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THE CONSTRUCTION MATERIALS SECTOR



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NAFTA AND THE CONSTRUCTION MATERIALS SECTOR



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NAFTA AND THE CANADIAN CONSTRUCTION MATERIALS 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 construction materials with continued preferential access to U.S. markets and new preferential access to Mexico. The Mexican demand for construction materials is expected to grow as their economy strengthens. This may provide new export opportunities for some Canadian firms.

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

This booklet highlights key aspects of the Agreement for Canadian manufacturers of construction materials including fabricated metal products, such as metal doors and windows, and plumbing fixtures; and non-metallic mineral-based materials, such as concrete products, flat glass and dimension stone. 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 construction materials market in North America and highlights potential new market opportunities in Mexico.

Information on wood and plastic construction materials is contained in the sector specific NAFTA booklets on *Wood and Wood Products* and *Plastics*.

TARIFFS FOR CONSTRUCTION MATERIALS

Under NAFTA, tariffs on qualifying construction materials traded between Canada, the United States and Mexico will be eliminated under the various tariff phase-out categories established by the Agreement. Some tariffs were eliminated immediately on implementation of the Agreement on January 1, 1994, while most others will be reduced over five and ten years becoming zero on January 1, 1998 or January 1, 2003.

Canada- United States Tariffs

Trade between the United States and Canada will continue to be governed by the tariff phase-outs negotiated under the provisions of the Canada-United States Free Trade Agreement (FTA). These phase-out schedules are unaffected by NAFTA. Under the FTA, tariffs for most construction materials 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 some construction materials that may be of interest to Canadian firms. The applicable tariff phase-out stages for other products and inputs are listed in the country-specific NAFTA tariff schedules.

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

Mexican Phase-Outs

Most Mexican import tariffs will be eliminated over the five and ten-year phase-out periods as Mexico considered this sector to be sensitive to competition from U.S. and Canadian suppliers. However, Mexico did immediately eliminate tariffs on the following items that may be of export interest to Canadian firms:

- ▶ crude and roughly trimmed marble, travertine and granite, and building stone;
- ▶ refined copper pipe and tube fittings;
- ▶ plasters;
- ▶ copper sanitary ware and parts; and
- ▶ building bricks, some glazed ceramic tiles and glass blocks, bricks and squares;
- ▶ prefabricated buildings.

Mexico will eliminate tariffs by January 1, 1998 on various other construction materials of potential interest to Canadian firms, notably portland and hydraulic cement, asphalt in rolls, plaster board, some copper alloy fittings and zinc fabricated building components such as gutters, roof cappings and skylight frames.

**Canadian
Phase-Outs**

Almost half of the Canadian import tariffs on construction materials were eliminated as of January 1, 1994.

A 10-year phase-out was negotiated on some items in order to give Canadian manufacturers more time to adjust to this new open trading environment. These include, for example, welded iron or steel angles, shapes and sections; stainless steel elbows, pipe and tube fittings and flanges; iron and steel sanitary ware and threaded elbows and sleeves.

**Treatment
of Jointly
Produced Goods**

NAFTA protects Canadian construction materials manufacturers 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 construction materials 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 CONSTRUCTION MATERIALS

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 construction materials 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 construction materials 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.

Most construction materials that qualified for FTA treatment by meeting the “tariff change” specified in the FTA rule of origin will continue to qualify under the NAFTA rules. There are, however, changes in some of the product-specific rules that involve more restrictions (i.e. certain glass and copper products) and some that involve fewer restrictions (i.e. certain zinc goods).

How NAFTA Rules Differ from the FTA Rules

NAFTA has also 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.

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. 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 laminated safety glass uses imported float glass from the United States and cellulose acetate sheets from the United Kingdom.

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

The producer determines that laminated safety glass is classified under tariff heading 7007. The non-North American material (i.e. the cellulose acetate sheets) falls under heading 3920.

The rule of origin for heading 7007 (i.e. laminated safety glass) requires “a change to heading 7003 through 7009 from any heading outside that group.” In this example, the laminated safety glass in question would qualify, as the non-North American input is classified under heading 3920 which is outside the group of headings 7003 through 7009.

If the producer made the same product but used German float glass (classified under heading 7005), the laminated safety glass would not qualify, as the non-North American input was classified within the group of headings 7003 through 7009.

**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

Method of Marking

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

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

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

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

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

Country of Origin

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

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

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

WHAT ELSE YOU SHOULD KNOW

Temporary Entry for Business Purposes

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

Canadian manufacturers of construction materials 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.

