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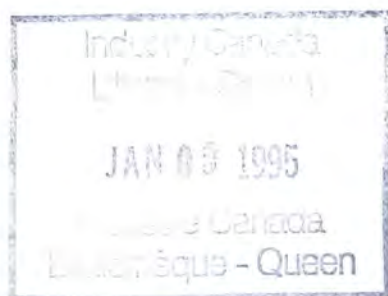
THE WOOD AND WOOD PRODUCTS SECTOR



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NAFTA AND THE WOOD AND WOOD PRODUCTS SECTOR



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NAFTA AND THE WOOD AND WOOD 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 wood and wood products with continued preferential access to United States markets and new preferential access to Mexico. The projected increased Mexican demand for housing (1 million units per year) may provide new opportunities for Canadian suppliers of wood for framing, windows, doors and prefabricated housing.

To make the most of these opportunities, you should first understand how the Agreement affects you and your business operations. Secondly, 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 Canadian wood and wood products — including manufacturers of lumber, hardwood and softwood plywood, oriented strandboard, windows, doors and manufactured housing. 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 provides overview information on the wood and wood products market in North America and highlights potential new market opportunities in Mexico.

TARIFFS FOR WOOD AND WOOD PRODUCTS

Under NAFTA, tariffs on wood products being traded between Canada, the United States and Mexico 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 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). These phase-out schedules are unaffected by NAFTA. Under the FTA, tariffs for all wood products have already been reduced by at least 60 percent and all tariffs will be eliminated by January 1, 1998.

Schedule of Phase-Outs

Annex A contains a product-specific listing of the Mexican and Canadian tariff elimination schedules for wood 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-year and ten-year phase-out periods as Mexico considered this sector to be sensitive to competition from U.S and Canadian suppliers. However, Mexico did eliminate immediately tariffs on softwood lumber meeting U.S. and Canadian construction lumber standards as well as tariffs on veneers, flooring, mouldings, shingles and shakes, and prefabricated housing.

Mexico will also eliminate tariffs by January 1, 1998, on various other wood products of interest to Canadian firms, notably hardboard and certain non-coniferous lumber (e.g. maple, beech).

Canadian Phase-Outs

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

***Treatment of
Jointly Produced
Goods***

NAFTA protects Canadian wood product companies 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 wood 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 WOOD AND WOOD 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 rule of origin for wood and wood products requires 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 specific rule of origin applicable to wood and wood products is 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 wood and wood 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. The specific rule for wood and wood products has not changed. However, an FTA rule applicable to certain Canadian surface covered plywood products exported to the United States was transferred from the NAFTA rules of origin to the country of origin marking rules.

How NAFTA Rules Differ from the FTA Rules

How to Use the Rules of Origin

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.
- ▶ **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. The rule for wood and wood products states: “A change to heading 44.01 through 44.21 from any other heading, including another heading within that group.” In other words, as long as any non-North American input falls under a heading that is different than the heading for the finished good, the good would qualify.

An Example

A Canadian producer of plywood with a veneer of tropical wood uses imported veneer sheets from Brazil.

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

The producer determines that plywood with a veneer of tropical wood is classified under tariff heading 4412. The non-North American input falls under heading 4408.

The rule of origin for heading 4412 requires “a change to heading...from any other heading...”. In this example, the plywood in question would qualify, as the non-North American input is classified under a different heading.

Additional Information on Rules of Origin

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

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

Temporary Entry for Business Purposes

Canadian manufacturers of wood and wood 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 lumber and wood products. 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, 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 on intellectual property matters may be obtained 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 wood products industry is composed of many large integrated forest products companies, medium-sized firms, and small, family-owned enterprises. The industry produces a variety of products that range from traditional commodity items such as lumber, hardwood and softwood plywood, oriented strand-board, particle board and other wood-based panel products to higher value products such as windows, doors, mouldings, kitchen cabinets and prefabricated housing.

The industry has demonstrated a successful growth rate due primarily to strong export sales. Total shipments of wood products have generally exceeded \$11 billion, almost half of which go to the United States. Traditionally, some 70 to 75 percent of Canadian wood product shipments are exported and the majority of these exports are commodity products.

