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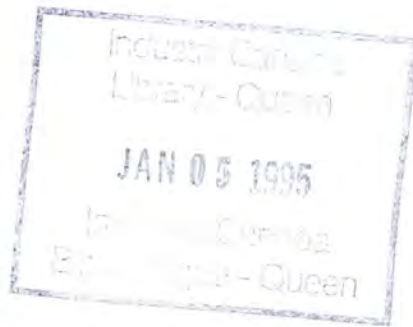
THE CHEMICALS SECTOR



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NAFTA AND THE CHEMICALS SECTOR



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



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NAFTA AND THE CANADIAN CHEMICALS 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 chemical manufacturers with continued preferential access to U.S. markets and new preferential access to Mexico. The state-owned energy company, PEMEX, has recently announced that it will withdraw from its production of secondary petrochemicals. The closure of some of these plants and privatization of others may provide new opportunities for some Canadian exporters.

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 Canadian chemical manufacturers. 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 North American chemicals market and highlights potential new market opportunities in Mexico.

TARIFFS FOR CHEMICALS

Under NAFTA, tariffs on qualifying chemicals and chemical compounds traded between Canada and Mexico will be eliminated under the various phase-out categories 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 or 10 years becoming duty free by January 1, 1998 or January 1, 2003.

Canada- United States Tariffs

Most 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 many chemicals have already been eliminated and the rest will be eliminated by January 1, 1998. However, the Canadian tariff phase-outs negotiated under the FTA on all pharmaceuticals, chapter 30, will be superseded by the tariff eliminations that are part of Canada's commitments to the recently concluded Uruguay Round negotiations of the General Agreement on Tariffs and Trade (GATT).

Schedule of Phase-Outs

Annex A contains a product-specific listing of the Mexican and Canadian tariff elimination schedules for some chemicals and compounds that may be of interest to Canadian companies. The applicable tariff phase-out stages for other chemicals 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 import tariffs on most chemicals ranged between 10 and 15 percent prior to NAFTA. Canada gained immediate tariff-free access to the Mexican market for a number of items such as:

- ▶ aluminum oxide, non-pharmaceutical grade, aluminum hydroxide and artificial corundum;
- ▶ most carboxylic acids with an alcohol function and their derivatives;
- ▶ choline and its salts;
- ▶ urea and most other fertilizers including potassium chloride;
- ▶ some organic surface-active cleaning agents; and
- ▶ insecticides, fungicides and most other pesticides.

Mexican tariffs will be eliminated over five years on a few products such as prepared additives for cements, mortars and concrete; pigments and colours used by the ceramic, enamelling and glass industries; and lubricating preparations, not containing petroleum oils, used for the treatment of textiles, leathers and fur skins.

Mexico negotiated longer term tariff phase-outs on a number of import sensitive items. A nine-year tariff elimination staging is being applied to most paints and dyes. Examples of items on a 10-year tariff elimination schedule that may be of interest to Canadian producers include ethylene glycol, chlorobenzene; acetic anhydride; benzoic and adipic acid and their salts and esters; adipic acid; most petroleum-based lubricating oils; and most rubber-based products including butadiene, styrene-butadiene and acrylonitrile-butadiene rubber.

Canadian Phase-Outs

Many chemicals entered Canada duty-free prior to NAFTA. As of January 1, 1994, Canada eliminated tariffs on many other qualifying chemicals imported from Mexico. Wherever possible Canada matched Mexico's staging categories for the longer-term phase-out items. A 10-year phase-out was negotiated on calcium chloride, mono- or disodium phosphates, trisodium phosphate, calcium phosphates and disodium carbonate.

Accelerated Duty Elimination

As with the FTA, there is an acceleration clause in NAFTA. Tariffs for chemicals and their compounds 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 CHEMICALS

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 chemical 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 most chemicals 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 chemical products. The changes affect molybdenum goods, where the NAFTA rule is more restrictive than the FTA rule, and certain pigments, colour lakes, and paints and varnishes, where NAFTA is less restrictive.

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 mixed alkylbenzene uses imported crude alkylbenzene from France. On occasion, the producer imports pure alkylbenzene from Germany to produce the finished product.

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

The producer determines that mixed alkylbenzene is classified under tariff subheading 3817.10. The non-North American materials fall under chapters 27 and 29, respectively.

The rule of origin for subheading 3817.10 (i.e. mixed alkylbenzene) requires “a change to subheading 3809.10 through 3823.90 from any other chapter, except from Chapter 28 through 38.” In this example, the mixed alkylbenzene would qualify under this part of the rule when the crude alkylbenzene classified in Chapter 27 was used since the non-North American input is classified in a chapter outside the range of chapters 28 through 38.

On occasions when the producer uses the pure alkylbenzene, the mixed alkylbenzene would not qualify under this part of the rule because the non-North American input (i.e. the pure alkylbenzene) is classified in Chapter 29.

However, the second part of the rule of origin for mixed alkylbenzene permits “a change to subheading 3809.10 through 3823.90 from any other subheading within Chapter 28 through 38...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 mixed alkylbenzene would qualify.

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 to firms whose products are subject to a value content requirement.



Classification and Origin Determination

Customs Administration

NAFTA CUSTOMS MATTERS

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.

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

Canadian manufacturers of chemicals 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.

While most government departments and agencies may not be large-scale purchasers of chemical products, there may be some opportunities in the newly opened U.S. departments of Energy and Transport, in the Army Corps of Engineers, and through the removal of the "Buy America" provisions of the *Rural Electrification Act*.

In Mexico, the giant state-owned utilities for oil and gas (PEMEX) and power (CFE) are also now subject to international tendering disciplines. Access 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.

Additional information on government procurement opportunities may be obtained from the Open Bidding Info Line listed in the contacts section of this publication.

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 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 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

Canadian Market

The Canadian chemicals industry comprises approximately 1,300 establishments employing 91,500 people.

The Canadian production of chemicals is estimated to be \$21.1 billion, with exports of \$6.8 billion and imports of \$10.1 billion. About 75 percent of Canada's import and export trade is with the United States.

Canada- United States Trade

Canada exports \$5 billion worth of chemicals and chemical products to the United States. These consist primarily of commodity products such as petrochemicals and ammonia. Due to competitively priced feedstocks, these are areas of strength for Canada.

Canada imports about \$7.7 billion worth of chemicals and chemical products from the United States, which have traditionally been concentrated in specialty and formulated chemicals tailored for specific end uses. These are product areas where the small size of the Canadian market has made it difficult for Canadian firms to operate competitively.

United States- Mexico Trade

Mexico's chemical industry has historically operated behind significant tariff and non-tariff barriers and has focused on its domestic market. To date, exports have not been significant.