For the first time, suppliers of Canadian building materials will have competitive access to many U.S. construction contracts and sub-contracts. They have also gained access to the previously closed departments of Energy and Transport and the Army Corps of Engineers. In addition, the "Buy America" provisions under the *Rural Electrification Act* have been removed.

NAFTA also secures competitive access for Canadian firms to purchases of goods, services and construction by most federal government departments, agencies and government enterprises in Mexico, including TELECOM, PEMEX and CFE, the giant state-owned telecommunications, oil and gas, and power utilities. 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. Certain preferences have also been retained in connection with indirect procurements funded by the U.S. federal government, most significantly in the area of transportation-related construction and urban mass transit. As a reflection of these continuing exceptions, Canada has similarly retained flexibility to apply domestic preferences for selected contracts in designated sectors.

The Agreement does include detailed tendering procedures, a requirement for governments to publish most procurement request opportunities, and bid challenge procedures similar to those in place under the FTA. This results in a 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.

Intellectual Property Rights

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

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

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

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

Other NAFTA Provisions

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

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

THE CANADIAN INDUSTRY IN A NORTH AMERICAN CONTEXT

Canadian Market

The Canadian construction materials sector includes manufacturers of fabricated metal products, such as architectural products, doors and windows, and plumbing fixtures; and non-metallic mineral-based materials, such as flat glass, concrete products, building brick, gypsum wallboard and dimension stone.

World trade in construction materials has grown substantially in the past 10 years, in line with the increased economic globalization. Canadian exports of metallic and non-metallic mineral-based construction products have increased, with exports of \$1.2 billion in 1992. Nearly 85 percent of these were to the United States.

The demand for construction products should remain strong. Low interest rates and depressed real estate prices are expected to stimulate growth in the housing sector. Construction materials will also be required for infrastructure modernization projects associated with environmental and water conservation projects.

Canada- United States Trade

In the construction materials sector, Canada and the United States are each other's most important export markets. With the elimination of tariffs on construction materials, trade between the two countries will continue to expand.

Imports account for over 20 percent of the Canadian construction materials market, with 60 percent of these supplied by the United States. American construction materials are well established in the Canadian market. The United States is expected to continue to be the dominant foreign supplier.

Canada-Mexico Trade

Over the past five years, exports of Canadian construction products to Mexico have been confined largely to crude asbestos. However, in recent years, Mexican trade barriers have been significantly reduced.

The main Mexican exports to Canada have been crude gypsum, building stone, glazed ceramic tiles, ceramic sinks and sanitary fixtures.

United States- Mexico Trade

U.S. manufacturers are the largest suppliers of building materials to the Mexican market, and account for over 70 percent of imports. This predominance is due to geographical proximity and dedicated marketing efforts. The ongoing elimination of tariff and non-tariff barriers should increase opportunities for U.S. suppliers. Mexico ranks second to Canada as the most important export market for the United States.

NAFTA and the North American Industry

The integrated, competitive business environment created by NAFTA should stimulate both trade and investment. NAFTA will provide opportunities for exports of products, materials and, in some cases, technology. The reduction or elimination of tariffs allows for easier and more economical access to a single market that consists of more than 360 million consumers.

All three countries are relatively competitive and technologically advanced in the area of construction materials. Market share may be affected by factors such as input costs, transportation costs, environmental regulations and marketing efforts.

Mexican Market Opportunities

The Mexican market for construction products has grown rapidly over the last few years. The open market policies adopted by the Mexican government should result in continued strong growth by establishing conditions that encourage national and foreign investment. With trade liberalization, increased financing, and price stabilization, Mexico may become a more attractive market for Canadian construction products.

The restrictive trade policies of the Mexican government over the last four decades offered little incentive for Mexican construction products manufacturers to broaden their product lines. Consequently, Mexican producers will not be able to meet the rapidly growing demand. Imports will continue to be required to complement the local production.

Expanded commercial and industrial construction as well as increased expenditures on badly needed improvements in the Mexican infrastructure should generate increased demand for construction materials. The infrastructure improvements include the construction of affordable housing and the construction of highways and roads to modernize Mexico's highway system.

Canadian construction materials are well received in Mexico. Canadian companies have the potential to compete for a share of the Mexican market, but will have to market aggressively. This may require an active market presence, competitive prices and strong customer services.

The best sales prospects for construction products include aluminium doors and windows, prefabricated metal structures, rolled formed construction materials, roofing materials, special cements, plumbing products, insulation materials and specialty products such as solariums.



