CHAPTER 2

OTHER APPLICABLE TRADE AGREEMENTS

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BACKGROUND

As mentioned earlier in this guide, NAFTA does not provide for a uniform tariff regime with regard to countries other than the member states. The United States and Canada have signed a number of trade agreements applicable to various Commonwealth countries. Mexico has no special tariff agreements with any Commonwealth country other than Canada, and applies its own tariff rates.

Commonwealth exporters that sell their products to NAFTA countries should be aware of preferential treatment which may be applicable to them. Descriptions of applicable agreements, and the countries which benefit from the preferential tariffs, are described in this chapter.

CANADIAN AGREEMENTS

Most-Favoured Nation Tariff (MFN)

This tariff treatment is extended to all countries with which Canada has trade arrangements. All items have an MFN rate of duty. The requirements for MFN are:

- 50% of the cost of production must be incurred in one or more MFN countries or in Canada;
- goods must be finished in an MFN beneficiary country in the form in which they are imported into Canada;
- proof of origin must be provided in the form of commercial invoices, Canada Customs Invoices, or other acceptable documentation;
- there must be direct shipment from the MFN country to Canada; and
- transhipment is allowed under prescribed conditions.

British Preferential Tariff (BPT)

This tariff treatment is extended to developing countries of the British Commonwealth and to Australia and New Zealand. It is not extended to the United Kingdom or the Republic of Northern Ireland. This tariff covers a limited number of products. The requirements for BPT are:

- 50% cost of production must be incurred in one or more BPT countries or in Canada;

- goods must be finished in a BPT beneficiary country in the form in which they are imported into Canada;

- proof of origin must be provided in the form of commercial invoices, Canada Customs Invoices, or other acceptable documentation;

- goods must be shipped directly to Canada on a through bill of lading specifying a Canadian consignee; and

- transhipment is allowed under prescribed conditions through another BPT country; the United Kingdom; British colonies, possessions or protectorates; or through territories under British trusteeship. Goods originating in New Zealand and Australia may be transhipped through any country.

General Preferential Tariff (GPT)

The GPT is Canada's version of a preferential tariff in the General System of Preferences that was designed by the United Nations Committee on Trade and Development (UNCTAD). The GPT is extended to developing countries otherwise entitled to MFN or BPT. The product coverage of the GPT is broad, with the exceptions of certain textile and textile products, footwear, and certain steel products. The requirements for GPT are:

- 60% of the ex-factory price must originate in GPT countries or in Canada (includes materials, parts or produce supplied by other GPT countries or Canada, as well as any packing material required for the transportation of the goods);

- goods must be finished in the beneficiary country in the form in which they are imported into Canada;

- "Form A", Certificate of Origin is required from a recognised certifying body in the GPT beneficiary country;

- preference receiving goods must be invoiced separately from non-preference receiving goods;
- direct shipment is required from country of origin on a through bill of lading; and
- transhipment is allowed under prescribed conditions.

Commonwealth Caribbean Countries Tariff (CARIBCAN or CCC)

This tariff applies to certain goods produced in Commonwealth countries in the Caribbean. All products are duty-free under CARIBCAN except those specifically excluded by section 56 of the Customs Tariff, which lists all textiles and textile articles, footwear, headgear; and certain leather goods, wicker products, and lubricants. The requirements for CARIBCAN are:

- 60% of the ex-factory price must originate in one or more beneficiary countries or in Canada (includes materials, parts or produce supplied by other GPT countries or Canada, as well as any packing required for the transportation of the goods);
- goods must be finished in the beneficiary country in the form in which they are imported into Canada;
- "Form A", Certificate of Origin is required from a recognised certifying body in the CARIBCAN beneficiary country;
- preference receiving goods must be invoiced separately from non-preference receiving goods;
- direct shipment is required from country of origin on a through bill of lading; and
- transhipment is allowed under prescribed conditions.

Least Developed Developing Countries (LDDC)

This preferential tariff treatment is accorded to certain countries identified by the United Nations as requiring special attention due to their economic status. Where a GPT rate is listed for a particular item, it is duty free for LDDC beneficiaries under the LDDC tariff.

The requirements are:

- 40% of ex-factory price must be produced in one or more LDDC countries or Canada (includes materials, parts or produce supplied by other LDDC countries or Canada, as well as any packing required for the transportation of the goods);

- goods must be finished in the beneficiary country in the form in which they are imported into Canada;

- "Form A", Certificate of Origin required from a recognised certifying body in the LDDC beneficiary country;

- preference receiving goods must be invoiced separately from non-preference receiving goods; and

- direct shipment is required from country of origin on a through bill of lading, although transhipment is allowed under prescribed conditions.