Recent market reforms have had a major impact on this industry. The state-owned energy company, Petroleos Mexicanos (PEMEX), has significantly reduced its monopoly on the production of petrochemicals; the government-owned fertilizer producer, Fertimex, has been largely privatized; and tariffs and import controls have been greatly reduced.

In recent years, many higher cost chemical plants in Mexico have been closed and imports have increased significantly. By removing most of the remaining trade barriers, NAFTA should result in increased chemical imports from the United States.

Canada-Mexico Trade

Canada-Mexico trade in chemical products is very small. In 1992, Canadian exports to Mexico totalled \$11 million, mainly organic chemicals and toilet preparations. In that year, Canadian imports from Mexico stood at \$10 million, largely organic chemicals and soap and cleaning compounds.

**Competitive
Implications
of NAFTA**

NAFTA should not have a direct impact on the competitive factors affecting Canada-United States trade. It is anticipated, however, that NAFTA will result in increased exports of petrochemical products from the United States to Mexico. This diversion of U.S. production to the Mexican market might provide an opportunity for increased Canadian petrochemical shipments to northern U.S. states.

The direct impact of increased Mexican competition on the Canadian domestic chemical market is expected to be minimal in the early years. Mexico's chemical industry is still under development and will have to restructure significantly in order to become internationally competitive. Nevertheless should new facilities be built in Mexico, their products could compete directly with Canadian exports to the United States.

**New
Mexican Market
Opportunities**

For many years the Mexican market was highly regulated and largely closed to outside competition. Trade reforms and other economic policies have transformed this aspect of the Mexican market. NAFTA eliminates most of the remaining impediments to Canadian exports of chemicals.

Transportation costs prevent many Canadian produced chemicals from being supplied competitively to distant markets. Some limited export opportunities have been identified in the Mexican market. These include urea, ammonium sulphate and fertilizers based on potassium. Opportunities also exist for Canadian companies to export their technology and expertise through direct investments or joint ventures with Mexican companies.

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 Directorate
Tel.: (613) 954-3070
Fax: (613) 952-4209, 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 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
- ▶ 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
- ▶ 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 Agricultural Equipment, Seeds and Related Chemicals*

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 some chemicals and compounds that may be of an export interest to Canadian companies by their 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: 20 percent reduction on January 1, 1994, zero reduction on January 1, 1995, 10 percent reduction per year for years January 1, 1996 to January 1, 2000 and 30 percent reduction on January 1, 2001;
- C – tariff to be eliminated in 10 equal annual stages beginning January 1, 1994 and ending January 1, 2003;
- C10– tariff to be eliminated in nine stages as follows: a 20 percent reduction on January 1, 1994, no reduction year 2, the remaining 80 percent to be reduced in eight annual stages 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.

CHEMICALS

CANADA-MEXICO TARIFF PHASE-OUT SCHEDULE

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
1520.10	Glycerol (glycerine), crude and glycerol waters and lyes	1520.10.00	Free	D	1520.10.01	10	C
					1520.10.99	10	C
2503.10	Sulphur, crude or unrefined	2503.10.00	Free	D	2503.10.01	5	A
2801.10	Chlorine	2801.10.00	Free	D	2801.10.01	10	C
2803.00	Carbon (carbon blacks and other forms of carbon, nes)	2803.00.00	Free	D	2803.00.01	10	A
					2803.00.02	10	C
					2803.00.99	10	A
2804.10	Hydrogen	2804.10.00	6	A	2804.10.01	10	C
2804.21	Argon	2804.21.00	6	A	2804.21.01	10	C
2804.50	Boron; tellurium	2804.50.00	6	A	2804.50.01	10	A
					2804.50.02	10	A
2804.90	Selenium	2804.90.00	5	A	2804.90.01	10	A
2805.21	Calcium	2805.21.00	6	A	2805.21.01	10	A
2805.22	Strontium and barium	2805.22.00	6	A	2805.22.01	10	A
2806.10	Hydrogen chloride (hydrochloric acid)	2806.10.00	Free	D	2806.10.01	10	A
					2806.10.02	10	A
2807.00	Sulphuric acid; oleum	2807.00.00	Free	D	2807.00.01	10	C
2808.00	Nitric acid; sulphonitric acids	2808.00.00	Free	D	2808.00.01	10	A
					2808.00.02	10	A
					2808.00.03	10	A
2811.11	Hydrogen fluoride (hydrofluoric acid)	2811.11.00	Free	D	2811.11.01	10	B
					2811.11.99	10	A
2811.23	Sulphur dioxide	2811.23.00	Free	D	2811.23.01	10	C
2814.10	Anhydrous ammonia	2814.10.00	Free	D	2814.10.01	5	C
2815.12	Sodium hydroxide (caustic soda) in aqueous solution	2815.12.00	Free	D	2815.12.01	5	C
2815.20	Potassium hydroxide (caustic potash)	2815.20.00	Free	D	2815.20.01	10	C
					2815.20.02	10	C
2817.00	Zinc oxide; zinc peroxide	2817.00.00	Free	A	2817.00.01	10	C
					2817.00.02	10	A
2818.10	Artificial corundum	2818.10.00	Free	D	2818.10.01	10	A
					2818.10.99	10	A
2818.20	Aluminium oxide, nes	2818.20.00	Free	D	2818.20.01	Free	D
					2818.20.99	10	A
2818.30	Aluminium hydroxide	2818.30.00	Free	D	2818.30.01	10	A
					2818.30.02	10	C
2821.10	Iron oxides and hydroxides	2821.10.00	8	B	2821.10.01	10	C
					2821.10.02	10	A
					2821.10.03	10	A
2822.00	Cobalt oxides and hydroxides; commercial cobalt oxides	2822.00.10	Free	D	2822.00.01	10	A
		2822.00.90	Free	A			
2823.00	Titanium oxides	2823.00.00	Free	A	2823.00.01	10	A
					2823.00.02	10	A
2826.12	Aluminum fluoride	2826.12.00	Free	D	2826.12.01	10	C
2827.20	Calcium chloride	2827.20.00	8	C	2827.20.01	10	C