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:

Metals and Minerals Directorate

Tel.: (613) 954-3126

Fax: (613) 954-3079, or

NAFTA Information Desk

International Business Branch

Tel.: (613) 952-5010

Fax: (613) 952-0540

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

Revenue Canada — Customs, NAFTA 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
- ▶ Chemicals
- ▶ 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 Building Projects and Materials*

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 construction materials 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 beginning January 1, 1994 and ending January 1, 2001;
- C – tariff to be eliminated in 10 equal annual stages beginning January 1, 1994 and ending January 1, 2003;
- CS – tariff to be eliminated in eight stages beginning January 1, 1994 and ending January 1, 2001;
- 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.

CONSTRUCTION MATERIALS CANADA-MEXICO TARIFF PHASE-OUT SCHEDULE

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
2514.00	Slate, whether or not roughly trimmed or merely cut etc.	2514.00.10	Free	D	2514.00.01	10	A
		2514.00.20	3.5	A			
		2514.00.90	6.5	A			
2515.11	Marble and travertine, crude or roughly trimmed	2515.11.00	Free	D	2515.11.01	10	A
2516.11	Granite, crude or roughly trimmed	2516.11.00	Free	D	2516.11.01	15	A
2517.49	Granules, chippings and powder, nes, of 25.15 or 25.16 including limestone roofing granules	2517.49.10	Free	D	2517.49.99	10	A
		2517.49.90	6.5	A			
2520.10	Gypsum; anhydrite	2520.10.00	Free	D	2520.10.01	10	A
2520.20	Plasters (consisting of calcined gypsum or calcium sulphate) etc.	2520.20.10	Free	D	2520.20.01	10	A
		2520.20.90	Free	A			
2523.10	Cement clinkers	2523.10.00	Free	D	2523.10.01	10	B
2523.21	Portland cement, white, whether or not artificially coloured	2523.21.00	54.25c per tonne	B	2523.21.01	10	B
2523.29	Portland cement, nes	2523.29.00	Free	D	2523.29.99	10	B
2523.30	Aluminous cement	2523.30.00	Free	D	2523.30.01	Free	D
2523.90	Hydraulic cements, nes	2523.90.00	Free	D	2523.90.99	10	B
2618.00	Granulated slag (slag sand) from the manufacture of iron or steel	2618.00.00	Free	D	2618.00.01	10	A
2619.00	Slag, dross (excluding granulated slag), scaling and other waste etc.	2619.00.00	Free	D	2619.00.01	Free	D
					2619.00.99	10	A
2621.00	Slag and ash, nes, including seaweed ash (kelp)	2621.00.00	Free	D	2621.00.01	10	A
					2621.00.99	10	A
3816.00	Refractory cements, mortars, concretes and similar compositions, nes	3816.00.00	5	B	3816.00.01	15	B
					3816.00.02	15	C
					3816.00.03	15	B
					3816.00.04	10	A
					3816.00.05	15	C
					3816.00.06	15	A
					3816.00.07	15	B
					3816.00.99	15	B
3823.50	Non-refractory mortars and concretes	3823.50.10	Free	D	3823.50.01	15	B
					3823.50.02	10	B
					3823.50.03	10	B
					3823.50.99	15	B
6801.00	Setts, curbstones and flagstones of natural stone (except slate)	6801.00.00	Free	A	6801.00.01	20	B
6802.10	Tiles etc. rectangular or not, >7 cm etc.; artificially coloured granules, chippings and powder	6802.10.10	Free	D	6802.10.01	20	A
		6802.10.90	8	A	6802.10.02	15	B

