





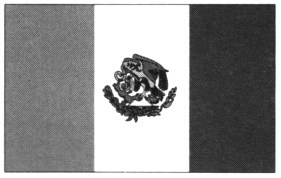
Commonwealth Guide To Trading With NAFTA Countries

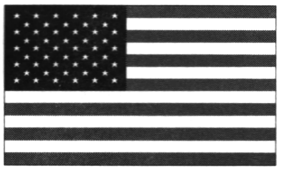
Practical information for business



Commonwealth Secretariat



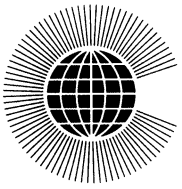




Commonwealth Guide to Trading With NAFTA Countries

Practical Information for Business

Prepared for the Export and Industrial Development Division,
and financed by the Commonwealth Fund for
Technical Co-operation



Commonwealth Secretariat
Marlborough House, Pall Mall, London SW1Y 5HX

1995

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GLOSSARY OF TERMS

GLOSSARY OF TERMS

APHIS	-	Animal Plant Health Inspection Service, USDA
ASTM	-	American Society of Testing and Materials
BPT	-	British Preferential Tariff
CARIBCAN/CCC	-	Commonwealth Caribbean Countries Tariff
CBI	-	Caribbean Basin Initiative
CGSB	-	Canadian General Standards Board
CPSC	-	Consumer Products Safety Bureau
CSA	-	Canadian Standards Association
EPA	-	Environmental Protection Agency
EU	-	European Union
FCC	-	Federal Communications Commission
FDA	-	Food and Drug Administration
FIFRA	-	Federal Insecticide, Fungicide and Rodenticide Act
FTA	-	Free Trade Agreement
FTC	-	Federal Trade Commission
GATT	-	General Agreement on Tariffs and Trade
GDP	-	Gross Domestic Product
GMP	-	Good Manufacturing Practices
GNP	-	Gross National Product
GPT	-	General Preferential Tariff
GSP	-	General System of Preferences
IEEE	-	Institute of Electrical and Electronics Engineers
LDDC	-	Least Developed Developing Countries
MFN	-	Most-Favoured Nation
NAFTA	-	North American Free Trade Agreement
NHLA	-	National Hardwood Lumber Association
OECD	-	Organisation for Economic Co-operation and Development
PCB	-	Printed Circuit Board
PEMEX	-	Petroleos Mexicanos (Mexican oil company)
RVC	-	Regional Value Content (test)
TSCA	-	Toxic Substances Control Act
UFAC	-	Upholstered Furniture Action Council
UL	-	Underwriters Laboratories
UNCTAD	-	United Nations Committee on Trade and Development
UPC	-	Universal Product Code
USDA	-	US Department of Agriculture
WTO	-	World Trade Organisation

ABOUT THIS GUIDE

ABOUT THIS GUIDE

The North American Free Trade Agreement (NAFTA) encompasses the United States, Canada and Mexico. It is a large, growing and dynamic economic region, providing significant sales opportunities for Commonwealth exporters, many of whom must look beyond their traditional markets for future business growth. There is a high demand in the region for a broad spectrum of consumer and industrial products. Many of these demands can and are being met by small to medium size producers who supply market segments with goods that meet high quality and reliability standards and that are readily available to customers at the right price.

Commonwealth businesses planning to enter export markets or already exporting to the NAFTA region will benefit from consulting this guide. It demonstrates the economic importance of the region, and contains detailed information on how exporters can take advantage of a selected group of market opportunities. Overall, the guide will assist Commonwealth based companies to export successfully to North America.

Beginning with an overview of the economic and business background of NAFTA, the guide provides essential information to exporters about the new trading environment. It contains detailed product and market information on fifteen important product groups.

Specifically, the guide examines:

- product specifications, tariffs, safety and testing standards and rules of origin;
- rules and regulations governing business development and competition, marketing practices, governmental incentives, technical standards, environmental requirements, investments for exports and intellectual property rights;
- new requirements relating to documentation for exports into the NAFTA region;
- how NAFTA tariff and non-tariff barriers will affect exporters under MFN, GSP or other existing preferential agreements including the Caribbean Basin initiative for US, and CARIBCAN for Canada;
- how the changes under NAFTA affect the dynamics of trade in the selected product groups, what new marketing strategies exporters should adopt, and what business opportunities could be pursued; and
- Mexico as a new export market and emerging competitor.

The guide comprises three sections. Section I provides an introduction to NAFTA, explaining the removal of barriers and the creation of the North American free trade area, implications for Commonwealth exporters, and information about individual NAFTA country trading rules with Commonwealth countries. A special chapter on Mexico discusses the dynamics of this emerging market.

Section I includes:

- a regional economic overview of the North American region together with a description of the major characteristics of the agreement;
- the likely future outlook for NAFTA;
- other applicable trade agreements of individual NAFTA countries with Commonwealth countries;
- an outline of the North American marketplace, with regard to specific business and administrative considerations for exporters; and
- a perspective on Mexico, in light of that country's present economic situation.

Section II is designed to be a practical, product-based survey which provides an analysis of NAFTA requirements and marketing issues for 15 product groups of interest to Commonwealth exporters. Since individual NAFTA countries have their own rules with regards to external exporters (in contrast with the European Community, which has one set of trading rules for outside countries), each product is analysed separately for the Canadian, American and Mexican markets.

Information is provided for each product group on outlook, tariff treatment, product standards, rules of origin, labelling and packaging requirements, marketing and distribution channels, documentation necessary for importing, industry trade associations and major trade fairs.

The product groups covered include:

- Bicycles and bicycle components
- Dyes and chemicals (intermediate dyes, and organic and inorganic chemicals)
- Electrical components (PCBs, semi-conductors, capacitors, resistors, power supply connectors)

- Fresh fruits and vegetables
- Handbags
- Handmade carpets and rugs
- Hand tools (wrenches, spanners, screwdrivers, hammers, vices)
- Household furniture
- Jewellery
- Leather goods including shoes and garments
- Marble and granite
- Processed foods (fruit juices, pickles, sauces, coconut products, spices, etc.)
- Ready made garments, especially woollen knitwear
- Seafood (prawns and shrimps)
- Scientific and surgical instruments

Section III of the guide provides useful contacts, references and resources in NAFTA countries for the exporter. It lists contact points of main organisations relevant to trading with Canada, the United States and Mexico. The references provided in Section III will help with any further necessary research into specific products and markets.

NAFTA has created a new single market of 360 million people, one of the largest trading areas in the world. Trade and investment among the three NAFTA signatories exceeds $500 billion per year. North America's strong record of innovation and economic growth makes this market a dynamic and important opportunity for Commonwealth exporters. Hopefully, this "Commonwealth Guide to Trading with NAFTA Countries" will facilitate the efforts of Commonwealth exporters to succeed in this challenging and rewarding market.

A.G. Barve
Director
Export and Industrial Development Division
Commonwealth Secretariat

SECTION I

THE NORTH AMERICAN TRADE ENVIRONMENT

CHAPTER 1

ESSENTIALS OF THE NORTH AMERICAN FREE TRADE AGREEMENT

CHAPTER 1 - ESSENTIALS OF THE NORTH AMERICAN FREE TRADE AGREEMENT

OVERVIEW

The North American Free Trade Agreement (NAFTA) came into effect on January 1, 1994, covering the United States, Canada and Mexico. It is based on the successful model of the Canada-US Free Trade Agreement (FTA), which was implemented in 1989. NAFTA extended and expanded this accord in a number of areas.

The overall goal of NAFTA is to establish in the region a more integrated market for goods, services and capital, at the same time providing for greater mobility for business and professional persons. Its major objectives are to:

- eliminate barriers to trade and facilitate the cross-border movement of goods and services between the territories of the three signatories;
- promote conditions of fair competition in the free trade area;
- increase investment opportunities in the territories of the parties;
- provide effective protection of intellectual property rights in each jurisdiction; and,
- establish a clear set of rules for administration of the agreement including the determination of "rules of origin", and binding procedures and mechanisms for dispute resolution.

Unlike the European Union (EU), NAFTA is primarily directed towards opening up markets and increasing the trade of goods and services within the region. It is not a common market, it has no political aims, and it does not provide for the free movement of labour except for the designated small professional and business group mentioned above. This agreement does address environmental concerns, committing the three signatory countries to promoting and enforcing sustainable development.

REGIONAL ECONOMIC PROFILE

In 1993, the NAFTA region constituted a market comprising a population of 372 million and a gross national product (GNP) of $7287 billion. The three NAFTA countries show significant disparity in terms of population and economic outputs. The United States is

the world's largest economy, with a high per capita GNP. Canada, with just over ten per cent of the population of the United States, is among the top ten economies of the world in terms of size. Canada's per capita GNP is slightly lower than that of the United States.

Canada and the United States, partly because of their proximity and partly because of physical and other advantages, have long been each other's major trading partner. This situation culminated in the signing of the Canada-US Free Trade Agreement (FTA) in 1989. Although very different size in terms of population and economic output, both countries have highly advanced economies. But both countries continue to run high budgetary deficits, and although receiving increasing government attention, these deficits are a major cause of the recent instability and depreciation of the US and Canadian dollars.

Mexico has introduced more open market operations as a result of NAFTA. This follows a long period of protectionism caused at least partially by concerns that the United States, with its size and wealth, posed a potential threat to Mexican economic and possibly political sovereignty. In December, 1994, after several years of relatively strong growth, Mexico suffered a severe currency crisis that resulted in a major devaluation of the peso.

Population and GNP in the EU are close to NAFTA levels. However, land areas differ dramatically; NAFTA countries, at 21.3 million square kilometres, occupy an area over six times that of the EU.

Table 1 provides a summary of size and economic output statistics of each NAFTA country.

Table 1: North American Economic Summary 1993

	United States	Canada	Mexico
Population (million)	258	27	86
GNP (US$ billion)	6387	574	325
GNP per capita (US$)	24,750	20,670	3,750
Growth Rate (1985-93)%	1.2	0.4	0.9
Ave. Inflation (1985-93)%	3.5	3.3	45.1
Imports (US$ billion)	581	132	65
Exports (US$ billion)	465	145	52

Sources: The World Bank Atlas 1995; United States Dept. of Commerce, Bureau of the Census; Statistics Canada; Bank of Mexico

North American Trade Flows

Table 2 indicates that, major trade flows in the NAFTA region have been until the present, between Canada and the United States; and between the United States and Mexico. Trade between Canada and Mexico has been relatively small, with Canada importing approximately four times as much as it exports to Mexico. Prior to NAFTA, Mexico imposed tough tariffs and licenses on Canadian products.