In the future, environmental pressures will likely play an important role in the trade flow of North American wood products. The effects of the withdrawal of large areas of forested land in the U.S. Pacific northwest and reductions in annual allowable cuts in British Columbia have already influenced certain trade patterns.

While the North American demand for wood products is expected to grow over the long term, the ability to meet this demand will depend on the availability of fibre, and continuing advancements in processing and engineering technology.

Canada- United States Trade

The United States is Canada's major market for softwood lumber, wood-based panels and secondary wood products. It is also one of Canada's major competitors in the same product areas.

The fourfold trade surplus between the two countries is in favour of Canada due to a strong demand for structural lumber within the U.S. housing industry and an overall shortage in available U.S. lumber supplies.

Canada-Mexico Trade

Canadian wood product exports to Mexico have been very limited to date. There may be some under-reporting in the trade data as Canadian wood products may be entering the Mexican market through U.S. reload centres.

Lower tariffs and the elimination of import permits may provide new export opportunities for Canadian wood products in Mexico. Canadian producers, however, are not expected to face increased competition from Mexican production.

United States- Mexico Trade

Historically, the United States has supplied 99 percent Mexico's imports of wood products. Manufacturers from the southeastern United States have made concerted efforts to develop the Mexican market and also benefit from low transportation costs due to their proximity to Mexico.

It is expected that wood products from the United States will continue to dominate the Mexican market over the short term. However, a new free trade agreement between Chile and Mexico may enable Chile to supply more raw materials and finished products to Mexico.

New Mexican Market Opportunities

Although Mexico is a significant importer of wood products, the Mexican wood products industry has enjoyed a high level of protection due to Mexico's tariff structure. These tariffs, however, have also discouraged investment in technological advancements. In addition, the land tenure system in Mexico results in the very limited availability of wood for processing. As a whole, Mexican manufacturers of solid wood products have focused mainly on the production of a range of secondary products.

Mexico's demographics clearly indicate a strong and rapidly growing demand for housing. The requirement of over one million housing units per year could provide an incentive to increase the use of wood in the Mexican housing industry, which now mainly uses concrete and brick.

Despite the increased market access associated with the reduction of tariffs, wood supply constraints and transportation costs may limit Canadian prospects for significant market gains in Mexico. Canadian producers will also face strong competition from southeastern U.S. producers, who may be better positioned to benefit from improved market access to Mexico. Increased U.S. exports to Mexico may, however, translate into increased U.S. demand for Canadian products.

Canada's capability to supply high-quality wood products is not well recognized in the Mexican market. A long-term strategy to promote Canada's supply capability and Canadian products will likely be the best approach to expand Canada's market share in Mexico. Possible areas of focus might include:

- ▶ promoting the superior fibre quality for certain Canadian wood species to help develop niche markets;
- ▶ gaining access to the large and expanding market for wood components. Many assembly operations or *maquiladoras* located in Mexico use large volumes of high-quality, cut-to-size, wood for furniture and other finished wood products;
- ▶ promoting the use of cedar for exterior applications, a product that meets strict weather and insect resistance requirements;
- ▶ pursuing opportunities for Canadian mills to supply metric sized lumber to the Mexican market; and
- ▶ promoting platform frame housing or increased wood use in construction. The use of wooden inner walls and roofs could provide new market opportunities.

Canadian industry has identified export opportunities in Mexico for a broad spectrum of wood products. These include primary wood products such as softwood and hardwood lumber, veneer sheets, oriented strandboard, particleboard and plywood. There is also a potential market for manufactured products such as furniture and cabinets, mouldings, windows and doors, door frames, and prefabricated housing.