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
6802.21	Monumental or building stone, cut or sawn flat or even, marble, travertine, alabaster	6802.21.00	3.5	A	6802.21.01	20	A
6802.22	Monumental or building stone, cut or sawn flat or even, other calcareous stone	6802.22.00	5	B	6802.22.01	20	B
6802.23	Monumental or building stone, cut or sawn flat or even, granite	6802.23.00	Free	A	6802.23.01	20	A
					6802.23.99	20	B
6802.29	Monumental or building stone, cut or sawn flat or even, nes	6802.29.00	5	A	6802.29.01	20	B
6802.91	Worked monumental or building stone, nes, marble, travertine and alabaster	6802.91.00	Free	A	6802.91.01	20	A
6802.92	Worked monumental or building stone, nes, calcareous stone, nes	6802.92.00	6.5	A	6802.92.01	20	A
6802.93	Worked monumental or building stone, nes, granite	6802.93.00	6.5	B	6802.93.01	20	B
6802.99	Worked monumental or building stone, nes	6802.99.00	6.5	A	6802.99.01	20	B
6803.00	Worked slate and articles of slate or of agglomerated slate	6803.00.10	Free	D	6803.00.01	15	B
		6803.00.90	6.5	B	6803.00.99	20	B
6806.10	Slag wool, rock wool and similar mineral wools in bulk, sheets or rolls	6806.10.10	Free	A	6806.10.01	15	B
		6806.10.20	6.5	A	6806.10.99	15	B
		6806.10.90	Free	A			
6806.90	Articles of heat or sound insulating mineral materials, etc., nes, excluding 68.11 or 68.12 or of Chapter 69	6806.90.10	Free	A	6806.90.99	15	A
		6806.90.20	6.5	A			
		6806.90.90	6	A			
6807.10	Articles of asphalt or similar material, in rolls	6807.10.00	6.5	A	6807.10.01	15	B
6807.90	Articles of asphalt or similar material, nes	6807.90.00	6.5	A	6807.90.99	15	A
6808.00	Panels, boards etc. of vegetable fibre, straw etc. agglomerated with cement or other mineral binders	6808.00.10	4 (6.5)	B	6808.00.01	20	B
		6808.00.90	Free	A			
6809.11	Plaster boards etc., not ornamental, faced or reinforced with paper or paperboard	6809.11.10	Free	A	6809.11.01	20	B
		6809.11.90	Free	A			
6809.19	Plaster boards etc., not ornamental, faced or reinforced, nes	6809.19.00	6 (10.2)	B	6809.19.01	20	B
					6809.19.99	20	B
6809.90	Articles of plaster or compositions based on plaster, nes	6809.90.10	Free	D	6809.90.01	20	A
		6809.90.90	6.5	A			
6810.11	Building blocks and bricks of cement, concrete or artificial stone	6810.11.00	Free	A	6810.11.01	20	A
6810.19	Tiles, flagstones and similar articles of cement or concrete or artificial stone	6810.19.00	Free	A	6810.19.99	20	B

SUB-HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
6810.20	Pipes of cement or concrete	6810.20.00	6.5	B	6810.20.01	20	B
6810.91	Prefabricated structural components of buildings etc. of cement or concrete or artificial stone	6810.91.10	4.5	A	6810.91.01	15	B
		6810.91.90	Free	A	6810.91.99	20	A
6810.99	Articles of cement, of concrete or of artificial stone, nes	6810.99.00	Free	A	6810.99.99	20	B
6811.10	Corrugated sheets of asbestos-cement, of cellulose fibre-cement or the like	6811.10.00	5	A	6811.10.01	15	A
6811.20	Sheets, panels or tiles, nes of asbestos-cement, cellulose fibre-cement etc.	6811.20.00	5	A	6811.20.01	15	A
					6811.20.99	15	A
6811.30	Tubes, pipes and tube or pipe fittings of asbestos-cement, of cellulose fibre-cement etc.	6811.30.00	5	B	6811.30.01	15	B
					6811.30.99	15	B
6811.90	Articles, nes, of asbestos-cement, of cellulose fibre-cement or the like	6811.90.00	5	B	6811.90.99	15	B
6812.70	Compressed asbestos fibre jointing, in sheets or rolls	6812.70.00	5	A	6812.70.01	10	A
					6812.70.99	15	B
6812.90	Asbestos fabricated products, nes	6812.90.10	7.5	A	6812.90.01	10	B
		6812.90.90	5	A	6812.90.99	15	A
6901.00	Bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or similar earths	6901.00.00	Free	D	6901.00.01	15	C
					6901.00.99	15	C
6904.10	Ceramic building bricks	6904.10.00	Free	A	6904.10.01	20	A
6904.90	Ceramic flooring bricks, support or filler tiles and the like	6904.90.10	Free	A	6904.90.99	20	A
		6904.90.20	8	A			
6905.10	Roofing tiles, ceramic	6905.10.00	Free	A	6905.10.01	20	A
6905.90	Chimney-pots, cowls, chimney liners etc. and other ceramic constructional goods	6905.90.00	7.5	A	6905.90.01	10	A
					6905.90.99	20	A
6906.00	Ceramic pipes, conduits, guttering and pipe fittings	6906.00.00	7.5	A	6906.00.01	20	A
6907.10	Tiles, cubes and similar articles, <7 cm, rectangular or not etc., unglazed ceramics	6907.10.00	8	(12.5) B	6907.10.01	20	B
6907.90	Tiles, cubes and similar articles, nes, unglazed ceramics	6907.90.10	Free	A	6907.90.01	20	A
		6907.90.90	8	(12.5) B	6907.90.99	20	A
6908.10	Tiles, cubes and similar articles, <7 cm, rectangular or not, glazed ceramics	6908.10.00	8	(12.5) B	6908.10.01	20	B
6908.90	Tiles, cubes and similar articles, nes, glazed ceramics	6908.90.10	Free	A	6908.90.01	20	A
		6908.90.90	8	(12.5) B	6908.90.99	20	A
7001.00	Cullet and other waste and scrap of glass; glass in the mass	7001.00.10	Free	D	7001.00.01	10	A
		7001.00.20	6.5	A	7001.00.02	10	A
					7001.00.99	10	A
7003.11	Cast glass sheets, non-wired, coloured etc. having an absorbing or reflecting layer	7003.11.10	Free	A	7003.11.01	20	B
		7003.11.20	Free	A	7003.11.02	20	B
					7003.11.99	20	B

