

## **CHAPTER 6**

### **DYES AND CHEMICALS**

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### **INTRODUCTION**

Under NAFTA, tariffs on qualifying chemicals and chemical compounds traded between the three member countries will be eliminated under the various phase-out categories established by the Agreement. Some tariffs were eliminated immediately upon implementation of the Agreement while others will be reduced over 5 or 10 years. Tariff phase-outs between Canada and the US will be governed by their earlier Free Trade Agreement.

The Canadian chemicals industry imports more than it exports. About 75 % of Canada's import and export trade is with the United States. Market growth for the next few years is estimated at 7 % annually. Imports make up 41% of Canadian market demand. Growth in Canada's chemical and chemical products sector is driven by changes in industrial and consumer demand. These changes are the result of an improving Canadian economy which increases demand for new and innovative products including packaging and construction materials made from plastics, as well as fertilisers needed by farmers for their nutrient depleted soils.

Mexico's chemical industry constitutes one of the country's most important economic activities, accounting for over 3% of GDP. Mexico is the eleventh largest chemical/pharmaceutical market in the world. Mexico's vast oil and gas reserves have helped the country develop strong petrochemical and chemical sectors. The Mexican market was highly regulated and largely closed to outside competition for many years. Trade reforms and other economic policies have transformed this situation. However, Mexico's chemical industry is still under development and will have to restructure significantly in order to become internationally competitive.

The Mexican economy remains heavily reliant on petroleum production and exports, although this dependence has been reduced substantially in recent years. PEMEX, the state oil company, provided 30% of Mexico's export earnings and 34% of all public sector income in 1991 and is the world's seventh largest producer of petrochemicals. In 1992 the Mexican government ordered the restructuring of PEMEX to hasten its modernisation.

The agriculture sector in Mexico is being reformed as a means to reverse declining productivity and attract private investment. As Mexico's output of agricultural products increases, so should demand for agricultural chemicals.

Mexico's chemical sector has an annual average growth rate of 8 %. Mexican imports of chemical products have had an annual average growth rate of 17.7 %. Imports represent

approximately 30 % of total demand and it is estimated they will continue to grow and will represent a larger share of the market in the near future.

The chemical and allied products industry is one of the largest US industries. The US chemical industry is the largest in the world, being the largest of the US' exporting sectors and accounting for nearly 30 % of world chemical markets. Over the next few years, the US chemical industry is expected to grow about 1.5 % greater than GNP. Prescription pharmaceuticals will be the leading sector, with 5 % growth expected each year. There is also a promising outlook for commodity plastics.

## CANADA

### Tariffs (%)

| <u>Items:</u>       | <u>MFN</u> | <u>GPT</u> | <u>US/Mexico</u> |
|---------------------|------------|------------|------------------|
| Inorganic Chemicals | 0-11.8     | 0-8        | 0-6.4            |
| Organic Chemicals   | 0-11.9     | 0-8        | 0-6.4            |
| Fertilisers         | 0          | 0          | 0                |
| Dyes                | 0-11.9     | 0-8        | 0-6.4            |

### Standards

The Hazardous Products Act, under the jurisdiction of Health Canada, enforces standards and regulations for chemicals. Since the specific standards are too numerous to mention here, the manufacturer should contact Health Canada, found under Section III of this guide, for more information.

The Canadian General Standards Board (CGSB) is responsible for voluntary standards for this product group. Since the standards are numerous and varied, please consult with the CGSB, under Section III of this guide, for more information specific to your product.

Fertilisers, since not intended for direct consumption, have no standards, in the traditional sense, affecting their importability.

### Labelling

Fertilisers sold in Canada must have labelling in accordance with Agriculture and Agri-Food Canada, Plant Industry Directorate. Pesticides sold in Canada must have labelling in accordance with Health Canada, Pest Management Regulatory Agency. Contact for both government offices are found under Section III of this guide.