Table 2: Import/Export Data 1993

$US millions	**Imports into:**				
Exports from:	United States	Canada	Mexico	Rest of World	**Total**
United States		100,177	41,636	322,954	464,767
Canada	110,922		639	33,692	145,253
Mexico	39,930	2,876		8,994	51,800
Rest of World	429,659	28,712	23,125		481,496
Total	580,511	131,765	65,400	365,640	1,143,316

Sources: United States Dept. of Commerce; Statistics Canada; Bank of Mexico

Table 3 shows trade flows for each Commonwealth country with Canada and the US. Commonwealth exports to Canada amount to approximately $8 billion, 6% of total Canadian imports; U.S. imports from the Commonwealth are approximately $74 billion, 13% of total imports. The value of US imports from the Commonwealth are relatively balanced by exports. Canada imports approximately $2.3 billion more than it exports to the Commonwealth.

Table 3: Commonwealth Imports/Exports 1993

$ U.S. Millions Country	Canada's Imports	U.S.' Imports	Canada's Exports	U.S.' Exports
Anguilla	N/A	N/A	N/A	14
Antigua & Barbuda	N/A	15	7	73
Australia	826	3,294	630	8272
Bahamas	26	348	15	704
Bangladesh	44	886	19	245
Barbados	7	34	17	146
Belize	9	54	9	136
Bermuda	3	15	35	265
Botswana	N/A	9	2	25
British Indian Ocean Territory	N/A	N/A	N/A	N/A
British Virgin Islands	N/A	14	1	46
Brunei	6	30	1	478
Cayman Islands	1	35	2	179
Cyprus	1	16	7	138
Dominica	N/A	6	1	27
Falkland Islands	N/A	N/A	N/A	N/A
Fiji	18	69	2	27
The Gambia	N/A	9	N/A	10
Ghana	9	209	22	215
Gibraltar	N/A	4	7	9
Great Britain	3,467	21,736	2,306	26,376
Grenada	N/A	8	2	24
Guyana	118	91	8	123
Hong Kong	930	9,558	602	9,873
India	278	4,551	218	2,761
Jamaica	140	720	71	1,113
Kenya	12	92	9	117
Kiribati	N/A	2	N/A	31
Lesotho	2	56	N/A	4
Malawi	1	60	N/A	16
Malaysia	680	10,568	173	6,065
Malta	9	104	5	172
Mauritius	7	197	2	18
Montserrat	N/A	N/A	N/A	N/A
Nauru	N/A	N/A	N/A	N/A

$ U.S. Millions Country	Canada's Imports	U.S.' Imports	Canada's Exports	U.S.' Exports
New Zealand	197	1,208	94	1,247
Nigeria	533	5,301	46	891
Papua New Guinea	2	98	3	50
Pitcairn Island	N/A	N/A	N/A	N/A
St.Helena	N/A	N/A	N/A	N/A
St. Kitts - Nevis	N/A	N/A	1	N/A
St. Lucia	N/A	N/A	6	N/A
St. Vincent & the Grenadines	N/A	N/A	2	N/A
Seychelles	N/A	N/A	1	N/A
Sierra Leone	3	47	1	21
Singapore	619	12,796	264	11,676
Solomon Islands	N/A	N/A	N/A	N/A
Sri Lanka	34	1,002	12	203
Swaziland	7	N/A	N/A	N/A
Tanzania	2	11	6	33
Tonga	N/A	N/A	N/A	N/A
Trinidad & Tobago	18	803	43	529
Turks & Caicos	N/A	4	N/A	22
Tuvalu	N/A	N/A	N/A	N/A
Uganda	4	10	5	21
Vanuatu	N/A	N/A	N/A	N/A
Western Samoa	N/A	1	N/A	10
Zambia	N/A	41	32	42
Zimbabwe	2	111	7	84
TOTAL	**8,014**	**74,223**	**4,690**	**72,531**

N/A = less than $1 million

Sources: United States Department of Commerce; Statistics Canada

KEY FEATURES OF THE AGREEMENT

NAFTA contains all the rights and obligations of its FTA predecessor, although these may take a different form and be repositioned within the new agreement. FTA already provided for the elimination of tariffs between the US and Canada over a period of ten years. This, along with other FTA provisions, is incorporated within NAFTA. NAFTA now contains additional provisions for the practically complete elimination of Mexican tariffs and import licensing requirements on exports from the United States and Canada

over ten years; more openness in cross border transportation services; and clearer content rules in automobiles and textiles.

Specific items of interest to Commonwealth exporters include:

- the tightening of rules of origin to narrow the ground for disputes;
- establishment of specific rules on how customs authorities will interpret the agreement and formal procedures for redress of grievances;
- clear rule provisions that preserve each country's sovereignty in certain areas but do not permit these to be applied as constraints on trade within the region;
- standards and rules of enforcement with respect to the increasingly important issue of intellectual property rights in international trade;
- independent binational panel review and enforcement mechanisms with respect to antidumping and countervailing duty determinations by each country; and,
- emergency action rules to provide temporary relief from the adverse effects of import surges.

Rules of Origin

Rules of origin define goods that are eligible for preferential tariff treatment under NAFTA. They are designed to ensure that non-tariff benefits apply only to goods produced substantially in the NAFTA countries. NAFTA rules of origin specify that:

- goods are deemed to originate in North America if they are totally North American in content;
- goods containing non-regional materials are deemed to originate in North America provided that these are sufficiently transformed in the NAFTA region so as to undergo a specified change in tariff classification;
- in some cases, goods must include a specified percentage of North American content in addition to meeting the tariff classification requirement; and,
- goods are permitted to be treated as originating in North America when the finished good is specifically named in the same tariff subheading as its parts, and it meets the Regional Value Content (RVC) test.

RVC is calculated using either one of two methods:

- the "transaction value" method is based on the total price paid by the final buyer of the good. For example, a good with a market price of $100 must normally have an RVC of at least $60, that is 60 percent, to be considered as an originating North American good;

- the "net cost" method is based on the total cost of the good less selling, marketing, packing, shipping and royalty expenses. Interest expense is allowable within limits. For example, a good with a net cost of $100 must normally have an RVC of $50, that is 50 percent, to be considered an originating North American good.

Sample calculations of the Regional Value Content (RVC) test are provided at the end of this chapter.

Either method may normally be used by producers, but the net cost method must be used where the transaction value is not acceptable under the World Trade Organisation (WTO) Customs Valuation code. The net cost method must also be used for certain products, for example automotive goods.

NAFTA also contains a de minimis rule to prevent goods from losing preference eligibility solely on the basis that they contain minimal amounts of non-originating material. A good with no more than seven percent of the price or cost composed of non-originating, that is non-NAFTA, materials will be considered to be of North American origin.

Customs Administration

Procedures are in place to ensure that only goods satisfying rules of origin criteria are accorded preferential treatment under NAFTA. Uniform regulations also ensure that rules of origin are interpreted and administered uniformly.

Exporters to NAFTA countries are required to complete a certificate of origin. This certificate acts as the basis for a declaration (if applicable) for preferential treatment. Procedures for processing this documentation may vary by country. Copies of these certificates shall also be provided to the exporting country's customs administration upon request. Customs authorities are empowered under NAFTA to verify the authenticity of the certificate of origin. Records pertaining to the export of goods into NAFTA countries shall be maintained for a minimum of five years.

Exporters may obtain advance rulings from customs authorities regarding application of rules of origin to future importation of goods into North America.

Technical Standards

NAFTA contains policies that promote and protect human, animal and plant health and safety. The agreement specifies that the three countries will work together to pursue the enhancement and compatibility of these measures throughout the free trade area. Standards shall not be used as a means of introducing trade barriers between countries. Each country, however, has the freedom to adopt standards to achieve the level of protection and promotion it desires.

NAFTA also affirms each country's obligations and rights under the WTO agreements on technical barriers to trade, and conservation and environmental issues.

Each country's technical standards must provide for both "Most Favoured Nation Treatment" and "National Treatment". This has two important implications:

- goods and services imported by one NAFTA country from another cannot be treated less favourably than like goods and services imported from a non-NAFTA country;

- each NAFTA country must treat goods and services originating from another NAFTA country as favourably as its own goods and services. For example, a government tender in Mexico may not treat a bid from a Mexican company more favourably than a similar bid from a Canadian or American company.

Intellectual Property

NAFTA recognises the growing importance of intellectual property rights and sets out specific commitments with respect to copyrights, patents, trademarks, trade secrets, integrated circuits (semiconductor chips), industrial designs, plant breeders' rights and geographical indications. The general approach has been to build on the work done in the General Agreement on Tariffs and Trade (GATT), now the WTO, and various other international property treaties

Each country is committed to provide adequate protection and enforcement of intellectual property rights against infringements, internally and at the border.

Antidumping and Countervailing Duty Determinations

NAFTA explicitly preserves the right of each country to retain its antidumping and countervailing duty determinations. Each country also retains the right to amend its laws subsequent to NAFTA coming into effect.

It is important that exporters to NAFTA countries ensure that costs and prices do not infringe upon these anti-dumping regulations.

Emergency Actions

This section of the agreement establishes the rules and procedures under which a country may take "safeguard" actions, through the use of tariffs and quotas, to provide temporary relief to industries affected by import surges. These are intended to operate internally in the NAFTA region, but their intent is similar to the protection provided to an importing country under Article XIX of the WTO.

LIKELY FUTURE DEVELOPMENTS

It is a basic assumption that trade improvement initiatives such as NAFTA result in positive benefits. There is no doubt that they cause business shifts and restructuring, and some level of labour redeployment. But there is clear evidence that the overall economic health of a participant country is enhanced as trade and other barriers are eliminated.

NAFTA provides for the admission of additional member countries and there is every indication that this will occur in the near future. Candidates for membership must receive the approval of each of the three founding signatories and be subject to acceptance of their terms and conditions. There is no provision in the agreement for any of the content of NAFTA to be changed as the result of the admission of new members.