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
2827.32	Aluminium chloride	2827.32.00	Free	A	2827.32.01	10	A
					2827.32.99	10	A
2828.10	Commercial calcium hypochlorite and other calcium hypochlorites	2828.10.00	Free	D	2828.10.01	10	C
2828.90	Hypochlorites of metals, nes; chlorites and hypobromites of metals	2828.90.10	6	A	2828.90.01	10	A
		2828.90.90	Free	D	2828.90.02	10	A
					2828.90.99	10	A
2829.11	Sodium chlorate	2829.11.00	Free	D	2829.11.01	10	C
					2829.11.02	10	C
2830.10	Sodium sulphides	2830.10.00	Free	A	2830.10.01	10	A
					2830.10.02	10	A
					2830.10.03	10	A
					2830.10.99	10	A
2833.11	Disodium sulphate	2833.11.00	Free	A	2833.11.01	10	C
2833.22	Aluminium sulphate	2833.22.10	Free	D	2833.22.01	10	C
		2833.22.90	6	A			
2833.25	Copper sulphates	2833.25.10	Free	A	2833.25.01	10	C
		2833.25.90	6	A	2833.25.02	10	A
2835.31	Sodium triphosphate (sodium tripolyphosphate)	2835.31.00	8	C	2835.31.01	10	C
2835.39	Polyphosphates of metals, nes	2835.39.00	8	B	2835.39.01	10	C
					2835.39.02	10	A
					2835.39.03	10	A
					2835.39.04	10	A
					2835.39.05	10	A
					2835.39.06	10	C
2835.39.99	10	A					
2836.20	Disodium carbonate	2836.20.00	8	C	2836.20.01	10	C
2837.19	Cyanides and cyanide oxides of metals, nes	2837.19.00	Free	D	2837.19.01	10	A
					2837.19.99	10	C
2839.19	Silicates of sodium, nes	2839.19.00	Free	A	2839.19.01	10	C
					2839.19.99	10	C
2839.90	Silicates of metals, nes; commercial alkali metal silicates	2839.90.00	Free	D	2839.90.01	10	C
					2839.90.02	10	A
					2839.90.99	10	B
2842.10	Double or complex silicates of metals	2842.10.00	Free	D	2842.10.01	10	B
					2842.10.02	10	A
					2842.10.03	10	A
					2842.10.99	10	A
2842.90	Metallic salts of inorganic acids or peroxyacids, nes, including azides	2842.90.10	8	A	2842.90.01	10	A
					2842.90.02	10	A
					2842.90.03	10	A
					2842.90.99	10	A
2846.90	Compounds of rare-earth metals, nes, of yttrium or scandium or mixtures of these metals	2846.90.00	8	A	2846.90.01	10	B
					2846.90.02	10	A
					2846.90.99	10	A
2847.00	Hydrogen peroxide	2847.00.00	Free	A	2847.00.01	10	C
2849.10	Calcium carbide	2849.10.00	5	A	2849.10.01	10	A
2849.90	Carbides, nes	2849.90.00	Free	D	2849.90.01	10	A
					2849.90.02	10	A
2850.00	Hydrides, nitrides, azides, silicides and borides	2850.00.10	6	A	2850.00.01	10	A
					2850.00.02	10	A
					2850.00.99	10	A

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
2851.00	Inorganic compounds, nes, liquid air, compressed air, amalgams other than of precious metals	2851.00.00	8	A	2851.00.01	10	A
					2851.00.02	10	A
					2851.00.03	10	A
					2851.00.04	10	A
					2851.00.05	10	A
					2851.00.06	10	A
					2851.00.99	10	A
2901.10	Saturated acyclic hydrocarbons	2901.10.10	Free	D	2901.10.01	10	C
		2901.10.90	6	C	2901.10.02	10	C
					2901.10.03	10	C
					2901.10.99	5	C
2901.21	Ethylene	2901.21.00	Free	D	2901.21.01	10	C
2901.22	Propene (propylene)	2901.22.00	Free	D	2901.22.01	10	A
2901.24	Buta-1, 3-diene and isoprene	2901.24.10	Free	D	2901.24.01	Free	D
		2901.24.20	6	A			
2901.29	Unsaturated acyclic hydrocarbons, nes	2901.29.00	6	A	2901.29.01	10	A
					2901.29.99	10	C
2902.11	Cyclohexane	2902.11.00	6.5	A	2902.11.01	Free	D
2902.20	Benzene	2902.20.00	Free	D	2902.20.01	5	C
2902.30	Toluene	2902.30.00	Free	D	2902.30.01	Free	D
2902.41	o-Xylene	2902.41.00	Free	D	2902.41.01	Free	D
2902.42	m-Xylene	2902.42.00	Free	D	2902.42.01	5	C
2902.44	Mixed xylene isomers	2902.44.00	Free	D	2902.44.01	5	C
2902.50	Styrene	2902.50.00	5	A	2902.50.01	Free	D
2902.60	Ethylbenzene	2902.60.00	6	C	2902.60.01	10	C
2902.90	Cyclic hydrocarbons, nes	2902.90.00	6	B	2902.90.01	10	A
					2902.90.02	10	A
					2902.90.03	10	A
					2902.90.04	10	A
					2902.90.05	10	A
					2902.90.99	10	C
2903.14	Carbon tetrachloride	2903.14.00	6	B	2903.14.01	10	B
2903.15	1,2-Dichloroethane (ethylene dichloride)	2903.15.00	6.5	C	2903.15.01	5	C
2903.19	Chlorinated derivatives of saturated acyclic hydrocarbons, nes	2903.19.00	6	A	2903.19.01	10	A
					2903.19.02	10	A
					2903.19.03	10	A
					2903.19.99	10	A
2903.21	Vinyl chloride (chloroethylene)	2903.21.00	8	A	2903.21.01	Free	D
2903.23	Tetrachloroethylene (perchloroethylene)	2903.23.00	6	A	2903.23.01	5	A
2903.40	Halogenated derivatives of acyclic hydrocarbons containing two or more different halogens	2903.40.00	8	C	2903.40.01	10	C
					2903.40.02	10	C
					2903.40.03	10	C
					2903.40.04	10	C
					2903.40.05	10	C
					2903.40.06	10	C
					2903.40.07	10	C
					2903.40.08	10	C
					2903.40.09	10	C
					2903.40.10	10	C
					2903.40.99	10	C