Instructions accompanying **pre-packaged** products sold in Canada must comply with Canadian packaging and labelling requirements as prescribed by Industry Canada, under the Consumer Packaging and Labelling Act and Regulations for pre-packaged non-food consumer products. Fertilisers and pest control products are exempt from these requirements.

There are three mandatory statements which must appear on the label:

- product identity
  - the product's name;
- product net quantity
  - expressed in metric units in volume, weight or numerical count, according to the type of product;
- dealer's name and principal place of business
  - identity and principal place of business of the person for whom the pre-packaged product was manufactured or produced for resale
  - when imported, substitutes to the requirement include (a) name and address of a Canadian dealer preceded by the words "imported by"; (b) the statement of origin located immediately adjacent to the name and address of a Canadian dealer; or (c) the name and address of the dealer outside Canada.

All mandatory label information must be shown in English and French, except the manufacturer's name and address which can appear in either language. Other supplemental, non-mandatory label information does not have to be bilingual, but manufacturers are encouraged to include this in a bilingual format, if possible. However, the province of Quebec has additional requirements concerning the use of the French language on all products marketed within its jurisdiction. Information on French requirements may be obtained from the Office de la Langue Francaise, found in the Section III of this guide.

All non-mandatory label information on a pre-packaged product must not be false or misleading to the consumer; it must conform with any label claims made which may relate to type, quality, performance, function, origin, or method of manufacture, for example.

There are also designated symbols with which certain hazardous products must be marked. Further information on this labelling may be obtained from the Merchandise Standards Division, Industry Canada, under Section III of this guide.

## **Packaging**

For **pre-packaged** products, according to the Consumer Packaging and Labelling Act and Regulations, all packages must be manufactured, constructed, or displayed in such a manner that a consumer may not reasonably be misled with respect to the quality or quantity of the product it contains. Packages must be filled in such a manner that a

consumer may not be reasonably be misled with regard to the quantity of product it contains.

Labels on pre-packaged products must show:

- the identity and principal place of business of the person by or for whom the pre-packaged product was manufactured or produced for resale;
- the identity of the pre-packaged product in terms of its common or generic name or in terms of its function;
- such information respecting the nature, quality, age, size, material content, composition, geographic origin, performance, use or method of manufacture or production of the pre-packaged product as may be prescribed.

Questions on the Act may be directed to the Consumer Products Branch, Industry Canada, found under Section III of this guide.

There are also special requirements for packaging of hazardous substances. Please check with Canada Customs for more details.

## **Marketing and Distribution**

About two-thirds of companies in Canada's chemical and chemical product sector are in plastic processing. The remainder are manufacturers involved in the petrochemicals, inorganics, speciality and fine chemicals, fertilisers, paint and coatings, pesticides, chemical specialities, and pharmaceuticals industries. These companies all provide opportunities for the exporter.

In Canada, fertiliser distribution to farmers is an essential service component of the market. Fertiliser bulk blender establishments custom blend the dry or liquid fertiliser materials and deliver finished fertilisers to the local market. Some of the blenders are vertically integrated with primary manufacturers, and some are owned by large co-operatives. Quality and consistency in fertilisers are extremely important attributes from the users' perspective.

The latest available data suggests that the import market for organic and inorganic chemicals into Canada is US \$2.7 billion.

## **Documentation**

Goods imported into Canada have mandatory documentation requirements. These are:

- Form B3, Canada Customs Coding (two copies required for an automated Customs office, three if not). It is important to fill in this form properly, especially since it is here where the importer shows the tariff treatment for his goods;
- cargo control document - manifest, waybill or other approved document that must be obtained from carrier or forwarder (two copies);
- commercial invoice, indicating the buyer and seller of the goods, price paid or payable, adequate description, including quantity, of goods contained in the shipment, together with a Canada Customs invoice containing the remaining required data (two copies), or a fully completed Canada Customs invoice, or an invoice containing all data listed by Customs.

Revenue Canada requires that certain goods imported into Canada be clearly labelled as to their country of origin, in English or French; this must be clearly located on the product. If the consumer will ultimately buy the good in a container, then it is acceptable that the container only be marked. Canadian importers are responsible for ensuring that the goods they are importing comply with the marking requirements at the time they import the goods. Please verify with a Canada Customs office concerning your product's marking requirements.