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
7003.19	Cast glass sheets, non-wired, nes	7003.19.00	Free	A	7003.19.01	20	B
					7003.19.99	20	B
7003.20	Cast glass sheets, wired	7003.20.00	Free	A	7003.20.01	20	B
7003.30	Cast glass profiles	7003.30.00	Free	A	7003.30.01	20	B
7004.10	Drawn glass sheets, coloured etc. having an absorbing or reflecting layer	7004.10.00	Free	A	7004.10.01	20	C
					7004.10.02	20	B
					7004.10.99	20	C
7004.90	Drawn glass in sheets, nes	7004.90.00	Free	A	7004.90.01	20	C
					7004.90.02	20	B
					7004.90.99	20	C
7005.10	Float glass etc. in sheets, non-wired, having an absorbent or reflecting layer	7005.10.10	Free	A	7005.10.01	20	C
		7005.10.20	Free	A	7005.10.02	20	C
					7005.10.99	20	C
7005.21	Float glass etc. in sheets, non-wired, coloured throughout the mass etc.	7005.21.00	Free	A	7005.21.01	20	C
					7005.21.02	20	C
					7005.21.99	20	C
7005.29	Float glass etc. in sheets, non-wired, nes	7005.29.00	Free	A	7005.29.01	10	B
					7005.29.02	20	C8
					7005.29.03	20	B+
					7005.29.99	20	C
7005.30	Float glass etc. in sheets, wired	7005.30.00	Free	A	7005.30.01	20	B
					7005.30.99	20	B
7006.00	Glass of heading No. 70.03, 70.04, 70.05, bent edge-worked etc., not framed etc.	7006.00.10	Free	A	7006.00.01	20	C
		7006.00.90	Free	A	7006.00.02	20	C
					7006.00.03	20	C
					7006.00.04	20	C
					7006.00.99	20	C
7007.11	Safety glass, toughened (tempered) for vehicles, aircraft, spacecraft or vessels	7007.11.11	11.5	B	7007.11.01	20	C
		7007.11.19	Free	A	7007.11.02	20	C
		7007.11.20	Free	D	7007.11.03	20	C
		7007.11.30	6.5	B	7007.11.04	10	A
					7007.11.05	20	C
					7007.11.06	20	C
					7007.11.99	20	C
7007.19	Safety glass, toughened (tempered), nes	7007.19.00	6.5	B	7007.19.01	20	C
					7007.19.02	20	C
					7007.19.99	20	C
7007.21	Safety glass, laminated, for vehicles, aircraft, spacecraft or vessels	7007.21.11	11.5	B	7007.21.01	20	C
		7007.21.19	Free	A	7007.21.02	20	C
		7007.21.20	Free	D	7007.21.03	10	A
		7007.21.30	Free	A	7007.21.04	20	C
					7007.21.99	20	C
7007.29	Safety glass, laminated, nes	7007.29.00	Free	A	7007.29.99	20	C
7008.00	Multiple-walled insulating units of glass	7008.00.00	6.5	A	7008.00.01	20	C
					7008.00.99	20	C
7009.91	Glass mirrors, unframed	7009.91.00	7.5	(11.3) B	7009.91.01	10	B
					7009.91.99	20	C
7009.92	Glass mirrors, framed	7009.92.00	7.5	B	7009.92.01	20	C
7016.10	Glass cubes and other glass smallwares, backed or not, for mosaics or decorative purposes	7016.10.00	6.5	A	7016.10.01	20	A
7016.90	Paving blocks etc. for building or constructing, leaded lights, foam glass etc.	7016.90.10	3.5	A	7016.90.01	20	A
		7016.90.90	6.5	A	7016.90.02	20	A
					7016.90.99	20	A