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
2903.61	Chlorobenzene, o-dichlorobenzene and p-dichlorobenzene	2903.61.00	8	C	2903.61.01	10	C
2904.20	Derivatives of hydrocarbons containing only nitro or nitroso groups	2904.20.00	8	A	2904.20.01	10	A
					2904.20.02	10	A
					2904.20.03	10	C
					2904.20.04	10	C
					2904.20.05	10	A
					2904.20.06	10	A
					2904.20.07	10	A
					2904.20.99	10	A
2905.11	Methanol (methyl alcohol)	2905.11.00	5	A	2905.11.01	Free	D
2905.12	Propan-1-ol (propyl alcohol) and propan-2-ol (isopropyl alcohol)	2905.12.00	8	A	2905.12.01	10	A
					2905.12.02	Free	D
2905.31	Ethylene glycol (ethanediol)	2905.31.00	6.5	C	2905.31.01	10	C
2905.42	Pentaerythritol	2905.42.00	8	A	2905.42.01	Free	D
2905.50	Halogenated, sulphonated, nitrated or nitrosated derivatives of acyclic alcohols	2905.50.00	8	A	2905.50.01	10	A
					2905.50.02	10	A
					2905.50.03	10	A
					2905.50.99	10	A
2907.11	Phenol (hydroxybenzene) and its salts	2907.11.00	6	A	2907.11.01	10	C
					2907.11.99	10	C
2907.13	Octylphenol, nonylphenol and their isomers; salts thereof	2907.13.00	6	B	2907.13.01	10	A
					2907.13.02	10	C
					2907.13.99	10	A
2909.19	Acyclic ethers, nes; derivatives of acyclic ethers	2909.19.00	8	C	2909.19.01	10	A
					2909.19.02	10	A
					2909.19.03	Free	D
					2909.19.99	10	C
2909.41	2,2'-Oxydiethanol (diethylene glycol)	2909.41.00	8	C	2909.41.01	10	C
2909.49	Ether-alcohols, nes; derivatives of ether-alcohols	2909.49.00	8	C	2909.49.01	10	C
					2909.49.02	10	C
					2909.49.03	10	C
					2909.49.04	10	C
					2909.49.05	10	C
					2909.49.06	10	C
					2909.49.07	10	C
					2909.49.08	10	C
					2909.49.99	10	C
					2910.10	Oxirane (ethylene oxide)	2910.10.00
2910.20	Methyloxirane (propylene oxide)	2910.20.00	8	A	2910.20.01	Free	D
2912.11	Methanal (formaldehyde)	2912.11.00	5	A	2912.11.01	10	A
2914.19	Acyclic ketones without other oxygen function, nes	2914.19.00	6	A	2914.19.01	10	A
					2914.19.02	10	C
					2914.19.03	10	A
					2914.19.04	10	A
					2914.19.05	10	A
					2914.19.06	10	A
					2914.19.99	10	A
2915.24	Acetic anhydride	2915.24.00	8	C	2915.24.01	15	C
2915.32	Vinyl acetate	2915.32.00	8	C	2915.32.01	15	C

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
2915.50	Propionic acid, its salts and esters	2915.50.00	8	B	2915.50.01	10	A
					2915.50.02	10	A
					2915.50.03	15	A
					2915.50.04	10	A
					2915.50.99	10	B
2915.70	Palmitic acid, stearic acid, their salts and esters	2915.70.00	8	C	2915.70.01	15	C
					2915.70.02	15	C
					2915.70.03	15	C
					2915.70.04	15	C
					2915.70.05	15	C
					2915.70.06	15	C
					2915.70.07	15	C
					2915.70.08	10	C
					2915.70.09	10	C
					2915.70.10	15	C
					2915.70.11	15	C
					2915.70.12	10	C
					2915.70.99	10	C
2916.15	Oleic, linoleic or linolenic acids, their salts and esters	2916.15.00	8	C	2916.15.01	15	C
					2916.15.02	15	C
					2916.15.03	15	C
					2916.15.04	15	C
					2916.15.05	10	C
2916.15.99	15	C					
2916.31	Benzoic acid, its salts and esters	2916.31.00	8	C	2916.31.01	15	C
					2916.31.02	15	C
					2916.31.03	15	C
					2916.31.04	10	C
					2916.31.99	10	B
2916.39	Aromatic monocarboxylic acids and their derivatives, nes	2916.39.00	8	A	2916.39.01	10	A
					2916.39.02	10	A
					2916.39.03	10	A
					2916.39.04	10	A
					2916.39.05	10	A
					2916.39.99	10	C
2917.11	Oxalic acid, its salts and esters	2917.11.00	8	A	2917.11.01	10	C
					2917.11.02	10	C
2917.12	Adipic acid, its salts and esters	2917.12.00	8	C	2917.12.01	10	C
2917.19	Acyclic polycarboxylic acids and their derivatives, nes	2917.19.00	8	A	2917.19.01	10	C
					2917.19.02	15	A
					2917.19.03	10	A
					2917.19.04	10	A
					2917.19.05	10	A
					2917.19.06	10	A
					2917.19.07	10	A
					2917.19.08	15	A
					2917.19.09	10	A
					2917.19.99	10	A
2917.39	Aromatic polycarboxylic acids and their derivatives, nes	2917.39.00	8	B	2917.39.01	10	A
					2917.39.02	10	A
					2917.39.03	10	A
					2917.39.04	10	B
					2917.39.05	10	A
					2917.39.06	10	A
					2917.39.07	10	A
					2917.39.99	10	C

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
2918.19	Carboxylic acids with alcohol function only and their derivatives, nes	2918.19.10	Free	D	2918.19.01	10	A
		2918.19.90	8	A	2918.19.02	10	A
					2918.19.03	10	A
					2918.19.04	10	A
					2918.19.05	10	C
					2918.19.06	10	A
					2918.19.07	10	A
					2918.19.08	10	A
					2918.19.09	10	A
					2918.19.10	10	A
					2918.19.11	15	A
					2918.19.12	10	A
					2918.19.13	10	A
					2918.19.14	10	A
					2918.19.15	10	A
			2918.19.99	10	A		
2918.29	Carboxylic acids with phenol function only and their derivatives, nes	2918.29.00	Free	A	2918.29.01	15	C
					2918.29.02	10	B
					2918.29.03	5	A
					2918.29.04	15	C
					2918.29.05	10	A
					2918.29.06	10	A
					2918.29.07	10	A
					2918.29.99	10	A
		2920.90	Esters of inorganic acids, nes, their salts and their derivatives	2920.90.10	43.9c/l and 20%	A	2920.90.01
2920.90.20	Free			D	2920.90.02	10	A
2920.90.90	8			A	2920.90.03	10	A
					2920.90.04	15	C
					2920.90.05	10	A
					2920.90.06	10	A
					2920.90.07	10	A
					2920.90.08	10	A
					2920.90.09	15	C
					2920.90.10	10	A
					2920.90.11	10	A
					2920.90.12	10	A
					2920.90.13	10	A
					2920.90.14	10	A
					2920.90.15	10	A
			2920.90.16	15	A		
			2920.90.17	15	A		
			2920.90.99	10	A		
2921.11	Methylamine, di- or trimethylamine and their salts	2921.11.00	8	C	2921.11.01	15	C
					2921.11.02	15	C
					2921.11.03	15	C
					2921.11.99	10	C
2921.19	Acyclic monoamines, nes, and their derivatives; salts thereof	2921.19.00	8	C	2921.19.01	10	A
					2921.19.02	15	C
					2921.19.03	10	C
					2921.19.04	15	C
					2921.19.05	15	C
					2921.19.06	10	C
					2921.19.07	10	C
					2921.19.08	10	C
					2921.19.09	10	A
					2921.19.10	10	A
					2921.19.11	10	A
					2921.19.12	15	C
			2921.19.99	10	C		
2921.22	Hexamethylenediamine and its salts	2921.22.00	8	C	2921.22.01	10	C