Negotiations are already in process with the first applicant, Chile. These are likely to proceed without undue delay. Chile, although only a small country of 14 million people, has for the past decade instituted market reforms, lowered trade barriers, and reduced inflation. These actions have attracted outside investment and resulted in a sustained high annual economic growth rate -- an average of 7% over the past eight years.

As much of Latin America has already experienced initial free trade effects, further applicants are expected to follow. Argentina and Colombia are being mentioned as probable leaders in this regard. Current free trade groupings in Central and South America include Mercosur (Brazil, Argentina, Paraguay, Uruguay), Andean Pact (Ecuador, Bolivia, Colombia, Venezuela, Peru), and a Central American Common Market aligned with Mexico. The population of these countries, which could eventually join NAFTA, would add more than 300 million people to the current market, almost doubling its size.

There have also been suggestions that NAFTA could extend beyond North and South America. There appear to be no legal exclusions to this potential expansion path. New Zealand has been mentioned as a possible candidate for future membership.

Experience suggests that new entrants, to the extent possible, must have their fiscal and monetary "house" in order prior to admittance to membership in NAFTA. Although the long term benefits of increased trade and economic growth remain attractive, countries with a high level of protectionism and state intervention are not well prepared to deal with open markets that result from free trade agreements.

SAMPLE CALCULATION OF REGIONAL VALUE CONTENT (RVC)

Using the Transaction Value Method (TV)

TV = the total payment made by the buyer to the producer of the good

VNM = the value of non-originating materials used to produce the good

$$RVC = \frac{(TV - VNM)}{TV} \times 100$$

Example: $RVC = \frac{(1000 - 600)}{1000} \times 100 = 40\%$

Conclusion: This product does not qualify for preferential treatment - it does not achieve the 60% RVC level for the TV method.

Using the Net Cost Method (NC)

NC = the total cost of the good less selling, marketing, shipping and royalty expenses

VNM = the value of non-originating materials used to produce the good

$$RVC = \frac{(NC - VNM)}{NC} \times 100$$

Example: $RVC = \frac{(1000 - 450)}{1000} \times 100 = 55\%$

Conclusion: This product qualifies for preferential treatment - it achieves the 50% RVC level for the NC method.

CHAPTER 2

OTHER APPLICABLE TRADE AGREEMENTS

CHAPTER 2 - OTHER APPLICABLE TRADE AGREEMENTS

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	•	•		

CHAPTER 3

THE NORTH AMERICAN MARKETPLACE

CHAPTER 3 - THE NORTH AMERICAN MARKETPLACE

Exporters to North America should view the marketplace in two separate but interrelated dimensions. The first is the business dimension -- how to understand the market, ensure product acceptance and achieve an adequate financial return. The second is the administrative dimension -- how to comply most effectively and efficiently with the import rules and regulations described in this guide. It should be re-emphasised in this regard that NAFTA is not a common market, and that each country is free to impose its own import policies on non-NAFTA exporters.

BUSINESS CONSIDERATIONS

The NAFTA market comprises three countries, each with a number of distinguishing characteristics including size, differing consumer preferences, cultural orientation, climatic considerations, and purchasing power. In the United States and Canada, and increasingly so in Mexico, both consumer and industrial markets are highly competitive.

Exporters approaching the North American market should be aware that while it displays a number of similarities, particular in the US and Canada, many regional differences need to be recognised. For example, Mexico is "young" country with 70% of its population under the age of 30. In contrast, the higher age demographic profile of the US and Canada embodies an active, older consumer group with much higher purchasing power. The large immigrant populations in the US and Canada also influence regional buying patterns.

Overall, buyers demand products at lowest possible prices accompanied by high functionality, high quality, reliability of supply, and quick response times to problems or unexpected demands. Commodity type products must fight for recognition in a highly competitive marketplace and normally must use distribution channels dominated by large, price conscious buying organisations. A market characteristic that is more apparent in recent times is decreasing buyer loyalty. It is therefore in the best interest of suppliers to keep in constant touch with their customers. Reliable communications and ready access are a must. North American buyers are generally very demanding and frequently impatient. Exporters must satisfy the demands of such an environment, regardless of how different it may be from their own.

In the United States and Canada, the market is supported by a highly developed infrastructure comprising state-of-the-art physical transportation and electronic communications systems, advanced business knowledge, and government support. Exporters can and must use this infrastructure to full advantage to stay competitive.

Developing a Market Strategy

As a critical first step, it is of fundamental importance that exporters to North America gain a thorough understanding of the target market in terms of its size, profile, regional differences, longevity, and financial implications. The absence of this obvious action, either in whole or in part, has been a major cause of business failure by corporations (some large and successful elsewhere) to achieve a successful, long term North American market presence. A sound market assessment may require the assistance of external resources experienced in identifying and resolving relevant market and business issues.

The conclusion of this research and analytical task provides an important decision point for the exporter -- do the facts suggest that further expenditures of time and money, followed by entry into the market, are likely to be profitable? If so, the second and equally important activity is developing the market plan -- the establishment of key business and financial targets, the recognition of risks involved, selecting the right distribution channel, and generally detailing the actions necessary to successfully penetrate the designated marketplace. Again, experienced assistance in the local marketplace is likely to benefit the exporter.

We stress these obvious steps because they are often the most critical factors affecting the success of exports into North America. They are frequently also the most neglected, as many exporters believe that their personal instincts for the market are good enough. While entrepreneurial instincts are indeed important, the North American economy demands that exporters have sound knowledge of their target market, and a clear business plan to approach this market.

ADMINISTRATIVE CONSIDERATIONS

There are a number of administrative considerations that exporters must address as a prerequisite to export development.

Two points should be noted in connection with exporter representation in the importing country:

- the US and Canada offer a wide variety of external business support services, either general or specialised, to assist exporters. Similar services in Mexico are adequate but less formalised. However, the Mexican business services sector is rapidly catching up to that of the US and Canada;

- although relationships with agents, distributors and other external services are normally bound by formal contractual relationships, those in which there is adequate trust and personal goodwill between the parties will be the most mutually beneficial.

Selection of the Right Distribution Channel

There are normally three distribution channel options open to exporters. These fall under the following general headings, although they may be used interchangeably:

Agent or Manufacturer's Representative

Agents differ in the extent of the services offered but generally can be considered as acting in the role of a local sales manager for the supplier. Agents may sell directly or through distributors, depending on the product/market characteristics. Normally they can enter into agreements on the supplier's behalf. Agents selected should be experienced in the product and the target marketplace, and should be active in assisting the supplier. Support activities may include making sales calls, providing sales leads, training sales people, and if necessary providing after-sales service.

The usual process is for the agent to inform the supplier of each sale. Delivery of the goods and invoicing is normally done directly by the supplier.

Agents may be compensated for their services under a variety of arrangements -- by straight commission, by retainer plus expenses, or a combination of both.

Distributor

Distributors are used frequently in the parts and accessories market. In this case the goods are purchased from the supplier and sold by the distributor's sales force. Distributors are experienced in their marketplace and maintain good product knowledge. They frequently sell related and possibly competing products to provide the ultimate customer with the right level of choice.

Broker

A broker is an intermediary, working in effect for both customer and supplier. Brokers normally request price and delivery quotations from the supplier but are free to accept a competitor's bid deemed more acceptable to the customer. Arrangements can frequently be made with brokers to take physical possession of the product and assume legal title.

Documentation

An essential requirement for an exporter is to ensure that product documentation conforms precisely to the rules and regulations of the importing country. Under NAFTA, documentation requirements are clear and it is customary to use the services of border customs brokers to facilitate the import process. Under Mexican law, all imports valued at more than US$ 1,000 must be handled by a Mexican customs broker.

In particular, openness and full disclosure is essential when issues of product cost, pricing, or intellectual property payments arise. Customs authorities possess major review and enforcement powers.

Taxation

Tax regimes are country specific within NAFTA, differing in content and rates of application. Business taxation levels in the US and Canada may vary to some extent by state or province. Mexican taxes are different in a number of respects, but are gradually being harmonised in concept with the US and Canada.

It is essential that exporters retain the services of experienced legal and financial advisors on taxation matters.

Product Certification

Product certification by independent standards bodies is a well defined and prominent process in the US and Canada. The main objective of these bodies is to ensure product user health and safety. More emphasis is now being placed on ensuring that products are not only safe but are environmentally friendly, well designed, of high quality, reliable, and efficient.

To avoid the charge of hidden trade barriers, there is a trend to one standard, one test, and one certification mark. Already, a degree of integrated certification is operational between the US and Canada, and standards organisations in these countries are now working with emerging Mexican certification agencies to develop this approach further.

The two key product certification bodies in the NAFTA region are Underwriters Laboratories (UL) in Chicago and the Canadian Standards Association (CSA) in Toronto. Under NAFTA, UL and CSA certification are considered equivalent, and also valid in Mexico.

It is in the interest of exporters, when product certification is required, to obtain the mark as early as possible. The optimum time to start the process is during the design stage. To facilitate certification, a number of optional approaches are open to exporters including on-site testing conducted by the standards agency either alone or shared with the manufacturer.

Buying organisations in North America are now also attaching greater importance to products from suppliers who have achieved ISO 9000 quality registration. A number of Standards agencies possess authorisation to conduct quality audits of manufacturers and other suppliers and to award ISO 9000 registration.

PRODUCT AND MARKET SPECIFIC ISSUES

Section II of this guide discusses many of the above issues in greater detail. The individual chapters that follow on each major product group included in this guide provide more information on both business and administrative aspects of exporting these products to North America.

CHAPTER 4

A PERSPECTIVE ON MEXICO

CHAPTER 4 - A PERSPECTIVE ON MEXICO

BACKGROUND

Mexico, the newest free trade partner in North America, is a union of 31 states with a strong federal government (the formal political name for the country is the United Mexican States). Although the political history of Mexico is authoritarian, the country is well on its way to becoming a full western style democracy. Traditional one party rule now comes under serious challenge, and political institutions are becoming more open each day. The present government shows every sign of being committed to continuing this trend.