## **Trade Associations**

Canadian Chemical Producers' Association  
Ottawa, Ontario Tel. (613) 237-6215  
Fax (613) 237-4061

Canadian Fertiliser Institute  
Ottawa, Ontario Tel. (613) 230-2600  
Fax (613) 230-5142

Canadian Manufacturers of Chemical Specialties Association  
Ottawa, Ontario K1P 5A9 Tel. (613) 232-6616  
Fax (613) 233-6350

Canadian Society for Chemistry  
Ottawa, Ontario Tel. (613) 232-6252  
Fax (613) 232-5862

Crop Protection Institute of Canada  
Etobicoke, Ontario Tel. (416) 622-9771  
Fax (416) 622-6764

Soap & Detergent Association of Canada  
Don Mills, Ontario Tel. (416) 429-1074  
Fax (416) 429-1940

Western Fertiliser and Chemical Dealers  
Brandon, Manitoba Tel. (204) 725-4236  
Fax (204) 727-5477

### **Trade Fairs**

AOAC International Annual Meeting & Expo  
September  
Various Canadian and US locations

Canadian Flower, Plant and Gardening show  
March  
Toronto

Canadian Society for Chemistry Conference & Exhibition  
May/June  
Various Canadian locations

Landscape Ontario Annual Congress  
January  
Hamilton, Ontario

The Landscaping Show  
February  
Montreal

Western Fertiliser and Chemical Dealers Annual Meeting & Trade Show  
(Must be a member to exhibit in this trade show)  
February  
Calgary, Alberta

World Trade  
October  
Toronto

## **MEXICO**

### **Tariffs (%)**

| <u>Items:</u>       | <u>General</u>    | <u>US/Canada</u> |
|---------------------|-------------------|------------------|
| Inorganic Chemicals | Exempt/5/10       | A/B/C/D          |
| Organic Chemicals   | Exempt/5/10/15/20 | A/B/C/D          |
| Fertilisers         | 10                | A/B/C            |
| Dyes                | Exempt/5/10/15/20 | A/B/C/D/1/2/3    |

A - duties fully eliminated on January 1, 1994

B - duties removed in five equal stages of 20% annually to full elimination by 1998

C - duties removed in ten equal stages of 10% annually to full elimination by 2003

D- items already duty-free on a MFN basis

### **Standards**

The General Directorate for Vegetable Sanitation of the Secretariat of Agriculture and Water Resources publishes an annual list of herbicides, fungicides and other agricultural chemicals allowed to be used in Mexico, as well as prohibited products. To obtain this list, contact this department at the address provided in the information sources section at the end of this guide.

There are voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume III, Classifications K and M. A sampling of the range of standards applicable to this sector include test methods, specifications, purity determination, compounds determination, and other standards. Those chemicals, including agricultural chemicals, subject to NOM certification requirements or Ministry of Health approval procedures, must receive a NOM certification from SECOFI or a Ministry of Health registration number prior to being exported to Mexico. The exporter is strongly urged to contact the Direccion General de Normas at SECOFI, the relevant Mexican sector association, or a knowledgeable Mexican importer, about the most current standards applicable to his product.

### **Labelling**

There are special labelling regulations on fertilisers, pesticides and other toxic substances. For more information contact the Department of Health, found under Section III of this guide.

According to Mexico's Ley de Protección al Consumidor (consumer protection law), all information contained on a consumer product or its labels, containers and packages must be in Spanish. These labelling requirements will be enforced at the border, meaning that compliance is effectively the responsibility of the exporter. Full original Spanish labelling is to be affixed at the point of origin.