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:

Forest Industries

Tel.: (613) 954-3040 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) 941-8138

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

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
- ▶ Paper Products
- ▶ Plastics
- ▶ Primary Metals
- ▶ Professional and Business Services
- ▶ Resource Equipment
- ▶ Sporting and Recreational Equipment
- ▶ Telecommunications Equipment
- ▶ Textiles
- ▶ Urban Transit and Rail

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 Lumber and Wood Products*
- ▶ *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 wood and wood 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;
- C – tariff to be eliminated in 10 equal annual stages beginning January 1, 1994 and ending January 1, 2003;
- Cq – for these tariff items, there is no duty on imports into Mexico for the quantities specified below. The duty on imports that exceed those quantities is reduced according to the C staging category:

Tariff Item	Metric Tons
4401.2101	3 500
4403.1001	750
4407.1001	500
4407.1002	6 300
4407.1003	50
4407.9101	175
4407.9999	130

- * – tariff is eliminated on January 1, 1994, on listed species of softwood lumber to be used exclusively in wood frame construction, and meeting the U.S. or Canadian standards applicable to wood with such end uses in the country of origin:

Picea Glauca, Picea Engelmanni, Picea Rubens, Picea Mariana, Picea Sitchensis, Pinus Contorta, Pinus Banksiana, Pinus Resinosa, Pinus Monticola, Pinus Strobus, Pinus Taeda, Pinus Rigida, Pinus Palustris, Pinus Eshinata, Pinus Eliotti, Pinus Ponderosa, Pinus Lambertiana, Pinus Vigriniana, Thuja Plicata, Abies Balsamea, Abies Concolor, Abies Grandis, Abies Procera, Abies Lasiocarpa, Abies Amabilis, Pseudotsuga Mensiesii, Larix Occidentalis, Tsuga Heterophylla, Chamaecyparis Nootkanensis and Sequioa Sempervirens;

- 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.

WOOD PRODUCTS CANADA-MEXICO TARIFF PHASE-OUT SCHEDULE

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
4401.10	Fuel wood	4401.10.00	Free	D	4401.10.01	10	B
4401.21	Wood in chips, coniferous	4401.21.00	Free	D	4401.21.01	10	Cq
4401.22	Wood in chips, non-coniferous	4401.22.00	Free	D	4401.22.01	10	B
4401.30	Sawdust and wood waste and scrap	4401.30.00	Free	D	4401.30.01	10	C
4402.00	Wood charcoal (including shell or nut charcoal)	4402.00.10 4402.00.90	Free 6.5	D A	4402.00.01	10	C
4403.10	Logs, treated/painted etc.	4403.10.00	Free	D	4403.10.01	10	Cq
4403.20	Logs, coniferous nes	4403.20.00	Free	D	4403.20.01	10	C
4403.31	Logs, Meranti red (light and dark) and Bakau	4403.31.00	Free	D	4403.31.01	10	A
4403.32	Logs, white Lauan, Meranti, Seraya: yellow Meranti and Alan	4403.32.00	Free	D	4403.32.01	10	A
4403.33	Logs, Keruing, Ramin, Kapur, Teak, Jongkong, Merbau, etc.	4403.33.00	Free	D	4403.33.01	10	A
4403.34	Logs, Okoumé, Obeche, Sapelli, Sipo, Acajou d'Afrique, etc	4403.34.00	Free	D	4403.34.01	10	C
4403.35	Logs, Tiama, Mansonia, Ilomba, Dibétou, Limba and Azobé	4403.35.00	Free	D	4403.35.01	10	C
4403.91	Logs, oak	4403.91.00	Free	D	4403.91.01	10	B
4403.92	Logs, beech	4403.92.00	Free	D	4403.92.01	10	B
4403.99	Logs, non-coniferous nes	4403.99.00	Free	D	4403.99.99	10	C
4404.10	Poles, piles etc. coniferous, pointed but not sawn	4404.10.00	Free	D	4404.10.01 4404.10.02	15 15	C B
4404.20	Poles, piles etc, non-coniferous, pointed but not sawn	4404.20.00	Free	D	4404.20.01 4404.20.02 4404.20.03 4404.20.04 4404.20.99	20 15 15 15 15	A B A B B
4405.00	Wood wool; wood flour	4405.00.00	Free	D	4405.00.01 4405.00.02	15 15	C C
4406.10	Ties, railway/tramway, wood not impregnated	4406.10.00	Free	D	4406.10.01	15	C
4406.90	Ties, railway/tramway, wood nes	4406.90.00	Free	D	4406.90.99	15	B
4407.10	Lumber, coniferous (softwood) 6 mm and thicker	4407.10.00	Free	D	4407.10.01 4407.10.02 4407.10.03 4407.10.99	15 10 10 15	Cq* Cq* Cq C*
4407.21	Lumber, Meranti red (light and dark), Meranti Bakau, White Lauan etc.	4407.21.00	Free	D	4407.21.01 4407.21.99	15 15	B B

