price, and convert the result to a percentage to get the regional value content or the RVC.

The formula is as follows:

$$\frac{\text{Transaction value} - \text{Value of non-originating materials}}{\text{Transaction value}} \times 100 = \text{RVC}$$

In most cases, if exporters use the transaction-value method, the specific rule of origin will require that the RVC for an originating good must be at least 60 percent.

Exporters cannot use the transaction-value method in the following circumstances:

- ▶ the good has no transaction value (e.g. barter);
- ▶ the transaction value of the good is not acceptable under the Customs Valuation Code (refer to brochure entitled *Value For Duty*, available at any Customs regional office); and
- ▶ the majority of the producer's sales are to related parties.

Exporters who are not sure whether they can use the transaction-value method should call a Revenue Canada — Customs regional office.

## Net-Cost Method

Under the net-cost method, exporters have to subtract the value of non-originating materials used to produce the finished good from the net cost of the good. In most cases, the value of a non-originating material is the total amount it costs producers to purchase the material and get it to the production site.

Then, exporters have to divide the difference by the net cost, and convert the result to a percentage to get the RVC.

The net-cost formula is as follows:

$$\frac{\text{Net cost} - \text{Value of non-originating materials}}{\text{Net cost}} \times 100 = \text{RVC}$$

In most cases, if exporters use the net-cost method, the specific rule of origin will require that the RVC for an originating good must be at least 50 percent.

To determine the net cost of a good, begin with all the costs of producing the good, and then subtract any costs that are specifically excluded. Specifically excluded costs are costs for:

- ▶ sales promotion and marketing;
- ▶ after-sales service;
- ▶ royalties;
- ▶ shipping and packing; and
- ▶ non-allowable interest.





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