Labels must contain specific information such as:

- name of the product or good (including a product description, if not described in the name of the product or good);
- name or trade name and address of the importer and exporter (this information may be displayed on a separate label and may be added after importation);
- country of origin of the product;
- net contents in accordance with Official Mexican Standard NOM 030-SCFI-1993;
- warnings or precautions in the case of dangerous products; and
- instructions for use, handling, and assembly of the product, if applicable (instructions may be on the label or in a separate booklet, and there must be a notice advising the consumer to read the instructions; instructions for use and assembly must be in Spanish).

When used, warranties have to be in accordance with the above Ley, specifying the location of service centres in Mexico. During the term of warranties, manufacturers or importers are required to replace "any damaged piece or component" free of charge. Instructions, manuals and warranties must be "incorporated to the product" before sale, but they will not be required for customs clearance.

The labels must be legible. The label will normally be affixed to each individual package offered for sale to consumers.

If your product is subject to a prior authorisation requirement by the Department of Health, the label of every registered product must have the legend "Aceptado S.S.A. No. ....", followed by the number of the corresponding license. Please confirm with the Department of Health, under Section III of this guide, for specific labelling requirements for your product.

## **Packaging**

There are no official packaging requirements for imported products to Mexico. Please check with your Mexican broker or importer for developments in this area.

## **Marketing and Distribution**

The principal end users of inorganic chemicals are private sector companies in the pharmaceutical and food industries, making 80 % of total purchases.

The greatest demand for agricultural chemicals is concentrated in the central and north-western parts of the country, for the production of crops. The principal active ingredients for pesticides are imported. Mexico's market is highly competitive and companies that maintain an active presence and establish good product performance competitive price, financing and service will do well.

One of the more important competitive factors in chemical products is the availability and delivery time. Some products are not always in stock and potential buyers have to turn to other suppliers. Sometimes the decision to buy from one or another supplier will depend on who can provide the most rapid delivery. Price also plays an important role in purchasing decisions and buyers will always look closely for the best price. Quality and service are also important.

Imports of chemicals are promoted and sold through sales representatives, distributors and agents.

## **Documentation**

Goods imported into Mexico must be accompanied by standard documentation, as follows:

- commercial invoice (in Spanish, if prepared in English, the Spanish translation may follow original text on invoice or translation may accompany invoice), including the original and several copies;
- packing list (if more than one package shipped); at least four copies;
- bills of lading, including one original for importer and one for customs broker;
- special certificates; and
- import permits.

The invoice must be complete and accurate. It must include:

- place and date of issue;
- complete name and addresses of the buyer or importer in Mexico, and the exporter;
- description of merchandise, including marks, numbers, types, and quantities;
- price and value of shipment;

- freight and insurance charges;
- signature (manual), name, and title of exporter; and
- shipper's invoice number and customer's order number.

The invoice should be sent ahead to the importer/broker/agent, in order to obtain special permits (if necessary) if shipped by sea or land, or it should accompany goods if shipped by air.

The packing list includes:

- number of packages, and detailed list of goods in each package;
- net, gross, and legal weight of each package and total shipment, in metric units, along with volume or measurements of each package and total shipment.

The bill of lading has information such as:

- types of packages in shipment and their weights and measurements;
- names and addresses of the shipper and importer, or customs broker;
- ports of origin and destination;
- description of goods;
- list of charges, including freight;
- number of bills of lading in full set; and
- carrier's official acknowledgement of receipt on board of goods for shipment.

Chemicals are currently exempt from the certificate of quality requirement which establishes that some imported items have to undergo a one-time laboratory analysis to assure they meet Mexican quality norms.

As previously noted, some chemicals, including agricultural chemicals, are subject to NOM certification requirements or Ministry of Health approval procedures. Affected products must receive a NOM certification from SECOFI or a Ministry of Health registration number prior to being exported to Mexico.

Import permits may also be required for some chemical products; please check with SECOFI or your customs broker for further details.

All products entering Mexico must have a free sale certificate. This certificate proves that the imported goods are also sold in the country of origin. A letter from the local chamber of commerce stating the sale of this product in the local market is sufficient proof for this requirement.