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
2921.29	Acyclic polyamines, nes, and their derivatives; salts thereof	2921.29.00	8	B	2921.29.01	10	C
					2921.29.02	10	C
					2921.29.03	10	C
					2921.29.04	10	A
					2921.29.05	10	A
					2921.29.06	10	A
					2921.29.07	10	A
					2921.29.08	10	C
					2921.29.09	15	C
					2921.29.10	10	A
					2921.29.11	10	A
					2921.29.99	10	C
					2921.44	Diphenylamine and its derivatives; salts thereof	2921.44.00
2921.44.02	Free	D					
2921.44.03	15	C					
2921.44.04	10	C					
2921.44.05	10	A					
2921.44.06	10	A					
2921.44.99	10	A					
2921.51	o-,m-,p-Phenylenediamine, diaminotoluenes and their derivatives; salts thereof	2921.51.00	8	A	2921.51.01	10	A
					2921.51.02	Free	D
					2921.51.03	10	A
					2921.51.04	10	A
					2921.51.05	10	A
					2921.51.99	10	A
2922.19	Amino-alcohols, nes, their ethers and esters; salts thereof	2922.19.00	8	A	2922.19.01	10	A
					2922.19.02	10	C
					2922.19.03	10	A
					2922.19.04	10	A
					2922.19.05	10	A
					2922.19.06	10	A
					2922.19.07	10	C
					2922.19.08	10	A
					2922.19.09	10	A
					2922.19.10	15	A
					2922.19.11	10	A
					2922.19.12	10	A
					2922.19.13	10	A
					2922.19.14	15	A
					2922.19.15	10	A
					2922.19.16	10	A
					2922.19.17	10	A
					2922.19.18	10	A
					2922.19.19	10	A
					2922.19.20	15	A
2922.19.21	5	A					
2922.19.22	10	A					
2922.19.23	10	A					
2922.19.24	10	C					
2922.19.99	10	A					
2923.10	Choline and its salts	2923.10.00	8	A	2923.10.01	10	A
					2923.10.02	10	A
					2923.10.03	15	A
2924.10	Acyclic amides and their derivatives; salts thereof	2924.10.00	8	B	2924.10.01	10	B
					2924.10.02	10	B
					2924.10.03	10	A
					2924.10.04	10	A
					2924.10.05	15	A
					2924.10.06	10	A
					2924.10.07	10	A
					2924.10.08	10	A
					2924.10.99	10	A

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
					2924.10.10	10	A
					2924.10.11	15	C
					2924.10.12	10	A
					2924.10.13	10	A
					2924.10.14	10	A
					2924.10.15	10	A
					2924.10.99	10	A
2926.20	1-Cyanoguanidine (dicyandiamide)	2926.20.00	8	A	2926.20.01	10	A
2929.10	Isocyanates	2929.10.00	8	B	2929.10.01	10	A
					2929.10.02	10	A
					2929.10.03	10	A
					2929.10.04	15	C
					2929.10.05	10	A
					2929.10.99	10	B
2929.90	Compounds with other nitrogen function, nes	2929.90.00	8	A	2929.90.01	10	A
					2929.90.99	10	A
2930.10	Dithiocarbonates (xanthates)	2930.10.00	6.5	C	2930.10.01	15	C
					2930.10.99	10	C
2930.40	Methionine	2930.40.00	8	A	2930.40.01	Free	D
2933.29	Heterocyclic compounds containing unfused imidazole ring in the structure, nes	2933.29.00	8	B	2933.29.01	15	A
					2933.29.02	15	A
					2933.29.03	10	C
					2933.29.04	10	A
					2933.29.05	10	A
					2933.29.06	15	C
					2933.29.07	15	A
					2933.29.08	10	C
					2933.29.09	10	A
					2933.29.10	10	A
					2933.29.11	15	A
					2933.29.13	10	A
					2933.29.14	10	C
					2933.29.15	10	A
					2933.29.16	10	A
					2933.29.17	15	A
					2933.29.99	10	A
2933.59	Heterocyclic compounds containing a pyrimidine ring or piperazine ring, nes; nucleic acids and their salts	2933.59.00	8	B	2933.59.01	10	A
					2933.59.02	10	A
					2933.59.03	10	A
					2933.59.04	10	A
					2933.59.05	10	A
					2933.59.06	10	C
					2933.59.07	15	C
					2933.59.08	10	C
					2933.59.09	10	A
					2933.59.10	15	C
					2933.59.11	10	A
					2933.59.12	10	A
					2933.59.99	10	A
3102.10	Urea, whether or not in aqueous solution in packages weighing more than 10 kg	3102.10.00	Free	D	3102.10.01	10	A
3102.21	Ammonium sulphate, in packages weighing more than 10 kg	3102.21.00	Free	D	3102.21.01	10	B
3102.29	Ammonium sulphate/nitrate mixtures or double salts in packages weighing > 10 kg	3102.29.00	Free	D	3102.29.01	10	A