The country has 85 million people, 60% of whom live in urban areas. More than 20 million people live in Mexico City alone, making it one of the world's largest cities. Other major cities, such as Guadalajara and Monterrey, have over 3 million people each. Mexico is a very "young" country in terms of demographics. Forty percent of the population is under twenty years old.

Mexico's per capita GDP in 1992 was $3,600. Per capita GDP grew between one and four percent a year during the period 1990-93, a time when other global economies were in various stages of recession. GDP growth fell to 0.4% by late 1993, as the effects of the global recession started impacting Mexico's economy.

Inflation during 1994 was less than 8%, a substantial drop from the 30% levels seen a decade earlier. The drop was largely due to the government's "solidarity pact" with business and labour, which committed all parties to work towards Mexico's economic stability.

Overall, Mexico has a broad manufacturing infrastructure, and produces a wide range of goods for local consumption and export. Major exports are petroleum and petrochemicals, automobiles, automobile engines and other parts, vegetables, and raw coffee beans. Primary imports are automobile assembly material, electrical parts, chemicals, industrial equipment, textile and metalworking machinery, and computers. Mexico's major export markets are the United States, Japan, Canada, Spain, France, and Germany. Imports into Mexico come mainly from the United States.

ECONOMIC LIBERALISATION

Mexico's economic progress during the last few years has been dramatic, and in large measure has been due to the Mexican government's efforts to liberalise the economy and implement a tough anti-inflationary programme. The government's priorities were to decrease the fiscal deficit, fight inflation, open up trade and invite foreign investment. Attention was also paid to support the agricultural sector, improve infrastructure, and place greater reliance on the private sector. Many large state enterprises were privatised.

Key to this economic liberalisation and development programme was a three way pact between government, business and labour. This pact combined fiscal and monetary discipline on the part of government with a commitment by business and labour to hold down wages and prices. The exchange rate of the peso was controlled within a narrow band.

Mexico's initiatives towards liberalised trade and markets paid rich dividends, and the country was admitted to the Organisation for Economic Co-operation and Development (OECD). Joining the United States and Canada in the North American Free Trade Agreement (NAFTA) was a bold, courageous and landmark move by Mexico, and signalled the country's confidence that it could compete in an open market along with richer, more developed economies like that of the US and Canada. Mexico's view was that open trade with these countries would inevitably fuel its own progress, development and per capita income.

Despite the recent and well publicised Mexican currency crisis, Mexico's strategic objectives in joining NAFTA are being realised. There is visible progress in virtually every sector of the economy; Mexican businessmen have a greater international perspective than before; and productivity is rising. The political and economic apparatus still remains focused on rapid advancement, although it recognises that further fundamental change is necessary.

PRESENT CONDITIONS

The healthy economic growth that Mexico enjoyed in the last few years has now drawn to a close, at least temporarily, due to the drastic devaluation of the peso that began in December, 1994. In less than four months, the peso has lost over half its value. However, it is important to note that the Mexican currency crisis was not due to the government's decision to float the peso - it was the bad handling of this decision that led to a loss of investor confidence. Economists agree that in terms of fundamentals, the peso is currently discounted much too deeply. As the Mexican government regains control of the situation, the peso appears to be stabilising.

The international support package for Mexico from the United States, Canada, the International Monetary Fund, and the Bank for International Settlements amounts to one of the biggest international rescue plans ever put together for a currency. This combination of loans and loan guarantees should alleviate Mexico's short term liquidity problem and help stabilise the peso. However, the package is tied to Mexico adopting a strict programme of economic discipline, including cuts in government spending, tighter credit and no further diversion of investment funds to consumer imports.

After some initial hesitation, Mexico has responded boldly, setting up a programme that has increased consumption taxes, initiated deep spending cuts, reduced income taxes, reduced subsidies on items such as gasoline, and tightened monetary policy. As long as these measures help keep wage and price inflation under control, Mexico will in fact be able to turn its weak currency to advantage and dramatically boost its exports.

Rising Mexican exports are evidence that this medicine is working. The trade deficit is coming down, and exports are expected to grow by 27% in 1995. In February, 1995, Mexico recorded its first trade surplus in over four years.

Mexico's NAFTA partners have signalled their strong and continued support for this "second stage" leap by Mexico into a liberal, stable economic world. They recognise that the recent peso crisis is not a rerun of the debt crises of the eighties. Indeed, Mexico's troubles with its currency could have occurred in any country, rich or poor. For all the panic that shook the markets, many argue that the impact would have been far worse without NAFTA, which united three countries in striving for mutually vested interests. In essence, Mexico has become too important to be allowed to fail. The long term bet is that the country will regain its momentum and prosper.

PROSPECTS FOR EXPORTS TO MEXICO

The liberalisation of Mexico's economy, still continuing despite the currency crisis, has generally meant lower tariffs and a more open market for foreign goods. NAFTA resulted in a substantial increase in Mexican imports. With the falling peso, however, some imported products have become prohibitively expensive. Many prices have doubled in local terms. In some sectors, Mexican purchasing power has been cut by one third.

Given this situation, it is obvious that foreign companies will experience difficulties in the short term selling into Mexico. However, the effects will likely be most pronounced in consumer goods. Reacting to this expectation, many American retailers have put their Mexican expansion plans on hold. On the other hand, the currency situation appears to have had little impact on expansion and investment plans in the industrial and infrastructure sectors. Few, if any, companies have announced cutbacks in such projects.

This indicates a more reasoned confidence in Mexico's long term prospects, and augurs well for many foreign companies wishing to do business with Mexico.

As mentioned above, imports of consumer products into Mexico will fall in the short term. Consumer products related to the construction industry, in particular, will be affected as discretionary spending on home improvement falls, mortgage rates rise steeply, and construction activity slackens.

Food products will also experience reduced import demand. Mexican consumers will purchase fewer imported non-essentials in the near term, and rely on domestic products instead. Foreign processed foods will likely see far lower sales over the next year or two. Basic imported foodstuffs will be less affected, particularly those that do not have a ready domestic substitute. Exports to Mexico of exotic foods, shell fish or agricultural produce will not fare well in the short term.

Exports of industrial goods to Mexico, such as components and chemicals, will not see dramatic declines. These items are vital to the Mexican economy, and the push for economic growth will sustain their demand. Again, industrial imports without ready domestic substitutes will fare better.

In summary, the prospects for exports to Mexico vary by type of product. In the short term, there will be volatility. In the long term, the prospects for exports to Mexico are bright, since Mexico's commitment to an open, international economy is not expected to waver.

PROSPECTS FOR COMMONWEALTH EXPORTERS

For most Commonwealth countries, Mexico has not been a major export target, and the Mexican market has not been viewed as a priority. Even Canada, a neighbour and NAFTA partner, currently exports far less to Mexico than it can. There is clearly an opportunity for many Commonwealth countries to turn their attention to this market, and take advantage of "getting in on the ground floor"

The current economic downturn in Mexico offers Commonwealth exporters the time to compose their strategies for penetrating this market. Now is the time to learn about opportunities in Mexico, forge alliances and establish a presence. The commitment of the NAFTA partners for mutual growth, coupled with the potential demand generated by Mexico's very young population, suggest that Mexico has very good long-term potential as an export market. In many cases, it is even an advantageous "springboard" into the US and Canadian markets.

Commonwealth exporters should view Mexico as an excellent long term opportunity.

SECTION II

PRODUCT AND MARKET INFORMATION

CHAPTER 5

BICYCLES AND BICYCLE COMPONENTS

CHAPTER 5 - BICYCLES AND BICYCLE COMPONENTS

INTRODUCTION

Trade liberalisation as a result of NAFTA allows each of the three countries preferential access to each others' sporting goods market. NAFTA's tariff provisions give each member country price advantages over non-NAFTA products, especially in the Mexican market.

The Canadian market for sporting and recreational equipment is a large market, heavily dependent on trade. Imports make up 58 % of the market. Bicycle equipment manufacturers are competitive, although somewhat vulnerable to manufacturing operations in low-wage countries, due to cost disadvantages. Imports are predicted to grow at an average annual real rate of 7-9 % over the next few years as Canada recovers from the recession and bicycling continues to be a popular recreational activity in Canada. Imports of bicycle parts should grow in the next few years as a result of the anticipated higher levels of production of Canadian bicycles. As with the consumer product sector generally, sales of sporting goods are extremely sensitive to changes in economic conditions, interest rates, personal disposable incomes, exchange rates, and lifestyles.

Mexican bicycle production is significant and dominates the domestic market, producing well known brands. Mexican production is not expected to keep pace with the growing domestic demand for outdoor and recreational products. Despite Mexico's abundance of labour at relatively low wages, production is hindered by low productivity, shortages of up-to-date technology and a concentration on less complex goods. This may change as the labour force becomes more skilled, marketing techniques become more sophisticated and foreign investment in Mexico increases. The Mexican market for sports and recreational equipment is expected to grow as sports and fitness programs continue to be popular in Mexico.

In the United States, foreign producers make up about half of the domestic bicycle market. This market is growing, based, as with consumer durables, on a positive outlook for the domestic economy. Bicycling is the third most popular sporting activity in the country.

Since many bicycle components are no longer made in the United States, domestic producers must import parts to maintain or increase production. Imports of parts, which generally have reflected the growth of domestic production, have grown. Imports of bicycles and parts will increase by almost 5 % as foreign manufacturers continue exporting more competitively priced mountain bikes to the United States.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Bicycles	13.2	8.5	4.3-6.8
Bicycle parts	9.5	6.5	3-3.9

Standards

There are presently no mandatory requirements for the manufacture of bicycles or bicycle parts. Please verify with the Standards Council of Canada, found under Section III of this guide, for the most current information in this regard.

Labelling

Instructions accompanying bicycles and bicycle parts 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.

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 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.

Replacement parts for bicycles are exempt from these requirements, if they are not displayed to the consumer.

Packaging

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. 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 Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

Production and shipments of sporting goods in Canada are divided according to seasonal sporting activities for which the products are produced, in this case, summer. Most parts imports are destined for final assembly into products manufactured in Canada, thus, bicycle manufacturers in Canada may be prospective customers. Suppliers of bicycles and

bicycle parts may use several approaches to enter the Canadian market, including selling through manufacturers, distributors, or direct sales to retailers.

The latest available data suggests that the import market for bicycles into Canada is US $85 million.