## **Trade Associations**

Asociacion Mexicana de la Industria de Plaguicidas y Fertilizantes  
(Mexican association of the pesticides and fertilisers industry)  
Mexico City Tel. (5) 563-3400 & 663-0511  
Fax: (5) 598-6666

Asociacion Nacional de Fabricantes de Pinturas y Tintas  
(Paint and ink manufacturers national association)  
Mexico City Tel. (5) 543-6488  
Fax: (5) 682-7975

Asociacion Nacional de la Industria Quimica-ANIQ  
(National association of the chemical industry)  
Mexico City Tel. (5) 559-7833  
Fax: (5) 559-5589

Petroleos Mexicanos-PEMEX  
Mexico City Tel. (5) 531-6214, 531-6390, 254-4720 & 250-2611  
Fax: (5) 254-7678

Union de Formuladores y Fabricates de Agroquimicos  
(Union of formulators and agrochemical manufacturers)  
Mexico City Tel. (5) 688-9810

## **Trade Fairs**

Please consult with the associations above for trade fairs in this sector.

## UNITED STATES

### Tariffs (%)

| <u>Items:</u>       | <u>General</u> | <u>GSP</u> | <u>CBI</u> | <u>Canada/Mexico</u> |
|---------------------|----------------|------------|------------|----------------------|
| Inorganic Chemicals | 0-17.5         | 0-17.5     | 0          | 0-9                  |
| Organic Chemicals   | 0-23.5         | 0-23.5     | 0          | 0-18                 |
| Fertilisers         | 0              | 0          | 0          | 0                    |
| Dyes                | 0-20           | 0-20       | 0          | 0-18                 |

### Standards

Pesticides must have a Notice of Arrival submitted for review and approved by the Environmental Protection Agency (EPA) prior to importation. Pesticides must be registered in accordance with the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA). They must not be adulterated or misbranded, or if they are injurious to health or the environment.

Chemical substances or mixtures are regulated under the Toxic Substances Control Act (TSCA). Imports will not be released from Customs unless proper certification that the import “complies with” or “is not subject to” the requirements of the TSCA is presented to Customs. More information is obtainable from the EPA, listed under the addresses section of this guide.

The Federal Hazardous Substances Act, enforced by the Consumer Product Safety Commission, defines banned hazardous substances.

### Labelling

Pesticides must show the producer establishment number registered with the EPA.

The labelling of caustic or corrosive substances is regulated by the Office of Hazardous Materials Transportation of the Department of Transportation.

The Federal Hazardous Substances Act, enforced by the Consumer Product Safety Commission, states that approved hazardous substances must have cautionary statements on their labels. These statements include:

- signal words such as “danger”, “warning” or “caution”;

- affirmative statements of the principal hazards associated with a hazardous substance, such as “harmful if swallowed”, “flammable”, or other applicable term;
- the name of the hazardous substance;
- the name and address of the manufacturer, packer, distributor or seller;
- statements of precautionary measures to follow;
- instructions for special handling and storage, if appropriate;
- statement “Keep Out of the Reach of Children” or equivalent;
- first aid instructions, when appropriate labelling specific to the substance; and
- the word “poison” and skull and crossbones symbol must be used when appropriate.

Outer packaging must also include cautionary labelling.

Consult with the CPSC for greater details about labelling before importing such substances.

The Federal Trade Commission also has general requirements for consumer product labels, or packages of products, which consist of:

- the identity of the product;
- the name and place of business of the manufacturer, packer or distributor;
- country of origin (US Customs requirement).

## **Packaging**

An important function of packaging is to pack the product in a way to enable US Customs to examine, weigh, measure, and release the goods promptly. Therefore, show the exact quantity of each item of goods in each box or other package, put marks and numbers on each package, and show those marks on your invoice opposite the itemisation of goods contained in the corresponding package.

The packaging of caustic or corrosive substances is regulated by the Office of Hazardous Materials Transportation of the Department of Transportation.