SUB-HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
7019.31	Mats of glass fibres	7019.31.10	10	(15) C	7019.31.01	10	C
		7019.31.90	25	C			
7019.32	Thin sheets (voiles) of glass fibres	7019.32.10	6.5	(10.2) B	7019.32.01	10	A
		7019.32.90	25	B			
7210.31	Flat rolled products, steel, electro plated or coated with zinc, <3 mm thickness and a minimum yield point of 275 MPa or a thickness of 3 mm or more and a minimum yield point of 355 MPa	7210.31.00	8	C	7210.31.01	15	B+
					7210.31.99	10	B+
7210.39	Flat rolled product, iron or non-alloy steel, electro plated or coated with zinc, 600 mm or more wide, nes	7210.39.00	8	C	7210.39.01	15	C
					7210.39.99	10	C
7210.41	Flat rolled product, iron or non-alloy steel, plated or coated with zinc, corrugated, 600 m or more wide, nes	7210.41.00	8	C	7210.41.01	15	C
					7210.41.99	10	C
7301.20	Angles, shapes and sections, welded, iron or steel	7301.20.00	10.2	C	7301.20.01	10	C
7303.00	Tubes, pipes and hollow profiles of cast iron	7303.00.10	Free	A	7303.00.01	10	C
		7303.00.90	6.5	(10.2) C	7303.00.02	10	B
7307.11	Fittings, pipe or tube, of non-malleable cast iron	7307.11.10	6.8	C	7307.11.01	10	A
		7307.11.90	10.2	C	7307.11.02	15	C
					7307.11.99	15	C
7307.19	Fittings, pipe or tube, cast, of iron or steel, nes	7307.19.10	6.8	C	7307.19.01	15	C
		7307.19.90	10.1	C	7307.19.02	15	C
					7307.19.03	15	C
					7307.19.04	15	C
					7307.19.05	10	A
					7307.19.06	15	C
					7307.19.99	15	C
7307.21	Flanges, stainless steel	7307.21.10	6.8	C	7307.21.01	15	C
		7307.21.90	12.1	C			
7307.22	Threaded elbows, bends and sleeves of stainless steel	7307.22.00	12.1	C	7307.22.01	15	C
7307.23	Fittings, butt welding, stainless steel	7307.23.00	12.1	C	7307.23.01	15	C
					7307.23.99	15	C
7307.29	Fittings, pipe or tube, of stainless steel, nes	7307.29.10	6.8	C	7307.29.01	15	C
		7307.29.90	12.1	C	7307.29.99	15	C
7307.91	Flanges, iron or steel, nes	7307.91.10	6.8	C	7307.91.01	15	C
		7307.91.91	10.2	C			
		7307.91.92	12.1	C			
7307.92	Threaded elbows, bends and sleeves, iron or steel, nes	7307.92.10	10.1	C	7307.92.01	10	A
		7307.92.20	12.1	C	7307.92.99	15	C
7308.30	Doors, windows and their frames and thresholds for doors of iron or steel	7308.30.10	Free	A	7308.30.01	20	C
		7308.30.90	6.5	(10.2) C	7308.30.99	15	C
7308.90	Structures and parts of structures, iron or steel (excluding prefabricated buildings of heading No. 94.06)	7308.90.10	Free	D	7308.90.01	20	C
		7308.90.21	Free	D	7308.90.02	15	C
		7308.90.29	4.5	(6.8) C	7308.90.99	15	C
		7308.90.90	6.5	(10.2) C			