Canadian market demand for bicycles should remain good for the next few years as bicycling continues to be a highly popular recreational activity in Canada. Best prospects for sales are in specialised mountain/hybrid bicycles which currently represent 70 % of the bicycle market. The growing concern among Canadians for product safety and performance standards means that suppliers should emphasise these features in their advertising and marketing strategies.

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 the 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 bicycles 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.

Trade Associations

Canadian Sporting Goods Association
Montreal, Quebec Tel. (514) 393-1132
Fax (514) 393-9513

Velo Quebec
Montreal, Quebec Tel: (514) 847-8356
Fax: (514) 847-0242

Trade Fairs

Canadian Sporting Goods Association
Annual Fall Market, Toronto
August

Canadian Sporting Goods Association
International Convention and Exhibition
Montreal
February

MEXICO

Tariffs (%)

Items:	General	US/Canada
Bicycles	20	A/C
Bicycle components	15	A

A - duties fully eliminated on January 1, 1994
C - duties removed in ten equal stages of 10% annually to full elimination by 2003

Standards

Only tricycles are subject to Mexican standards certification requirements. Companies wishing to export these types of products must obtain a standards certificate from SECOFI prior to exporting the products. 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

According to Mexico's Ley de Proteccion 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 (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).

Warranties have to be in accordance with the above consumer protection law, 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.

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

With sports and fitness programs continuing to be popular in Mexico, its market for outdoor and recreational equipment should provide importers with increasing opportunities over the next decade. There are especially good sales prospects for mountain bicycles.

Government entities make up approximately 10 % of total demand, with consumers making up the rest. Most sports and recreational goods are distributed by a small group of companies, with the largest sports equipment retailer, Grupo Marti, holding the majority of the sports equipment market in the country. Other important distributors are major department stores and small independent retailers. The greatest consumers of non-durable goods are in the cities of Mexico, Guadalajara, Monterrey, Puebla, Leon, Tampico, and Culiacan.

Mexican retailers regard price, quality, credit terms, product availability, and timely delivery as important to their import decisions.

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), with original and several copies;
- packing list (if more than one package shipped) with at least four copies;
- bills of lading, including one original for importer and one for customs broker.

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, 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.

Trade Associations

Camara Nacional de la Industria del Embellecimiento
(Physical fitness industry national chamber)
Mexico City Tel. (5) 533-2707
Fax (3) 208-7828

Asociacion Nacional de Importadores y Exportadores de la Republica Mexicana
(Mexican association of importers and exporters)
Mexico City Tel. (5) 564-9379
Fax. (5) 584-5317

Trade Fairs

Deporte
July
Guadalajara

Deportexpo
May
Guadalajara

Expo Deporte
dates to be announced
Mexico City

Mexiplast
November
Mexico City

Sede del Deporte
August
Mexico City

UNITED STATES

Tariffs (%)

Items:	General	GSP	CBI	Canada/Mexico
Bicycles	5.5-15	0-15	0	0-13.5
Bicycle components	4.9-10	0-10	0	0-9

Standards

The Consumer Product Safety Commission (CPSC), a US federal regulatory agency, enforces bicycle regulations, a set of requirements with which bicycles must comply. These requirements include specifications for the braking system, steering system, pedals, drive chain, protective guards, tires, wheels, wheel hubs, fork and frame, seat, reflectors, mechanical operations and others. Compliance test procedures are available from the CPSC, as classified by visual, simple, and laboratory tests. It is suggested that the manufacturer obtain a copy of the Regulation from the CPSC or the National Institute of Standards and Technology, whose addresses are listed in Section III of this guide.

Labelling

According to the CPSC bicycle regulations, bicycles must have instruction manuals attached to their frame or included in the package, containing the following:

- operations and safety instructions describing operation of the brakes and gears, cautions concerning wet weather and night-time operation, and a guide for safe on-and-off road operation;
- assembly instructions;
- maintenance instructions; if the manufacturer feels this maintenance is beyond the consumer's capability, specifics regarding locations where maintenance can be obtained;
- a less than fully assembled bicycle shall have on display materials and outside packaging a list of tools necessary for accomplishing assembly and a drawing with the minimum leg-length of the rider;
- minimum leg-length dimension readily understandable and adhering to specifications;

- a label "Meets US Consumer Product Safety Commission Regulations for Bicycles" if it meets the requirements and is introduced into interstate commerce; the label must be legible and conspicuous on packaging cartons; and
- secure label on frame identifying name of manufacturer or private labeller, and marking which indicates to the manufacturer or labeller the month and year of manufacture.

It is strongly recommended that exporters consult the specific regulation for more detailed information on bicycle labelling in the United States.

The Federal Trade Commission also has general requirements for consumer product labels, 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. Please 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 packaged which corresponds.

Marketing and Distribution

Production and shipments of sporting goods in the United States are divided according to seasonal sporting activities for which the products are produced, in this case, summer. The seasonal nature of sales varies from state to state, according to climatic differences in various parts of the country.

The US bicycle industry consists of few major manufacturers of mass merchandiser bicycles, but several smaller manufacturers. Import competition is strong, except in the sales of mountain bikes, where domestic producers are highly competitive. Mountain bikes remain the most popular form of cycling equipment. However, many consumers have purchased a new mountain bike during the past 4 years so the replacement market will not be yet fully developed in the near future.

Since many bicycle components are no longer made in the United States, the imports of parts, which generally have reflected the growth of domestic production, have grown and will continue to do so.

The size of the import market into the United States for bicycles is approximately US $997 million.

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 or an article incapable of being marked. The components manufacturer should check with US Customs to verify which situation applies to his product.

Manufacturers, importers, distributors, and retailers are required to report to the Consumer Product and Safety Commission when they receive information that the product fails to comply with a voluntary standard, or creates an unreasonable risk of serious injury or death. Also, manufacturers and importers must report if a particular model is the subject of at least three civil actions filed, alleging that the model was involved in death or injury, and at least three actions result in a judgement within a two year period.

Trade Associations

Bicycle Wholesale Distributors Association
Philadelphia Tel. (215) 564-3484
Fax (215) 564-2175

Bicycle Institute of America
Washington Tel. (202) 463-6622

American Association of Bicycle Importers
c/o 234 Schuyler Avenue
Kearney, New Jersey 07032

Bicycle Manufacturers Association
Washington Tel. (202) 944-9297

National Sporting Goods Association
Mt. Prospect, Illinois Tel. (708) 439-4000
Fax. (708) 439-0111

National Bicycle Dealers Association
Newport Beach, California Tel. (714) 722-6909
Fax (714) 722-6975

Trade Fairs

Super Show
February
Atlanta

Northwest Sports Show
March
Minneapolis

National Sporting Goods Association Management Conference
May
Various

SOURCES OF INFORMATION ABOUT THIS SECTOR

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

"Industry Profile: Sporting Goods", Industry Canada, 1991.

"Market Research Report: Canada - Bicycles and Bicycle Parts", US Department of Commerce, International Trade Administration, 1994.

"Market Study for Sporting Goods and Leisure Products in Mexico", Department of Foreign Affairs and International Trade", 1991.

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

"NAFTA and the Sporting and Recreational Equipment Sector", Industry Canada, 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: Personal Consumer Durables" US Department of Commerce, International Trade Administration, 1993.

CHAPTER 6

DYES AND CHEMICALS

CHAPTER 6 - DYES AND CHEMICALS

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 (%)

Items:	MFN	GPT	US/Mexico
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 mustbe 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 Custom 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 Specialities 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 (%)

Items:	General	US/Canada
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 Proteccion 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 (%)

Items:	General	GSP	CBI	Canada/Mexico
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 hat 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 Specialities 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.

CHAPTER 7

ELECTRICAL COMPONENTS

CHAPTER 7 - ELECTRICAL COMPONENTS

INTRODUCTION

Under NAFTA, the three member countries agreed to an immediate or a five-year elimination of tariffs for most electrical components. In addition, NAFTA provides for the elimination of tariffs on certain electrical components (e.g. computer power supplies, semiconductor devices, integrated circuits) imported from any country, immediately or over a five year period beginning in 1999. Many US electronics companies have set up production and assembly facilities in Mexico to take advantage of low wage rates there. These companies import electrical components from the United States and export finished products back across the border. The elimination of tariffs between the three countries, combined with simplified regulations affecting trade among Canada, Mexico, and the United States as envisioned under NAFTA, should stimulate further growth of three-way trade in the region.

The Canadian electronic components industry is a dynamic export-oriented sector; production stands at about $1.2 billion, of which approximately 80 % is exported. Canada currently imports about $5.5 billion worth of electrical components, 85% of which comes from the United States. The domestic market for electrical components is expected to grow as much as 4 % annually over the next few years. Canada is considered to be a primary global location for the assembly of electrical components. Increasingly, components are imported and further processed or assembled in some manner and then re-exported.

Canada - US intercompany trade is very significant in this sector. A number of large multinational companies, with facilities in both Canada and the United States, import electrical components into Canada for further processing into higher value-added electrical components or finished articles. Smaller Canadian companies operate in the open market, exporting custom-designed components to clients in the telecommunications, computer and automotive industries.

Mexican manufacturers of electrical components focus primarily on low-end semiconductor products and printed circuit boards. Expansion by Mexican manufacturers to other electrical components has been limited by a shortage of skilled workers and by a high turnover in the work force.

The Mexican markets for telecommunications, computers and consumer electronic products are growing rapidly. Since 1990, the government has helped facilitate the importation of electrical components used in the assembly and production of finished products. Mexico relies heavily on imported inputs in the high technology area.

Investment in Mexico to install new telecommunications and computer systems should increase Mexican demand for printed circuits, cathode ray tubes, transformers, connectors, power supplies, and capacitors. The electronics sector maquiladora industry, which imports materials in-bond, assembling them locally and then exporting them, is also an important consumer of electrical components.

In the United States, increased demand for computers, communications equipment, and electronic automotive devices will support significant growth in the electrical components market. Demand for electrical components comes primarily from the computer, telecommunications, instrumentation, medical equipment, and transportation industries.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Power supply (transformers, converters, inductors)	0-16.3	0-10	0-8
Capacitors	8.2-9.2	6.5	0-3.9
Resistors	0-8.2	6.5	0
Printed circuit boards	8.2	6.5	0-3.9
Connectors	0-16.3	0-11.5	0-6.9
Semiconductors	0	0	0

Standards

Standards for the electronics sector in Canada are regulated by the Canadian Standards Association (CSA). Since there are numerous standards, and some are product specific, the manufacturer should contact the CSA for the standards for his particular product. The manufacturer is also recommended to contact the Standards Council of Canada. Both organizations are listed under Section III of this guide.