New Zealand Special Tariff

Canada has a special trade arrangement with New Zealand that allows preferential rates on a limited number of products including meat from sheep, certain dairy products, and certain wines. This arrangement also allows for transhipment for goods accorded the BPT and the New Zealand tariff. The requirements are:

- 50% cost of production is incurred in New Zealand or Canada or in both countries;

- goods must be finished in New Zealand in the form in which they are imported into Canada;

- proof of origin required in the form of commercial invoices, Canada Customs Invoices, or other acceptable documentation;

- direct shipment is required from New Zealand on a through bill of lading; and

- transhipment is allowed under prescribed conditions.

Australia Special Tariff

Canada also has a special trade agreement with Australia for a limited number of products including meat from sheep, certain dairy products, and certain wines. The requirements for transhipment have also been relaxed. The requirements are:

- 50% cost of production is incurred in Australia or Canada or in both countries;

- goods must be finished in Australia in the form in which they are imported into Canada;

- proof of origin is required in the form of commercial invoices, Canada Customs Invoices, or other acceptable documentation;

- direct shipment is required from Australia on a through bill of lading; and

- transhipment is allowed under prescribed conditions.

Where Form A Certificate of Origin is required, the form must be issued by a recognised certifying body and must contain an official stamp and authorised signature. Any unauthorised Form A will be rejected and the goods in question will not receive the preferential tariff rates.

With regard to transhipment requirements, transhipment is defined as the act of taking cargo out of one conveyance and loading it into another conveyance, including the act of taking cargo out of one conveyance and reloading it into the same conveyance. The transhipment of goods clause will not affect the direct shipment of goods provided that the following conditions are met:

- the goods remain under Customs transit control in the intermediate country;

- the goods do not undergo any operation in the intermediate country other than unloading, reloading, splitting up of loads or operations required to keep the goods in good condition;

- the goods do not enter into trade or consumption in the intermediate country for a period exceeding six months.

If any of the above conditions are violated, the goods do not meet the direct shipment requirement.

The special Canadian tariffs applicable to each Commonwealth country are listed at the end of this chapter.

US AGREEMENTS

Most-Favoured Nation Tariff (MFN)

This tariff treatment is extended to all countries with which the United States has trade arrangements. All items have an MFN rate of duty. All merchandise automatically receives MFN treatment if no other preferential treatment is available to it; this is the highest tariff applicable to Commonwealth countries.

Generalised System of Preferences (GSP)

The GSP is a program providing free rates of duty for products from beneficiary developing countries and territories to encourage their economic growth. Qualifying merchandise may have duty-free entry if:

- imported into the US directly from any of the designated countries and territories;

- the cost or value of materials produced in the beneficiary country and/or the direct cost of processing performed there must represent at least 35 % of appraised value of the goods.

Merchandise from one or more of these countries, however, may be excluded from the exemption if there is an "A*" noted in the US tariff schedule under that product.

A claim for duty-free status is made under GSP by showing on the entry summary that the country of origin is a designated beneficiary developing country, and by showing an "A" with the appropriate GSP-eligible subheading.

Caribbean Basin Initiative (CBI)

The CBI provides for the duty-free entry of merchandise from designated beneficiary countries or territories in the Caribbean. Merchandise classifiable as eligible for duty-free status may enter duty-free if imported into the US directly from any of the designated countries and territories. Articles which are assembled or processed in whole from US components or ingredients in a beneficiary country or territory are also entered duty-free.

Duty-free treatment is available only when the following conditions are met:

- a claim for preferential tariff treatment under CBI is made by showing that the country of origin is a designated beneficiary country and by adding the letter "E" as a prefix to the applicable tariff schedule number on the customs form

- the products must be imported directly from the beneficiary country into the US

- the products must have been produced in a beneficiary country: when the goods are wholly the growth, product or manufacture of a beneficiary country, or, the goods have been substantially transformed into a new and different product in a beneficiary country

- at least 35 % of the appraised value of the article imported must consist of the cost or value of materials produced in one or more beneficiary countries and/or the direct costs of processing operations performed in one or more beneficiary countries.

The list of eligible countries and articles changes from time to time, so it is best to consult the latest edition of the Harmonised Tariff Schedules of the US for the most up-to-date information, available from US Customs, listed in the addresses section of this guide.

Least-Developed Developing Countries (LDDC)

This preferential tariff treatment is accorded to certain countries identified by the United Nations as requiring special attention due to their economic status. Where a GSP rate is listed for a particular item, it is duty free for LDDC beneficiaries under the LDDC tariff. Qualifying products may have duty-free entry if:

- imported into the US directly from any of the designated countries and territories;

- the cost or value of materials produced in the beneficiary country and/or the direct cost of processing performed there must represent at least 35 % of appraised value of the goods.

The customs form should note that the merchandise does come from a least-developed beneficiary developing country, in order to get the preferential treatment accorded to this country.