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
4407.22	Lumber, Okoumé, Obeche, Sapelli, Sipo, Acajou d'Afrique, Makoré etc.	4407.22.00	Free	D	4407.22.01	15	B
					4407.22.99	15	B
4407.23	Lumber, Baboen, Mahogany (Swietenia spp.), Imbuia and Balsa	4407.23.00	Free	D	4407.23.01	15	C
					4407.23.99	15	B
4407.91	Lumber, oak	4407.91.00	Free	D	4407.91.01	15	Cq
4407.92	Lumber, beech	4407.92.00	Free	D	4407.92.01	10	A
					4407.92.99	15	B
4407.99	Lumber, non-coniferous nes	4407.99.00	Free	D	4407.99.01	15	C
					4407.99.02	10	C
					4407.99.03	10	B
					4407.99.04	10	B
					4407.99.05	15	B
					4407.99.99	15	Cq
4408.10	Veneer, coniferous (softwood) less than 6 mm thick	4408.10.00	Free	D	4408.10.01	15	A
4408.20	Veneer, tropical woods, less than 6 mm thick	4408.20.00	Free	D	4408.20.01	15	A
4408.90	Veneer, non-coniferous nes, less than 6 mm thick	4408.90.00	Free	D	4408.90.99	15	A
4409.10	Wood (lumber) continuously shaped coniferous (softwood)	4409.10.00	Free	D	4409.10.01	20	A
					4409.10.02	10	A
					4409.10.99	20	A
4409.20	Wood (lumber) continuously shaped non-coniferous (hardwood)	4409.20.11	3.5	A	4409.20.01	20	A
		4409.20.19	Free	D	4409.20.99	20	A
		4409.20.90	Free	D			
4410.10	Particle board of wood	4410.10.10	2.5	C	4410.10.01	20	C
		4410.10.91	2.5	C			
		4410.10.99	6	C			
4410.90	Particle board of other ligneous materials	4410.90.10	2.5	C	4410.90.01	15	C
		4410.90.90	5	C	4410.90.02	20	C
					4410.90.99	20	C
4411.11	Fibreboard >0.8 g/cm ³ not worked or surface covered	4411.11.00	4	B	4411.11.01	15	
4411.19	Fibreboard >0.8 g/cm ³ nes	4411.19.00	6	B	4411.19.99	15	B
4411.21	Fibreboard >0.5 g/cm ³ <0.8g /cm ³ not worked or surface covered	4411.21.00	4 (6.5)	B	4411.21.01	15	B
4411.29	Fibreboard >0.5 g/cm ³ <0.8 g/cm ³ nes	4411.29.00	4 (6.5)	B	4411.29.99	15	B
4411.31	Fibreboard >0.35 g/cm ³ <0.5 g/cm ³ not worked or surface covered	4411.31.00	4 (6.5)	B	4411.31.01	15	B
4411.39	Fibreboard >0.35 g/cm ³ <0.5 g/cm ³ nes	4411.39.00	4 (6.5)	B	4411.39.99	15	B
4411.91	Fibreboard not worked or surface covered nes (0.35 g/cm ³ & less)	4411.91.00	4 (6.5)	B	4411.91.01	15	B