Labelling

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.

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 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. Please refer to the Merchandise Standards Division, Industry Canada, or the CSA, both listed under Section III of this guide, for more information.

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.

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.

Marketing and Distribution

The domestic industry is made up of approximately 250 companies, with the majority being small in size and Canadian-owned. However, production is also performed by large multinationals.

The fastest-growing segment of the industry in Canada is the production of specialised products, which relies on strong capabilities in design. The domestic telecommunications and defence sectors have traditionally been the main driving forces behind microelectronics development. The industry is also driven by computer, consumer electronics and industrial applications. Demand for imports of electrical components is closely linked to demand for end-use products such as telecommunications, computers, and office equipment.

The latest available data suggests that the import market for electrical components into Canada is US $4.5 billion.

The trend is toward technology networks, partnerships between companies and research organisations linked through partnership agreements, joint ventures and consortia. More specifically, technological interdependence, links to "systems" suppliers and the growth of the application-specific integrated circuits (integrated circuits that are tailor-made to customer specifications and range from full custom to semi-custom devices) market are the main trends in this industry.

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 Custom 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 Manufacturers Association
Toronto, Ontario Tel. (416) 798-8000
Fax (416) 798-8050

Canadian Semiconductor Design Association
Kanata, Ontario Tel. (613) 592-1470
Fax (613) 592-8163

Consumer Electronics Marketers of Canada
Rexdale, Ontario Tel. (416) 674-7410
Fax (416) 674-7412

Solid State Optoelectronics Consortium
Kanata, Ontario Tel. (613) 993-1506
Fax (613) 957-8734

Strategic Microelectronics Consortium
Kanata, Ontario Tel. (613) 592-8155
Fax (613) 592-2093

Trade Fairs

Canadian High Technology Show
April, September
Various Canadian locations

Canadian Consumer Electronics Expo
September
Vancouver/Toronto rotation

ElectroTech West
June (biennial)
Various Canadian locations

MEXICO

Tariffs (%)

Items:	General	US/Canada
Power supply (transformers, converters, inductors)	5/10/15/20	A/B/C
Capacitors	10/15	A/B/C
Resistors	10/15	A/B/C
Printed circuit boards	10/15	B
Connectors	10/15/20	A/C
Semiconductors	5/10/15	A

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

Standards

There are voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume II, Classification I. A sampling of the range of standards applicable to this sector include test methods, environmental and durability testing, marking codes for products, specifications, and other standards. There are also obligatory standards listed, including testing of some products, graphical symbols for diagrams for conductors and connectors, and other specific standards according to the type of product. 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, and required for, his product.

Labelling

According to Mexico's Ley de Proteccion 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.

Products are already subject to a NOM which requires that instructions and warranties be provided at the point of sale, so they are not subject to the general requirement that product labels contain instructions for use and care.

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

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

Mexico's domestic components industry is small; the sector has as its primary focus the production of low-end semiconductor-related components. Expansion to other components areas is limited by the lack of a skilled workforce.

As the economy expands, the Mexican demand for electronics will grow. This demand for end-use electronics is now almost entirely satisfied by foreign producers. The most important end user sectors are the local computer, telecommunications, consumer electronics, and office machine industries. The most promising subsectors include printed circuit boards, integrated circuits/ memories, and semiconductors. Also, sourcing for the important electronics sector maquiladora industry is almost totally done abroad.

For Mexicans, price is most important, followed by quality, service and delivery, when considering the purchase of electrical components.

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) with at least four copies;
- bills of lading, including one original for importer and one for customs broker.

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.

Trade Associations

Asociacion Mexicana de Fabricantes de Conductores Electricos
(Electric conduction equipment manufacturers association)
Mexico City Tel. (5) 533-4441, 207-2254
Fax (5) 286-7723

Asociacion Mexicana de Ingenieros en Comunicacion Electrica y Electronica
(Electric and electronic communications engineers association)
Mexico City Tel. (5) 512-5300, 510-3142
Fax (5) 510-3142

Camara Nacional de la Industria Electronica y de Comunicaciones Electricas
(Electronics and communications industry chamber)
Mexico City Tel. (5) 574-7411, 574-7700
Fax (5) 584-5083

Camara Nacional de las Manufacturas Electricas
(Electric manufacturers national chamber)
Mexico City Tel. (5) 202-1440
Fax (5) 202-2020

Trade Fairs

Comdex/Comexpo
March
Mexico City

Electronica
June (biennial)
Mexico City

Expo Ferrelectrica
June
Mexico City

UNITED STATES

Tariffs (%)

Items:	General	GSP	CBI	Canada/Mexico
Power supply (transformers, converters, inductors)	2.4-6.6	0	0	0-2.6
Capacitors	3.9-10	0-10	0	0-9
Resistors	0-6	0-6	0	0
Printed circuit boards	5.3	0	0	0
Connectors	5.3	0	0	0-4.2
Semiconductors	0-2	0	0	0

Standards

Standards for the electronics sector in the United States are enacted by Underwriters Laboratories (UL). Since there are numerous standards, and some are product specific, the manufacturer should contact UL for the standards for his particular product. The manufacturer is also recommended to contact the National Institute for Standards and Technology, under Section III of this guide, for any other standards that may be applicable to his product.

Labelling

The Federal Trade Commission 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).

Please consult with UL about the current status of labelling for the product being exported to the US.

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.

Marketing and Distribution

Shipments of electrical components are forecast to grow at an annual rate of 6 - 8 % through the late 1990's. Demand for electrical components comes primarily from the computer, telecommunications, instrumentation, medical equipment, and transportation industries.

US electrical components producers are located primarily in California, Indiana, Massachusetts and Texas.

Customers are demanding higher performance, more functionality, and continued miniaturisation of physical characteristics at ultra-competitive prices. In the US, original equipment manufacturers, those companies which purchase components and integrate them into electronic systems, tend to emphasise supplier flexibility, rather than lasting alliances.

Component suppliers will face continuing demand for higher performance products. The increased complexity of the packaging and the interconnection of high-performance systems place a premium on compatibility among components. Systems designers will select components that offer the best engineering solutions. Component suppliers will have to carefully track technology and product developments in their customer markets and anticipate needed changes in their own product development to ensure compatibility. The establishment of close working relationships between component suppliers and users is critical.

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); and
- 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, or an article incapable of being marked. The manufacturer should check with US Customs to verify which situation applies to his product.

Trade Associations

American Electronics Association (AEA)
Washington, DC Tel. (202) 682-9110

Association for High Tech Distributors
Philadelphia Tel. (215) 564-3484
Fax (215) 564-2175

Electronic Industries Association
Washington, DC Tel. (202) 457-4900

Electronic Representatives Association
Chicago Tel. (312) 649-1333

Institute for Interconnecting & Packaging Electronic Circuits
Lincolnwood, Illinois Tel (708) 677-2850
Fax (708) 677-9570

IEEE (Institute of Electrical & Electronics Engineers) Components, Hybrids & Manufacturing Technology Society
New York Tel. (212) 705-7900
Fax (212) 705-4929

National Electronic Distributors Association
Chicago Tel. (312) 558-9114

National Electronics Service Dealers Association
Fort Worth, Texas Tel. (817) 921-9061
Fax (817) 921-3741

Semiconductor Equipment & Materials International
Mountain View, California Tel. (817) 921-9061
Fax (817) 921-3741

Semiconductor Industry Association
San Jose, California Tel. (408) 246-2711.

Trade Fairs

Assembly Technology Expo
May - Charlotte, North Carolina
September - Illinois

Electro International
May
Various US locations

Electronic Distribution Show & Conference
April/May
Las Vegas

FABCON/International Printed Circuit Fabrication Conference
May
California

Ideas in Science & Electronics
May
Albuquerque, New Mexico

IEEE Applied Power Electronics Exposition
March
Various US locations

International Electrical Exposition & Congress
June
Various US locations

SEMICON East/Southwest/West
(semiconductor show)
Various US locations

WESCON Electronics Exhibition and Conference
October/November
San Francisco/Anaheim, California

SOURCES OF INFORMATION ON THIS SECTOR

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

"Industry Profile: Microelectronics", Industry Canada, 1991.

"Market Research Reports: Mexico - Electronic Equipment Market Trends", United States Department of Commerce, International Trade Administration, 1994.

"Market Study on the Mexican Market for Electrical components", Department of Foreign Affairs and International Trade, 1991.

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

"NAFTA and the Electrical components 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.

"Opportunity In Mexico: A Small Business Guide, Chapter 3: Market Prospects", United States Small Business Administration, Office of International Trade, 1993.

"US Industrial Outlook, Chapter 15: Electrical components, Equipment and Superconductors", United States Department of Commerce, International Trade Administration, 1993.

CHAPTER 8

FRESH FRUITS AND VEGETABLES

CHAPTER 8 - FRESH FRUITS AND VEGETABLES

INTRODUCTION

NAFTA has facilitated intra-NAFTA trade in fresh fruits and vegetables as tariffs are lower and there is increasing standardisation. This agreement provides greater access to the three markets and should increase demand for greater variety in this sector.

Canadians now spend an increasing percentage of their food expenditures on fruits and vegetables. Most of this spending is on fresh, rather than frozen or canned, products. This reflects a trend towards more health-conscious purchases. There is also an increasing demand by Canadian consumers for more exotic produce.

In Mexico, inefficient production techniques have brought the industry into decline and decapitalisation over the past few years. Today, Mexican agriculture is in transition. The sector, stagnant over two and a half decades, has become the subject of government initiatives aimed at its modernisation within a larger national context of economic reform. The change from protectionism to an open economy has created a new setting that will allow for a more efficient allocation of resources, economic growth, and higher standards of living. The agricultural sector is forecast to grow in the next few years.