SUB- HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
7309.00	Reservoirs, tanks, vats and similar containers, capacity >300 L iron or steel (excluding liquid or compressed gas types)	7309.00.10	Free	D	7309.00.01	15	C
		7309.00.20	4.5 (6.8)	C	7309.00.02	15	C
		7309.00.30	Free	D	7309.00.03	15	C
		7309.00.90	5 (7.8)	C	7309.00.04	15	C
					7309.00.05	15	C
					7309.00.06	15	C
					7309.00.99	15	C
7324.10	Sinks and wash basins, stainless steel	7324.10.00	5 (11.3)	C	7324.10.01	20	C
7324.21	Baths, cast iron, enamelled or not	7324.21.00	5	A	7324.21.01	20	A
7324.29	Baths, iron or steel, nes	7324.29.10	Free	A	7324.29.99	20	A
		7324.29.90	5 (11.3)	B			
7324.90	Sanitary ware and parts thereof, iron or steel, nes, for example bedpans, douche cans	7324.90.10	5 (5.6)	C	7324.90.01	20	C
		7324.90.90	6.5 (10.2)	C	7324.90.02	20	C
					7324.90.03	20	C
					7324.90.99	20	C
7325.10	Cast articles of non-malleable cast iron, nes	7325.10.10	6 (9.2)	B	7325.10.01	10	A
		7325.10.90	6.5 (10.2)	B	7325.10.02	15	B
					7325.10.03	15	A
					7325.10.04	15	A
					7325.10.05	10	A
					7325.10.06	10	A
					7325.10.99	15	A
7409.11	Plate, sheet and strip of refined copper, in coils, exceeding 0.15 mm thick	7409.11.10	Free	A	7409.11.01	10	C
		7409.11.20	6.5 (10.3)	B			
7409.19	Plate, sheet and strip of refined copper, not in coils, exceeding 0.15 mm thick	7409.19.10	Free	A	7409.19.01	10	B
		7409.19.20	6.5 (10.3)	B	7409.19.99	10	B
7411.10	Pipes and tubes, refined copper	7411.10.10	Free	A	7411.10.01	15	C
		7411.10.20	6.5	C	7411.10.02	15	C
					7411.10.03	15	C
					7411.10.04	15	C
					7411.10.05	10	B
7411.21	Pipes and tubes, copper-zinc base alloy	7411.21.10	Free	A	7411.21.01	15	C
		7411.21.20	6.5	B	7411.21.02	15	C
					7411.21.03	15	C
					7411.21.04	15	C
					7411.21.05	10	B
7411.22	Pipes and tubes, copper-nickel base alloy or copper-nickel-zinc base alloy	7411.22.10	Free	A	7411.22.01	15	C
		7411.22.20	6.5	C	7411.22.02	15	C
					7411.22.03	15	C
					7411.22.04	15	C
					7411.22.05	10	B
7411.29	Pipes and tubes, copper alloy, nes	7411.29.10	Free	A	7411.29.01	15	B
		7411.29.21	Free	D	7411.29.02	15	B
		7411.29.29	6.5	B	7411.29.03	15	B
					7411.29.04	15	B
					7411.29.05	10	B
7412.10	Pipe or tube fittings, of refined copper	7412.10.00	6.5	A	7412.10.01	15	A
					7412.10.99	15	A
7412.20	Pipe or tube fittings, copper alloy	7412.20.00	6.5	C	7412.20.01	15	C
					7412.20.02	15	C
					7412.20.99	15	C
7418.20	Sanitary ware and parts thereof of copper	7418.20.00	6.5	B	7418.20.01	20	A

SUB-HEADING	DESCRIPTION	CANADA			MEXICO		
		ITEM	RATE (%)	PHASING	ITEM	RATE (%)	PHASING
7604.10	Bars, rods and profiles, aluminium, not alloyed	7604.10.11	Free	A	7604.10.01	10	B
		7604.10.12	Free	A	7604.10.02	15	C
		7604.10.20	6.5	C	7604.10.99	15	C
7604.21	Profiles, hollow, aluminium, alloyed	7604.21.10	Free	A	7604.21.01	15	C
		7604.21.20	6.5	C			
7604.29	Bars, rods and other profiles, aluminium alloyed	7604.29.11	Free	A	7604.29.01	15	C
		7604.29.12	Free	A	7604.29.02	15	C
		7604.29.20	6.5	C	7604.29.03	10	C
7606.11	Plate, sheet or strip, aluminium, not alloyed, rectangular or square, exceeding 0.2 mm thick	7606.11.10	Free	A	7606.11.01	15	C
		7606.11.20	6.5	C	7606.11.02	Free	D
					7606.11.99	15	C
7606.12	Plate, sheet or strip, aluminium alloy, rectangular or square, exceeding 0.2 mm thick	7606.12.11	Free	D	7606.12.01	15	C
		7606.12.12	Free	D	7606.12.02	Free	D
		7606.12.19	Free	A	7606.12.03	10	A
		7606.12.21	Free	D	7606.12.04	15	C
		7606.12.29	6.5	C	7606.12.99	15	C
7610.10	Doors, windows and their frames and thresholds for doors of aluminium	7610.10.00	6.5	C	7610.10.01	20	C
7611.00	Reservoirs, vats and similar containers of aluminium, capacity >300 L, other than compressed liquid gas type	7611.00.10	Free	D	7611.00.01	20	B
		7611.00.90	6.5	(10.3) B			
7615.20	Sanitary ware and parts thereof, aluminium for the kitchen, table or household	7615.20.10	Free	A	7615.20.01	20	C
		7615.20.90	6.5	(10.2) C			
7907.10	Zinc fabricated building components (gutters, roof capping, skylight frames)	7907.10.00	6.5	B	7907.10.01	15	B
9406.00	Prefabricated buildings	9406.00.10	4.5	A	9406.00.01	15	A
		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 Construction Materials