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3102.30	Ammonium nitrate, whether or not in aqueous solution in packages weighing > 10 kg	3102.30.00	Free	D	3102.30.01	10	A
3102.80	Urea/ammonium nitrate mixture in aqueous or ammoniacal solution in packages of > 10 kg	3102.80.00	Free	D	3102.80.01	10	A
3102.90	Mineral or chemical fertilizers nitrogenous, nes, in packages weighing > 10 kg	3102.90.00	Free	D	3102.90.01	10	A
3104.20	Potassium chloride, in packages weighing more than 10 kg	3104.20.00	Free	D	3104.20.01	10	A
3104.90	Mineral or chemical fertilizers, potassic, nes, in packages weighing > 10 kg	3104.90.00	Free	D	3104.90.01	10	A
					3104.90.02	10	A
					3104.90.99	10	A
3105.20	Fertilizers containing nitrogen, phosphorus and potassium in packages weighing less than 10 kg	3105.20.00	Free	D	3105.20.01	10	A
3105.30	Diammonium phosphate, in packages weighing less than 10 kg	3105.30.00	Free	D	3105.30.01	10	B
3105.40	Monoammonium phosphate and mixtures thereof with diammonium phosphate, in packages of < 10 kg	3105.40.00	Free	D	3105.40.01	10	A
					3105.40.99	10	A
3105.59	Fertilizers containing nitrogen and phosphorus, nes, in packages weighing < 10 kg	3105.59.00	Free	D	3105.59.99	10	A
3105.90	Fertilizers, nes, in packages not exceeding 10 kg	3105.90.00	Free	D	3105.90.01	10	A
					3105.90.02	10	A
					3105.90.99	10	A
3204.11	Disperse dyes and preparations based thereon	3204.11.00	Free	D	3204.11.01	15	C10
					3204.11.02	5	C10
					3204.11.99	Free	D
3204.16	Reactive dyes and preparations based thereon	3204.16.00	Free	D	3204.16.01	15	C10
					3204.16.99	Free	D
3204.17	Synthetic organic pigments and preparations based thereon	3204.17.10	Free	A	3204.17.01	Free	D
		3204.17.20	8	A	3204.17.02	15	C10
		3204.17.90	8	A	3204.17.99	Free	D
3204.19	Synthetic organic colouring matter, nes, mixtures of synthetic organic colouring matter	3204.19.00	Free	D	3204.19.01	Free	D
					3204.19.02	15	C10
					3204.19.03	15	C10
					3204.19.04	5	C10
					3204.19.99	Free	D
3206.10	Pigments and preparations based on titanium dioxide	3206.10.00	Free	A	3206.10.01	15	A
3206.20	Pigments and preparations based on chromium compounds	3206.20.00	8	B	3206.20.01	15	B
					3206.20.02	15	A
3206.49	Inorganic colouring matter, nes, and preparations based thereon	3206.49.10	5	A	3206.49.01	10	B
		3206.49.80	8	A	3206.49.02	10	A
		3206.49.90	Free	A	3206.49.03	10	A
					3206.49.99	15	A
3212.10	Stamping foils	3212.10.00	6	A	3212.10.01	15	A
					3212.10.99	15	A

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3212.90	Pigments dispersed in a non-aqueous media for manufacturing paints and dyes, packaged for retail	3212.90.00	6	C	3212.90.01	10	C
					3212.90.02	15	C
					3212.90.99	15	C
3402.11	Anionic surface-active agents	3402.11.00	8.5	B	3402.11.01	15	B
					3402.11.02	15	C
					3402.11.03	10	C
					3402.11.99	15	C
3402.12	Cationic surface-active agents	3402.12.00	8.5	B	3402.12.01	15	A
					3402.12.02	15	C
					3402.12.03	10	A
					3402.12.99	15	B
3402.13	Non-ionic surface active agents	3402.13.00	8.5	B	3402.13.01	15	C
					3402.13.02	10	C
					3402.13.03	15	A
					3402.13.99	15	A
3402.19	Organic surface-active agents, nes	3402.19.00	8.5	A	3402.19.01	15	A
					3402.19.02	15	A
					3402.19.03	15	A
					3402.19.99	15	A
3402.20	Surface-active preparations and cleaning preparations in packages for retail sale	3402.20.10	12.5	C	3402.20.01	10	A
			8.5	C	3402.20.02	10	A
		3402.20.90	3402.20.03	15	C		
			3402.20.04	20	C		
			3402.20.05	15	C		
			3402.20.06	10	A		
			3402.20.99	15	C		
3402.90	Surface-active preparations, washing and cleaning preparations, nes	3402.90.00	8	B	3402.90.99	15	B
3403.19	Lubricating and similar preparations containing $\geq 70\%$ by weight of petroleum oils, nes	3403.19.10	5	A	3403.19.01	10	A
		3403.19.90	8	A	3403.19.99	15	A
3601.00	Propellent powders	3601.00.00	5	A	3601.00.01	10	A
					3601.00.99	15	A
3602.00	Prepared explosives, other than propellent powders	3602.00.00	7.5	A	3602.00.01	15	A
					3602.00.02	10	A
					3602.00.99	15	A
3603.00	Safety or detonating fuses; percussion or detonating caps; igniters; electric detonators	3603.00.00	7.5	A	3603.00.01	15	A
					3603.00.02	15	A
					3603.00.99	10	A
3605.00	Matches	3605.00.10	4.5	A	3605.00.01	20	C
		3605.00.90	Free	A			
3803.00	Tall oil, whether or not refined	3803.00.00	Free	D	3803.00.01	10	C
3804.00	Residual lyes from the manufacture of wood pulp	3804.00.00	8	A	3804.00.01	10	A
					3804.00.02	10	A
					3804.00.99	10	A
3805.10	Gum, wood or sulphate turpentine oils	3805.10.00	Free	D	3805.10.01	15	C
					3805.10.99	15	A
3806.10	Rosin	3806.10.00	Free	D	3806.10.01	10	A

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3806.90	Resin acids and derivatives, nes; rosin derivatives, nes; rosin spirit and rosin oils; run gums	3806.90.00	Free	D	3806.90.01	15	A
					3806.90.02	15	A
					3806.90.03	15	A
					3806.90.04	15	B
					3806.90.05	15	A
					3806.90.99	15	A
3808.10	Insecticides, packaged for retail sale or formulated	3808.10.10	Free	A	3808.10.01	15	A
		3808.10.20	Free	D	3808.10.02	10	A
					3808.10.03	10	A
3808.20	Fungicides, packaged for retail sale or formulated	3808.20.10	Free	A	3808.20.01	10	A
		3808.20.20	Free	D	3808.20.99	15	A
3808.30	Herbicides, anti-sprouting products and plant growth regulators packaged for retail or formulated	3808.30.10	Free	A	3808.30.01	15	A
		3808.30.20	Free	D	3808.30.02	15	B
					3808.30.03	10	A
					3808.30.99	15	C
3808.90	Pesticides including rodenticides, nes, packaged for retail sale or formulated	3808.90.10	Free	A	3808.90.01	15	A
		3808.90.20	Free	D	3808.90.02	10	A
					3808.90.99	15	C
3809.91	Finishing agents, dye carriers and other preparations, nes, for use in the textile industry	3809.91.10	Free	D	3809.91.01	15	A
		3809.91.20	5	A			
		3809.91.90	8	A			
3809.92	Finishing agents, dye carriers and other preparations, nes, for use in the paper industry	3809.92.10	5	A	3809.92.01	15	A
		3809.92.90	8	A	3809.92.02	10	A
					3809.92.99	15	A
3811.11	Anti-knock preparations based on lead compounds	3811.11.00	5	C	3811.11.01	15	A
					3811.11.99	15	C
3811.21	Lubricating oil additives containing petroleum oils or oils obtained from bituminous minerals	3811.21.00	8	C	3811.21.01	15	C
					3811.21.02	20	C
3811.29	Lubricating oil additives, nes	3811.29.00	8	C	3811.29.99	15	C
3811.90	Prepared additives for mineral oils or for other similar liquids, nes	3811.90.00	8	C	3811.90.01	15	C
					3811.90.99	15	C
3812.30	Anti-oxidizing preparations and other compounds for stabilizing rubber or plastics	3812.30.10	Free	D	3812.30.01	15	C
		3812.30.90	8	B	3812.30.99	15	A
3813.00	Preparations and charges for fire-extinguishers; charged fire-extinguishing grenades	3813.00.00	8	C	3813.00.01	15	C
					3813.00.02	15	C
					3813.00.03	15	C
					3813.00.99	15	C
3814.00	Organic composite solvents and thinners, nes; prepared paint and varnish removers	3814.00.00	8	A	3814.00.01	15	A
					3814.00.02	15	A
3815.11	Supported catalysts, with nickel or nickel compounds as the active substance	3815.11.00	8	A	3815.11.01	10	A
					3815.11.02	10	A
					3815.11.99	10	A
3815.12	Supported catalysts, with precious metal or compounds thereof as the active substance	3815.12.00	8	A	3815.12.01	10	A
					3815.12.02	10	A
					3815.12.99	10	A
3815.19	Supported catalysts, nes	3815.19.00	8	A	3815.19.01	15	B
					3815.19.99	10	A
3815.90	Reaction initiators, reaction accelerators and catalytic preparations, nes	3815.90.00	8	A	3815.90.01	10	A
					3815.90.02	15	C
					3815.90.03	10	A
					3815.90.99	15	A