The trend toward healthy foods in the US has meant an increased demand for fresh vegetables over the last decade. The consumption of canned foods is likely to decline further as consumer preference shifts toward fresh-frozen foods which emphasise nutrition. There is also an increasing demand for organic food as a result of the increasing demand for healthy food.

CANADA

Tariffs (% except where $/tonne)

Items:	MFN	GPT	US/Mexico
Potatoes	$7.26/tonne	X	$2.316/tonne
Tomatoes (for processing)	0-14.6	X	0-4.5
Onions	0-14.1	X	0-4.5
	(BPT = 0 for some)		
Garlic, leeks	4.2	X	1.5
Cauliflower, broccoli	0-14.6	X	0-12
Brussels sprouts	0-12.2	X	0-3.7
Cabbage	0-14.6	X	0-4.5
Lettuce	0-14.6	X	0-4.5
Chicory	0	X	0
Carrots and turnips	0-4.9	X	0-4
Beets and radishes	0-18.8	X	0-6
Cucumbers and gherkins	0-14.6	X	0-8
Peas	0-9.8	X	0-3
Beans	0-9.8	X	0-3
Artichokes	0	X	0
Asparagus	0-14.6	X	0-4.5
Aubergines	0	X	0
Celery	0-14.6	X	0-4.5
Mushrooms	9.8	X	3
Spinach	0	0	0
Pumpkins, squash	4.2	X	1.5
Parsley	0-9.8	X	0-3
Rhubarb	0-4.2	X	0-1.5
Corn	0-14.6	X	0-4.5
Bamboo shoots, cactus leaves, capers, cardoons, cilantro, jicama, chervils, okra, olives, tamarillos, tarragons, tomatillos, topedos, verdolagas, water chestnuts, cassava, arrowroot, sweet potatoes	0	X	0
Coconuts	0	X	0
Nuts	0	X	0
Bananas, plantains	0	X	0

Dates, figs, pineapples, avocados, guavas, mangoes, mangosteens	0	X	0
Citrus fruit	0	X	0
Grapes	0-9.4	X	0-3
Melons, papayas	0	X	0
Apples	0-9.8	X	0-3
Pears, quinces	0-12.2 (BPT = 0 for pears)	X	3.7
Apricots	0-12.2	X	0-3.7
Cherries	0-11.8	X	0-3.7
Peaches, nectarines	0-12.2	X	0-3.7
Plums	0-12.2	X	0-3.7
Strawberries	0-9.8	X	3
Berries, currants, cranberries	0-8.3	X	0-3
Kiwi fruit	0	X	0

X - same as MFN tariff

Canada imposes seasonal tariffs at the higher end of the tariff scale during the harvest period, in order to protect its agricultural producers from imports.

Standards

The Canada Agricultural Products Act, Fresh Fruit and Vegetable Regulations state that imported produce must not be adulterated, contaminated, or have any live insect or other creature. The produce must be edible, prepared in a sanitary manner (washed with acceptable water and cleaned equipment), and if irradiated, done in accordance with the Food and Drug Regulations. If the conditions are not met, Canadian inspectors may dispose of or destroy the produce.

Grade names and standards for these grades are subject to the standards set out in the regulations.

Imported produce is inspected at the Canadian port of entry or other inspection point, and must be certified by an inspector that it meets with the requirements of the regulations before it may be marketed in Canada.

Apples, potatoes, pears, have other specific standards and requirements. All of the current import requirements for fruit and vegetable importation should be verified by contacting the Dairy, Fruit and Vegetable Division, Food Production and Inspection Branch, Agri-food Canada, in Section III of this guide.

Information on the maximum residue level for pesticides and herbicides can be obtained from the Agricultural Chemicals Section, Health Canada, found under Section III of this guide.

Fresh fruits and vegetables are also regulated by the Canadian General Standards Board (CGSB), through voluntary standards. If the manufacturer wishes to be CGSB-accredited, (which means that the manufacturer complies with the testing and other requirements of the CGSB and will be on a list available to consumers), he should contact this organisation, under Section III of this guide.

Labelling

According to the regulations, every imported pre-packaged fruit or vegetable container must be labelled in accordance with the Consumer Packaging and Labelling Act and Regulations. Every container of produce must be labelled (in one of the official languages) with:

- common name of the produce (unless the container is open or transparent);
- net quantity of the produce;
- identity and place of business of person by or for whom produce was grown or packaged for resale; and
- imported produce shall also be labelled to show on the main panel and near the net quantity the words "Product of", "Produce of", "Grown in" or "Country of Origin", followed by the name of the country of origin of the produce.

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 Section III of this guide.

Apples, pears, peaches, potatoes, cauliflower, lettuce, celery, sweet corn, cucumbers, Spanish onions, cabbages, and other produce may have specific labelling requirements: please refer to the Act, which may be obtained from Agriculture and Agri-Food Canada (see listing in Section III of guide), for more details.

Packaging

For fruits and vegetables that are packaged, the regulations stipulate some guidelines that need to be followed for importing:

- graded produce cannot be imported in a container that is greater than 25 kg net weight (apples), or 50 kg net weight (any other produce);
- produce cannot be packaged in a container that has a label misrepresenting quality, quantity, composition, nature, safety, value, origin, or variety of the contents;
- if the pre-packaged produce has visible and identifiable contents, the packaging must be in a manner indicating the nature and quality of the contents;
- pre-packaged beets, carrots, onions, parsnips, potatoes and rutabagas shall be packaged in a container where the net weight of produce in the container is a net weight set out in Schedule II of the Act, or in any of the container of a volume capacity set out in Schedule II of the Act; they may be marketed in any transparent container in which the net quantity of the produce is not more than 1.36 kg (3 pounds), except for beets, carrots, parsnips, potatoes, rutabagas, and onions (except Spanish-type) that are packed in bags;
- shipping quality or saleability may not be affected by staining, soiling, warping, breakage, or other damage;
- containers shall be securely closed in a way appropriate for the type of container;
- where the container is a bag containing sweet corn, it must be mesh, and be new, clean, and free from stains; and
- when the container has potatoes or onions, it must be new, clean, and free from stains.

Marketing and Distribution

Canadians are increasingly demanding more exotic produce, such as tropical fruits, melons and berries. Speciality vegetables are also a high growth area.

Fruit and vegetable brokers are used by many Canadian wholesalers as agents to import fresh produce. Many fruit and vegetable wholesalers are owned by or closely tied to a major food supermarket chain. A few supermarket chains dominate the Canadian grocery market. Importers are important as well; like brokers, they obtain a license to import from Agriculture Canada, then sell the produce to wholesalers.

Hotels, restaurants and institutions are also a good market for fruits and vegetables.

The latest available data suggests that the import market for fresh fruits and vegetables into Canada is US $1.8 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 Custom invoice containing the remaining required data (two copies), or a fully completed Canada Customs invoice, or an invoice containing all data listed by Customs.

Importers of fresh produce must be licensed with Agriculture and Agri-Food Canada, as per the Licensing and Arbitration Regulations.

The produce must have an inspection certificate (there is a fee payable according to net weight of produce inspected), signed by a Canadian inspector which has approved the goods, in order for the produce to be imported into and marketed in Canada.

Products must be accompanied by a Confirmation of Sale form for clearance by Customs.

For more information about the documentation requirements and to obtain forms, please contact Agriculture and Agri-food Canada at the address indicated in Section III of this guide.

Some agricultural products are prohibited; for details about products included on the prohibited list, contact Tariff Programs at Revenue Canada, under Section III of this guide.

Trade Associations

Canadian Federation of Independent Grocers
Don Mills, Ontario Tel. (416) 449-1976
Fax (416) 449-7188

Canadian Produce Marketing Association
Ottawa, Ontario Tel. (613) 226-4187
Fax (613) 226-2984

Canadian Restaurant & Foodservice Assoc.
Toronto, Ontario Tel. (416) 923-8416
Fax (416) 923-1450

Food Institute of Canada
Ottawa, Ontario Tel. (613) 722-1000
Fax. (613) 722-1404

Ontario Fruit and Vegetable Growers Association
Guelph, Ontario Tel. (519) 763-6160
Fax (519) 763-6604

Trade Fairs

Ag Expo
March
Lethbridge, Alberta

Agriculture and Food Show International
February
Montreal, Quebec

Canadian Fine Food Show
May
Toronto

Canadian Food and Beverages Show
February
Toronto

Canadian Western Agribition
Nov. - Dec.
Regina, Saskatchewan

MEXICO

Tariffs (%)

Items:	General	US/Canada
Potatoes	Ex./1	D/2-4
Tomatoes	5/7	A/6/8
Onions	9/10	A-C
Garlic, leeks	10	A
Cauliflower, broccoli	10	A/C/10
Brussels sprouts	10	A
Cabbage	10	A
Lettuce	10/13	A/14/15
Chicory	10	A
Carrots and turnips	10	A
Beets and radishes	10	A
Cucumbers and gherkins	10	A/16
Peas	10	A
Beans	10	A
Artichokes	10	A
Asparagus	10	A/17/18
Aubergines	10	A
Celery	10/19	A/C/20
Mushrooms	10	A/B
Spinach	10	A
Pumpkins, squash	10	A
Parsley	10	A
Rhubarb	10	A
Corn	10	A
Bamboo shoots, cactus leaves, capers, cardoons, cilantro, jicama, chervils, okra, olives, tamarillos, tarragons, tomatillos, topedos, verdolagas, water chestnuts, cassava, arrowroot, sweet potatoes	10	A
Coconuts	20	A
Nuts	15/20	A
Bananas, plantains	20	A
Dates, figs, pineapples, avocados, guavas, mangoes, mangosteens	20/1	A/C

Citrus fruit	20/2/4	A/3/5
Grapes	20	6
Melons, papayas	20	A/7/8/9
Apples	20	C10/11
Pears, quinces	20	12
Apricots	20	B
Cherries	20	A
Peaches, nectarines	20	C
Plums	20	12
Strawberries	20	A
Berries, currants, cranberries	20	A/B
Kiwi fruit	20	B

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

Mexico protects its domestic producers from imports by imposing seasonal tariffs at the higher end of the tariff scale during its harvest period.