The special US tariffs applicable to each Commonwealth country are listed at the end of this chapter.

MEXICAN AGREEMENTS

Mexico provides special tariff treatment for products from the United States and Canada under NAFTA. Mexico also has trade agreements with a number of countries in Latin America. However, with regards to all Commonwealth countries (except Canada) Mexico has no special trade agreements; products from Commonwealth countries are considered under a general Mexican tariff.

APPLICABILITY OF CANADIAN AGREEMENTS

Country	MFN	BPT	GPT	CCC	LDDC
Anguilla	•	•	•	•	
Antigua and Barbuda	•	•	•	•	
Australia	•	•			
Bahamas	•	•	•	•	
Bangladesh	•	•	•		•
Barbados	•	•	•	•	
Belize	•	•	•	•	
Bermuda	•	•	•	•	
Botswana	•	•	•		•
British Indian Ocean Territory	•	•	•		
British Virgin Islands	•	•	•	•	
Brunei	•	•	•		
Cayman Islands	•	•	•	•	
Cyprus	•	•	•		
Dominica	•	•	•	•	
Falkland Islands	•	•	•		
Fiji	•	•	•		
The Gambia	•	•	•		•
Ghana	•	•	•		
Gibraltar	•	•	•		
Great Britain & Northern Ireland	•				
Grenada	•	•	•	•	
Guyana	•	•	•	•	
Hong Kong	•		•		
India	•	•	•		
Jamaica	•	•	•	•	
Kenya	•	•	•		
Kiribati	•	•	•		•
Lesotho	•	•	•		•
Malawi	•	•	•		•
Malaysia	•	•	•		
Malta	•	•	•		
Mauritius	•	•	•		
Montserrat	•	•	•	•	

APPLICABILITY OF CANADIAN AGREEMENTS continued

Country	MFN	BPT	GPT	CCC	LDDC
Nauru	•	•	•		
New Zealand	•	•			
Nigeria	•	•	•		
Papua New Guinea	•	•	•		
Pitcairn Island	•	•	•		
Saint Helena	•	•	•		
Saint Kitts-Nevis	•	•	•	•	
Saint Lucia	•	•	•	•	
Saint Vincent and the Grenadines	•	•	•	•	
Seychelles	•	•	•		
Sierra Leone	•	•	•		•
Singapore	•	•	•		
Solomon Islands	•	•	•		•
Sri Lanka	•	•	•		
Swaziland	•	•	•		
Tanzania	•	•	•		•
Tonga	•	•	•		
Trinidad and Tobago	•	•	•	•	
Turks and Caicos Islands	•	•	•	•	
Tuvalu	•	•	•		•
Uganda	•	•	•		•
Vanuatu	•	•	•		•
Western Samoa	•	•	•		•
Zambia	•	•	•		•
Zimbabwe	•	•	•		

APPLICABILITY OF US AGREEMENTS

Country	MFN	GSP	CBI	LDDC
Anguilla	•	•		
Antigua and Barbuda	•	•	•	
Australia	•			
Bahamas	•	•	•	
Bangladesh	•	•		•
Barbados	•	•	•	
Belize	•	•	•	
Bermuda	•			
Botswana	•	•		•
British Indian Ocean Territory	•	•		
British Virgin Islands	•	•	•	
Brunei	•			
Cayman Islands	•	•		
Cyprus	•	•		
Dominica	•	•	•	
Falkland Islands	•	•		
Fiji	•	•		
The Gambia	•	•		•
Ghana	•	•		
Gibraltar	•	•		
Great Britain & Northern Ireland	•			
Grenada	•	•	•	
Guyana	•	•	•	
Hong Kong	•			
India	•	•		
Jamaica	•	•	•	
Kenya	•	•		
Kiribati	•	•		•
Lesotho	•	•		•
Malawi	•	•		•
Malaysia	•	•		
Malta	•	•		
Mauritius	•	•		
Montserrat	•	•	•	

APPLICABILITY OF US AGREEMENTS

Country	MFN	GSP	CBI	LDDC
Nauru	•			
New Zealand	•			
Nigeria	•			
Papua New Guinea	•	•		
Pitcairn Island	•	•		
Saint Helena	•	•		
Saint Kitts-Nevis	•	•	•	
Saint Lucia	•	•	•	
Saint Vincent and the Grenadines	•	•	•	
Seychelles	•	•		
Sierra Leone	•	•		•
Singapore	•			
Solomon Islands	•	•		
Sri Lanka	•	•		
Swaziland	•	•		
Tanzania	•	•		•
Tonga	•	•		
Trinidad and Tobago	•	•	•	
Turks and Caicos Islands	•	•		
Tuvalu	•	•		•
Uganda	•	•		•
Vanuatu	•	•		•
Western Samoa	•	•		•
Zambia	•	•		
Zimbabwe	•	•		