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3818.00	Chemical compounds and elements in the form of discs, wafers etc. doped for electronics	3818.00.00	8	A	3818.00.01	15	A
3820.00	Anti-freezing preparations and prepared de-icing fluids	3820.00.00	8	C	3820.00.01	15	C
3823.40	Prepared additives for cements, mortars or concretes	3823.40.00	8	B	3823.40.01	15	B
					3823.40.99	15	B
3902.10	Polypropylene	3902.10.00	6.5	B+	3902.10.01	10	B+
					3902.10.99	10	C
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	Free	D
					3902.90.99	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
		3903.19.90	6	C	3903.19.02	15	C
					3903.19.99	15	C
3903.30	Acrylonitrile-butadiene-styrene (ABS) copolymers	3903.30.10	7	C	3903.30.01	10	C
		3903.30.90	6	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
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
3907.20	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

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
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
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
3909.40	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					
3911.90	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

SUB-HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
3912.11	Cellulose acetates, non-plasticized	3912.11.00	6	C	3912.11.01	10	C
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	15	A
					3913.10.99	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
					3914.00.90	4.5	A
					3914.00.99	15	A
4002.11	Latex	4002.11.00	Free	D	4002.11.01	15	C
					4002.11.02	10	C
					4002.11.03	15	C
					4002.11.99	15	C
4002.19	Styrene-butadiene rubber (SBR); carboxylated styrene-butadiene rubber (XSBR), nes	4002.19.00	Free	D	4002.19.01	10	C
					4002.19.02	15	C
					4002.19.99	10	C
4002.20	Butadiene rubber (BR)	4002.20.00	Free	D	4002.20.01	15	C
4002.31	Isobutene-isoprene (butyl) rubber (IIR)	4002.31.00	Free	D	4002.31.01	Free	D
					4002.31.99	10	C
4002.39	Halo-isobutene-isoprene rubber (CIIR or BIIR)	4002.39.00	Free	D	4002.39.01	Free	D
					4002.39.99	10	C
4002.59	Acrylonitrile-butadiene rubber (NBR), nes	4002.59.00	Free	D	4002.59.01	10	C
					4002.59.02	10	C
					4002.59.03	10	C
					4002.59.04	15	C
					4002.59.99	15	C

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

ANNEX B

Rules of Origin for Chemicals

Chapter 28

Inorganic Chemicals; Organic or Inorganic Compounds of Precious Metals, of Rare-Earth Metals, of Radioactive Elements or of Isotopes

28.01-28.24

A change to subheading 2801.10 through 2824.90 from any other chapter, except from Chapter 28 through 38; or

A change to subheading 2801.10 through 2824.90 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.

2825.10-2825.60

A change to subheading 2825.10 through 2825.60 from any other chapter, except from Chapter 28 through 38; or

A change to subheading 2825.10 through 2825.60 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.

2825.70

A change to subheading 2825.70 from any other subheading, except from subheading 2613.10.

2825.80-2825.90

A change to subheading 2825.80 through 2825.90 from any other chapter, except from Chapter 28 through 38; or

A change to subheading 2825.80 through 2825.90 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.

28.26-28.29

A change to subheading 2826.11 through 2829.90 from any other chapter, except from Chapter 28 through 38; or

A change to subheading 2826.11 through 2829.90 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.

- 2830.10-2830.30 A change to subheading 2830.10 through 2830.30 from any other chapter, except from Chapter 28 through 38; or
A change to subheading 2830.10 through 2830.30 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.
- 2830.90 A change to subheading 2830.90 from any other subheading, except from subheading 2613.90.
- 28.31-28.40 A change to subheading 2831.10 through 2840.30 from any other chapter, except from Chapter 28 through 38; or
A change to subheading 2831.10 through 2840.30 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.
- 2841.10-2841.60 A change to subheading 2841.10 through 2841.60 from any other chapter, except from Chapter 28 through 38; or
A change to subheading 2841.10 through 2841.60 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.
- 2841.70 A change to subheading 2841.70 from any other subheading, except from subheading 2613.10.
- 2841.80-2841.90 A change to subheading 2841.80 through 2841.90 from any other chapter, except from Chapter 28 through 38; or
A change to subheading 2841.80 through 2841.90 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.
- 28.42-28.51 A change to subheading 2842.10 through 2851.00 from any other chapter, except from Chapter 28 through 38; or

A change to subheading 2842.10 through 2851.00 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.

Chapter 29

Organic Chemicals

29.01-29.42

A change to subheading 2901.10 through 2942.00 from any other chapter, except from Chapter 28 through 38; or

A change to subheading 2901.10 through 2942.00 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.

Chapter 31

Fertilizers

31.01-31.05

A change to subheading 3101.00 through 3105.90 from any subheading outside that group; or

A change to subheading 3101.00 through 3105.90 from any other subheading within that group, whether or not there is also a change from any other chapter, 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.