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
4411.99	Fibreboard nes (0.35 g/cm ³ & less)	4411.99.00	4 (6.5)	B	4411.99.99	15	B
4412.11	Plywood panels, at least 1 outer ply of tropical woods (ply's <6 mm)	4412.11.10	5	C	4412.11.01	20	C
		4412.11.90	6	C			
4412.12	Plywood, at least 1 outer ply of non-coniferous wood nes (ply's <6 mm)	4412.12.10	5	C	4412.12.01	15	C
		4412.12.90	6	C			
4412.19	Plywood nes, at least 1 outer ply of coniferous wood (ply's <6 mm)	4412.19.10	5 (9.2)	C	4412.19.01	15	C
		4412.19.90	10 (15)	C	4412.19.02	15	C
					4412.19.99	20	C
4412.21	Panels, 1 outer ply non-coniferous and 1 ply of particle board	4412.21.10	5	C	4412.21.01	15	C
		4412.21.90	6	C			
4412.29	Panels, 1 outer ply non-coniferous wood nes	4412.29.10	5	C	4412.29.99	20	C
		4412.29.90	6	C			
4412.91	Panels, 1 outer ply coniferous wood and 1 ply of particle board	4412.91.10	5	C	4412.91.01	15	C
		4412.91.90	6	C			
4412.99	Panels, 1 outer ply coniferous wood nes	4412.99.10	5 (8)	C	4412.99.99	20	C
		4412.99.90	6 (9.2)	C			
4413.00	Densified wood, in blocks, plates, strips or profile shapes	4413.00.00	6	A	4413.00.01	10	A
					4413.00.02	15	A
					4413.00.99	20	A
4415.10	Cases, boxes, crates, drums & similar packings; cable-drums, wooden	4415.10.10	10	B	4415.10.01	20	B
		4415.10.90	6	B	4415.10.99	20	B
4415.20	Pallets, box pallets and other load boards, wooden	4415.20.00	6	C	4415.20.01	20	C
4416.00	Casks, barrels etc. (coopers' products) and parts of wood, including staves	4416.00.10 4416.00.90	Free 6	D B B B B B	4416.00.01	20	B
					4416.00.02	0	B
					4416.00.03	20	B
					4416.00.04	20	B
					4416.00.05	20	B
					4416.00.99	20	B
4417.00	Tools, tool bodies and handles, brooms or brush bodies and handles of wood etc.	4417.00.11 4417.00.19 4417.00.20 4417.00.90	Free 10 7.5 6	D B B B	4417.00.01	20	B
					4417.00.02	15	B
					4417.00.99	20	B
4418.10	Windows, French-windows and their frames, of wood	4418.10.10	6	B	4418.10.01	20	B
		4418.10.90	8	B			
4418.20	Doors and their frames and thresholds, of wood	4418.20.10	4.5	B	4418.20.01	20	B
		4418.20.20	Free	A			
4418.30	Parquet panels, including tiles of wood	4418.30.00	Free	A	4418.30.01	20	B
4418.40	Shuttering for concrete constructional work, of wood	4418.40.00	6	B	4418.40.01	20	B
4418.50	Shingles and shakes, of wood	4418.50.00	Free	D	4418.50.01	20	A
4418.90	Builder's joinery and carpentry of wood nes	4418.90.10	2.5	B	4418.90.01	20	B
		4418.90.90	6	C	4418.90.99	20	C
4421.10	Clothes hangers of wood	4421.10.00	6 (9.2)	C	4421.10.01	20	C

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
94421.90	Wood articles, nes	4421.90.10	Free	D	4421.90.01	20	C
		4421.90.20	4 (6)	C	4421.90.02	15	C
		4421.90.30	Free	A	4421.90.03	20	C
		4421.90.40	7.5 (11.3)	C	4421.90.04	15	C
		4421.90.50	10 (15)	C	4421.90.05	20	C
		4421.90.60	Free	A	4421.90.06	15	C
		4421.90.90	6 (9.2)	C	4421.90.99	20	C
		9406.00	Prefabricated buildings	9406.00.10	4.5	A	9406.00.01
9406.00.20	25			A	9406.00.02	15	A
9406.00.91	6			A	9406.00.03	15	A
9406.00.99	6.5			A	9406.00.99	15	A

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



ANNEX B

Rules of Origin for Wood and Wood Products

Chapter 44

Wood and Articles of Wood; Wood Charcoal

44.01-44.21

A change to heading 44.01 through 44.21 from any other heading, including another heading within that group.