Chapter 25	Salt; Sulphur; Earths and Stone; Plastering Materials, Lime and Cement
25.01-25.30	A change to heading 25.01 through 25.30 from any other chapter.
Chapter 26	Ores, Slag and Ash
26.01-26.21	A change to heading 26.01 through 26.21 from any other chapter.
Chapter 38	Miscellaneous Chemical Products
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: <ul style="list-style-type: none"> (a) 60 percent where the transaction-value method is used, or (b) 50 percent where the net-cost method is used.
Chapter 68	Articles of Stone, Plaster, Cement, Asbestos, Mica or Similar Materials
68.01-68.11	A change to heading 68.01 through 68.11 from any other chapter.
6812.60-6812.90	A change to subheading 6812.60 through 6812.90 from any subheading outside that group.
Chapter 69	Ceramic Products
69.01-69.14	A change to heading 69.01 through 69.14 from any other chapter.
Chapter 70	Glass and Glassware
70.01-70.02	A change to heading 70.01 through 70.02 from any other chapter.
70.03-70.09	A change to heading 70.03 through 70.09 from any heading outside that group.
70.10-70.20	A change to heading 70.10 through 70.20 from any other heading, except from heading 70.07 through 70.20.
Chapter 72	Iron and Steel
72.08-72.16	A change to heading 72.08 through 72.16 from any heading outside that group.

Chapter 73

Articles of Iron or Steel

- 73.01-73.03 A change to heading 73.01 through 73.03 from any other chapter.
- 73.05-73.07 A change to heading 73.05 through 73.07 from any other chapter.
- 73.08 A change to heading 73.08 from any other heading, except for changes resulting from the following processes performed on angles, shapes, or sections of heading 72.16:
- (a) drilling, punching, notching, cutting, cambering, or sweeping, whether performed individually or in combination;
 - (b) adding attachments or weldments for composite construction;
 - (c) adding attachments for handling purposes;
 - (d) adding weldments, connectors or attachments to H-sections or I-sections; provided that the maximum dimension of the weldments, connectors, or attachments is not greater than the dimension between the inner surfaces of the flanges of the H-sections or I-sections
 - (e) painting, galvanizing, or otherwise coating; or
 - (f) adding a simple base plate without stiffening elements, individually or in combination with drilling, punching, notching, or cutting, to create an article suitable as a column.
- 73.09-73.11 A change to heading 73.09 through 73.11 from any heading outside that group.
- 7324.10-7324.29 A change to subheading 7324.10 through 7324.29 from any other heading; or
- A change to subheading 7324.10 through 7324.29 from subheading 7324.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction-value method is used, or
 - (b) 50 percent where the net-cost method is used.
- 7324.90 A change to subheading 7324.90 from any other heading.
- 73.25-73.26 A change to heading 73.25 through 73.26 from any other heading outside that group.

Chapter 74

Copper and Articles Thereof

- 74.09 A change to heading 74.09 from any other heading.
- 74.11 A change to heading 74.11 from any other heading, except from Canadian tariff item 7407.10.13, 7407.10.22, 7407.21.13, 7407.21.22, 7407.22.14, 7407.22.22, 7407.29.13 or 7407.29.22, U.S. tariff item 7407.10.10A, 7407.21.10A, 7407.22.10A or 7407.29.10A or Mexican tariff item 7407.10.03, 7407.21.03, 7407.22.03 or 7407.29.03, or heading 74.09.
- 74.12 A change to heading 74.12 from any other heading, except from heading 74.11.

74.14-74.18	A change to heading 74.14 through 74.18 from any other heading, including another heading within that group.
Chapter 76	Aluminum and Articles Thereof
76.04-76.06	A change to heading 76.04 through 76.06 from any heading outside that group.
76.10-76.13	A change to heading 76.10 through 76.13 from any other heading, including another heading within that group.
76.15-76.16	A change to heading 76.15 through 76.16 from any other heading, including another heading within that group.
Chapter 79	Zinc and Articles Thereof
79.04-79.07	A change to heading 79.04 through 79.07 from any other chapter; or A change to heading 79.04 through 79.07 from any other heading within Chapter 79, 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: <ul style="list-style-type: none"> (a) 60 percent where the transaction-value method is used, or (b) 50 percent where the net-cost method is used.
Chapter 94	Furniture; Bedding, Mattresses, Mattress Supports, Cushions and Similar Stuffed Furnishings; Lamps and Lighting Fittings, Not Elsewhere Specified or Included; Illuminated Signs, Illuminated Name-Plates and the Like; Prefabricated Buildings
94.06	A change to heading 94.06 from any other chapter.

ANNEX C

Calculating Regional Value Content

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

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

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

In most cases, exporters can choose either method.

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

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

Transaction-Value Method

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

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

The formula is as follows:

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

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

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

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

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

Net-Cost Method

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

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

The net-cost formula is as follows:

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

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

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

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



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