Chapter 32

Tanning or Dyeing Extracts; Tannins and Their Derivatives; Dyes, Pigments and Other Colouring Matter; Paints and Varnishes; Putty and Other Mastics; Inks

32.01-32.03

A change to subheading 3201.10 through 3203.00 from any other chapter, except from Chapter 28 through 38; or

A change to subheading 3201.10 through 3203.00 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.

- 3204.11-3204.16 A change to subheading 3204.11 through 3204.16 from any other chapter, except from Chapter 28 through 38; or
- A change to subheading 3204.11 through 3204.16 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.
- 3204.17 For any color, as defined under the Color Index, identified in the following List of Colors, a change to subheading 3204.17 from any other subheading.
- List of Colors**
- pigment yellow: 1, 3, 16, 55, 61, 62, 65, 73, 74, 75, 81, 97, 120, 151, 152, 154, 156, and 175
- pigment orange: 4, 5, 13, 34, 36, 60, and 62
- pigment red: 2, 3, 5, 12, 13, 14, 17, 18, 19, 22, 23, 24, 31, 32, 48, 49, 52, 53, 57, 63, 112, 119, 133, 146, 170, 171, 175, 176, 183, 185, 187, 188, 208, and 210; or
- For any color, as defined under the Color Index, not identified in the List of Colors:
- (a) a change to subheading 3204.17 from any other subheading, except from within Chapter 29; or
 - (b) a change to subheading 3204.17 from any subheading within Chapter 29, whether or not there is also a change from any other subheading, provided there is a regional value content of not less than:
 - (i) 60 percent where the transaction-value method is used, or
 - (ii) 50 percent where the net-cost method is used.
- 3204.19-3204.90 A change to subheading 3204.19 through 3204.90 from any other chapter, except from Chapter 28 through 38; or
- A change to subheading 3204.19 through 3204.90 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.
- 32.05 A change to heading 32.05 from any other heading.

- 32.06-32.07 A change to subheading 3206.10 through 3207.40 from any other chapter, except from Chapter 28 through 38; or
A change to subheading 3206.10 through 3207.40 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.
- 32.11-32.12 A change to heading 32.11 through 32.12 from any heading outside that group.
- Chapter 34** **Soap, Organic Surface-active Agents, Washing Preparations, Lubricating Preparations, Artificial Waxes, Prepared Waxes, Polishing or Scouring Preparations, Candles and Similar Articles, Modelling Pastes, "Dental Waxes" and Dental Preparations with a Basis of Plaster**
- 34.01 A change to subheading 3401.11 through 3401.20 from any other heading; or
A change to subheading 3401.11 through 3401.20 from any other subheading within heading 34.01, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
- (a) 65 percent where the transaction-value method is used, or
 - (b) 50 percent where the net-cost method is used.
- 3402.11-3402.19 A change to subheading 3402.11 through 3402.19 from any other heading; or
A change to subheading 3402.11 through 3402.19 from any other subheading within heading 34.02, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
- (a) 65 percent where the transaction-value method is used, or
 - (b) 50 percent where the net-cost method is used.
- 3402.20-3402.90 A change to subheading 3402.20 through 3402.90 from any subheading outside that group; or
A change to subheading 3402.20 through 3402.90 from any other subheading within that group, whether or not there is also a change from any subheading outside that group, provided there is a regional value content of not less than:
- (a) 65 percent where the transaction-value method is used, or
 - (b) 50 percent where the net-cost method is used.

- 34.03 A change to subheading 3403.11 through 3403.99 from any other heading; or
 A change to subheading 3403.11 through 3403.99 from any other subheading within heading 34.03, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
- (a) 65 percent where the transaction-value method is used, or
 - (b) 50 percent where the net-cost method is used.
- 34.04 A change to subheading 3404.10 through 3404.90 from any other heading; or
 A change to subheading 3404.10 through 3404.90 from any other subheading within heading 34.04, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
- (a) 65 percent where the transaction-value method is used, or
 - (b) 50 percent where the net-cost method is used.
- 34.05 A change to subheading 3405.10 through 3405.90 from any other heading; or
 A change to subheading 3405.10 through 3405.90 from any other subheading within heading 34.05, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
- (a) 65 percent where the transaction-value method is used, or
 - (b) 50 percent where the net-cost method is used.
- Chapter 36 Explosives; Pyrotechnic Products; Matches; Pyrophoric Alloys; Certain Combustible Preparations**
- 36.01-36.03 A change to heading 36.01 through 36.03 from any other heading, including another heading within that group.
- 36.04 A change to subheading 3604.10 through 3604.90 from any other heading; or
 A change to subheading 3604.10 through 3604.90 from any other subheading within heading 36.04, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
- (a) 65 percent where the transaction-value method is used, or
 - (b) 50 percent where the net-cost method is used.
- 36.05 A change to heading 36.05 from any other heading.

36.06 A change to subheading 3606.10 through 3606.90 from any other heading; or

A change to subheading 3606.10 through 3606.90 from any other subheading within heading 36.06, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 65 percent where the transaction-value method is used, or
- (b) 50 percent where the net-cost method is used.

Chapter 38

Miscellaneous Chemical Products

38.01-38.07

A change to subheading 3801.10 through 3807.00 from any other chapter, except from Chapter 28 through 38; or

A change to subheading 3801.10 through 3807.00 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.

38.08

Note: A material, imported into the territory of a Party for use in the production of a good classified under heading 38.08, shall be treated as a material originating in the territory of a Party if:

- (a) such material is eligible, in the territories of both that Party and the Party to whose territory the good is exported, for duty-free treatment at the most-favored-nation rate of duty; or
- (b) the good is exported to the territory of the United States and such material would, if imported into the territory of the United States, be free of duty under a trade agreement that is not subject to a competitive need limitation.

A change to heading 38.08 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 and the good contains no more than one active ingredient, or 80 percent where the transaction-value method is used and the good contains more than one active ingredient; or
- (b) 50 percent where the net-cost method is used and the good contains no more than one active ingredient, or 70 percent where the net-cost method is used and the good contains more than one active ingredient.

38.09-38.23

A change to subheading 3809.10 through 3823.90 from any other chapter, except from Chapter 28 through 38; or

A change to subheading 3809.10 through 3823.90 from any other subheading within Chapter 28 through 38, including another subheading within that group, whether or not there is also a change from any other chapter, 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.

Chapter 40**Rubber and Articles Thereof**

40.01-40.06

A change to heading 40.01 through 40.06 from any other chapter; or

A change to heading 40.01 through 40.06 from any other heading within Chapter 40, including another heading within that group, whether or not there is also a change from any other chapter, 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.