## **Marketing and Distribution**

The US chemical industry is the world's largest, and the world's second largest exporter of chemicals. Globalisation has forced on-going restructuring of the industry. Growing public concern about the environment has resulted in increased demand for new "environmentally friendly" products and technologies. The trend is towards more sophisticated products with higher value-added. Success in the US requires lower cost production and rapid adoption of new technology given that the speciality chemicals sub-sector is knowledge-based.

The size of the import market into the United States for organic and inorganic chemicals is US \$12.7 billion.

## **Documentation**

Within five working days of the date of arrival of a shipment at a US port of entry, entry documents must be filed, which consist of:

- a commercial invoice, or pro forma invoice when the commercial invoice cannot be produced;
- packing lists, if appropriate;
- evidence of right to make entry (bill of lading, air waybill, shipping receipt, carrier's certificate);
- Entry Manifest, Customs Form 7533; or Application and Special Permit for Immediate Delivery, Customs Form 3461; or other form of merchandise release required by the district director.

A requirement of US Customs is that a good entering the United States, or its container (if the good reaches the final purchaser in a container) must be marked with its country of origin. An exception to this rule is an article which is to be processed in the US by the importer and not intended for sale in its imported form, an article incapable of being marked, or a crude substance. The manufacturer should check with US Customs to verify which situation applies to his product.

Pesticides must be registered in accordance with FIFRA before entry into the US. Pesticides must also have a Notice of Arrival submitted by the importer for review and approved by the EPA prior to importation.

## **Trade Associations**

American Chemical Society  
Washington, DC Tel. (202) 872-4553  
Fax (202) 872-4410

Chemical Manufacturers Association  
Washington, DC Tel. (202) 887-1100  
Fax (202) 887-1237

Chemical Specialties Manufacturers Association  
Washington Tel. (202) 872-8110  
Fax (202) 872-8114

National Agricultural Chemicals Association  
Washington Tel. (202) 296-1585

National Association of Chemical Distributors  
Washington Tel. (202) 296-9200  
Fax (202) 296-0023

National Petroleum Refiners Association  
Washington, DC Tel. (202) 457-0480

Sales Association of the Chemical Industry  
West Paterson, New Jersey Tel. (201) 256-5547  
Fax (201) 256-6752

Synthetic Organic Chemical Manufacturers Association  
Washington Tel. (202) 659-0060  
Fax (202) 659-1699

## **Trade Fairs**

AOAC International Annual Meeting & Expo  
September  
Various Canadian and US locations

American Chemical Society Expo & National Meeting  
August/September, March/April  
Various US locations

Industrial Paint & Powder Expo  
April  
Illinois

Petrochemical & Refining Expo  
March/April (biennial)  
Houston, Texas

## **SOURCES OF INFORMATION ABOUT THIS SECTOR**

“Encyclopaedia of Associations: National Organisations of the US, Vols. I & II”, Gale Research Inc. (Washington), 1994.

“Industry Profile: Toilet Preparations; Soap and Cleaning Compounds; Petrochemicals; Pesticides; Pharmaceuticals; Fertilisers”, Industry Canada, 1991.

“Market Research Report: Canada - Fertilisers”, United States Department of Commerce, International Trade Administration, 1994.

“Market Research Report: Mexico - Chemicals”, United States Department of Commerce, International Trade Administration, 1993.

“Market Research Report: Mexico - Industrial Organic Chemicals”, United States Department of Commerce, International Trade Administration, 1993.

“MEXICO Business, The Portable Encyclopaedia for Doing Business with Mexico”, World Trade Press (San Rafael, California), 1994.

“Mexico Market Profile: Agricultural Equipment, Seeds and Related Chemicals”, Department of Foreign Affairs and International Trade, 1993.

“NAFTA and the Chemicals Sector”, Industry Canada, 1994.

“1995 Tradeshow Week Data Book”, Tradeshow Week: New Jersey, 1994.

“North American Free Trade Agreement Opportunities for US Industries: NAFTA Industry Sector Reports”, US Department of Commerce, International Trade Administration, 1993.

“US Industrial Outlook: Chapter 11 - Chemicals and Allied Products”, United States Department of Commerce, International Trade Administration, 1993.