Standards

Fresh fruit and vegetables need health certificates to be allowed entry into Mexico. Agricultural products need a phyto-sanitary certificate, which may be issued in the country of origin by the government body which deals with agriculture. However, always confirm whether or not your country's certification is recognised by the Mexican authorities. All documents have to be in Spanish, translated into Spanish, or accompanied by a Spanish translation. The certificate must be an original document; no photocopies or faxes are accepted as substitutes.

There are also voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume II, Classification F. A sampling of the range of standards applicable to this sector include test methods, determination of sediments, net weight determination test methods, additives, and other standards. 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

According to Mexico's Ley de Proteccion al Consumidor (consumer protection law), all information contained on a 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/or preservation of the product.

Along with the above generic labelling requirements, additional requirements have been established for food products by the Department of Health ("Secretaria de Salud"). Food labels must include the following:

- product description;
- date of expiration (if applicable) - listed in order of day/month/year;
- list of ingredients;
- lot number;
- special instructions for preservation; and
- nutritional content (if nutritional quality is claimed).

Outside packages or wrappers must contain all of the required information, or must allow for the visibility of inside labels.

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 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

There is a growing market among higher income Mexicans for imported foods that offer uniqueness and high quality.

The best way to distribute in Mexico is through the country's major food retailers, although there are many small and medium sized food distributors, many independently operated food outlets, and a few large restaurant chains. Producers sell their products through wholesalers and distributors and, in some cases, directly to retailers. A local agent who will distribute and promote the product among Mexico's top retailers and foodservice operators is suggested.

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) and 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;
- freight and insurance charges;
- price and total value of shipment;
- 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.

Along with the phyto-sanitary certificate required for importation, exporters also need a certificate of origin. The certificate can either be that which is issued to NAFTA countries, WTO countries, or to any other country not encompassed elsewhere. However, the non-NAFTA, non-WTO certificate may mean that the exporter pays a higher rate of duties. This certificate is also issued to those exporters who fail to submit a certificate of origin upon entrance of their product into Mexico. Therefore, if a member of NAFTA or WTO, it is to the exporter's advantage to submit a certificate of origin to Mexican authorities upon arrival.

Import permits may be necessary for some agricultural products vital to Mexico's economy. For further information concerning whether this is applicable to your product, contact your customs broker or the Department of Health.

As mentioned above, all documentation which is submitted with the shipment must be in Spanish, and in original form.

Trade Associations

Camara Nacional de la Industria de Restaurantes y Alimentos Condimentados
(Food and restaurant industry national chamber)
Mexico City Tel. (5) 604-0418
Fax (5) 604-4086

Confederacion Mexicana de Productores de Hortalizas
(Mexican confederation of vegetable producers)
Culiacan, Sinaloa Tel. (671) 40225/40490

Trade Fairs

AFIA Mexico (agroindustry & livestock exhibition)
June
Guadalajara

Alimentos y Bebidas (festival of food & beverages)
September
Mexico City

Expo Conacca (fruit & vegetable suppliers)
July
Guadalajara

Expo Natura (vegetarian & health products retail show)
November/December
Guadalajara

Expoalimentos (food & beverage industry exhibition)
September
Monterrey

UNITED STATES

Tariffs (% except where $/kg or $/m^3)

Items:	General	GSP	CBI	Canada/Mexico
Potatoes	$0.0077/kg	0	0	$0-0.006/kg
Tomatoes	$0.033-.046/kg	$0-0.046/kg	0	$0.013-.026/kg
Onions	$0.013-.039/kg	0	0	$0-0.015/kg
Garlic	$0.017/kg	0	0	$0-0.006/kg
Leeks	25	25	0	10-14
Cauliflower, broccoli	5.5-25	0	0	0-11.2
Brussels sprouts	25	0	0	5
Cabbage	$0.012/kg	0	0	0-10
Lettuce	$0.0088-.044/kg	0	0	$0-0.017/kg
Chicory	$0.0033/kg	0	0	$0-0.001/kg
Carrots and turnips	0-17.5	0-17.5	0	0-7
Beets and radishes	4.2-12.5	0-12.5	0	0-10
Cucumbers and gherkins	$0.033-0.066/kg	$0-0.066/kg	0	$0-0.061/kg
Peas	$0.011-0.044/kg	0	0	$0-0.017/kg
Beans	$0-0.077/kg	$0-0.077/kg	0	$0-0.061/kg
Artichokes	25	0	0	0
Asparagus	5-25	0-25	0	0-10
Aubergines	$0.024-0.033/kg	0	0	$0-0.013/kg
Celery	$0.0055/kg-17.5%	0	0	$0.002/kg-11.2%
Mushrooms	$0.11/kg+25%	$0.11/kg+25%	0	10-16.6
Spinach	25	25	0	10-14.4
Pumpkins, squash	$0.024/kg-25%	0	0	0-10
Parsley	25	25	0	10
Rhubarb	25	25	0	10
Corn	25	25	0	10
Bamboo shoots, cactus leaves, capers, cardoons, cilantro, chervils, tamarillos, tarragons, tomatillos, topedos, verdolagas, water chestnuts, cassava, arrowroot, sweet potatoes	25	25	0	10
Olives	$0.11/kg	$0.11/kg	0	$0-0.044/kg

Okra	$0.024/kg-25%	0	0	0-10
Jicamas	25	0	0	0-10
Coconuts	0	0	0	0
Nuts	$0-0.375/kg	$0-0.375/kg	0	$0-0.15/kg
Bananas, plantains	0	0	0	0
Dates, figs, pineapples, avocados, guavas, mangoes, mangosteens	$0.0055/kg-35%	0-35	0	0-28
Citrus fruit	0.9-$0.029/kg	$0-0.029/kg	0	$0-0.026/kg
Grapes	$0-2.12/$m^3$	$0-2.12/$m^3$	0	$0-0.848/$m^3$
Melons, papayas	3.5-35	0-35	0	0-32.6
Apples	0	0	0	0
Pears, quinces	$0-0.011/kg	$0-0.011/kg	0	$0-0.004/kg
Apricots	$0-004/kg	$0-004/kg	0	$0-0.001/kg
Cherries	0	0	0	0
Peaches, nectarines	$0-0.004/kg	$0-0.004/kg	0	$0-0.001/kg
Plums	$0-0.011/kg	$0-0.011/kg	0	$0-0.004/kg
Strawberries	$0.004-0.017/kg	$0.004-0.017/kg	0	$0-0.006/kg
Berries, currants, cranberries	0-3.4	$0-0.007/kg	0	0-2.7
Kiwi fruit	0	0	0	0

The US, as with the other countries above, imposes seasonal tariffs at the higher end of the tariff scale during the harvest period, in order to protect its domestic producers from imports.

There are quotas on certain fruits and vegetables. For more information on whether there is a quota on your product, please contact US Customs at the address found in Section III of this guide.

Standards

The Food and Drug Administration (FDA) regulates the importation of foodstuffs into the US. Fruits and vegetables are regulated by the US Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) to prevent the introduction of plant diseases into the US. The voluntary grading of fruits and vegetables is carried out by the Agricultural Marketing Service of the US Department of Agriculture.

The Environmental Protection Agency (EPA) determines the tolerance levels for pesticide residues in food under the Food, Drug and Cosmetics Act. The FDA is responsible for inspecting imported food to ensure that illegal pesticides, and unsafe residue tolerances, are not present in the product.

All fruit and vegetables imported must be free from plants or portions of plants. The US Department of Agriculture must be satisfied that the fruit or vegetable has not been attacked in the country of origin by injurious insects, including fruit and melon flies, and that it has been treated or is to be treated for such insects in accordance with USDA conditions and procedures.

Certain fruits and vegetables must meet requirements relating to grade, size, quality, and maturity. These regulations only apply during periods when domestic marketing order regulations are in effect. At present, the following products are subject to import regulations: avocados, dates (other than for processing), filberts, grapefruit, table grapes, kiwifruit, limes, olives (other than Spanish-style), onions, oranges, Irish potatoes, prunes, raisins, tomatoes, and walnuts. Additional information regarding requirements is obtained from the government offices mentioned above, listed under Section III of this guide.

Labelling

When packaged, there are five pieces of information required on the food product:

- common or usual name;
- net quantity in the US measurement system (avoirdupois measure, fluid measure - US fluid ounces, pints, quarts, gallons-, or numerical count);
- name and place of business or distributor;
- list of ingredients, in descending order of predominance by weight; and
- country of origin (the products do not need to be marked; however, the outermost containers in which these articles ordinarily reach the ultimate purchaser in the United States must be marked in English with the country of origin): this is a requirement of US customs, not the FDA.

Each box of fruit and vegetables imported must also be labelled with:

- the name of the orchard or grove of origin, or the name of the grower;
- the name of the municipality and state in which it was produced;
- the type and amount of fruit it contains.

Location, size, and spacing of lettering are important for products marketed in the retail market. Information may be obtained from the FDA.

There may also be state or local rules that may affect the product or packaging. Please check with Department of Agriculture authorities in relevant states, or your country's local representative therein, for details.

The labelling, according to the US Fair Packaging and Labelling Act, must be "honest and informative".

It is recommended that the importer obtain an informal comment on its product's conformity to labelling requirements from the FDA. If goods are found in violation of the law, the products may be detained or destroyed.

Most major retail grocers require that products have a Universal Product Code (UPC) symbol. It is therefore recommended that manufacturers obtain UPC numbers for their company and products before exporting to the US. Contact the Uniform Code Council, under Section III of this guide, for more details.

Packaging

According to the US Fair Packaging and Labelling Act, food must be prepared, packaged and held under sanitary conditions, and it must be safe, clean and wholesome.

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.

Marketing and Distribution

Demand for products will depend on the season, climatic considerations (for example, shortages in the product due to frosts), and regional consumer tastes. A domestic representative knowledgeable about current industry trends and outlooks should provide useful information in this regard.

The food distribution system is not concentrated: regional grocery operations still account for a significant percentage of sales in regional markets. Wholesale retail clubs are gaining power. The produce sector is often serviced by speciality distributors, performing both the functions of the broker and the wholesaler or distributor. With the exception of the larger national chains, which have their own warehouse and distribution systems, retail grocers buy from privately or co-operatively owned warehouses or distributors.

The retail grocery system is the largest market and the most difficult to penetrate. As a potentially costly expense, most chain supermarkets charge a fee for a product to receive shelf space ("slotting allowances"), which may range from $2 to 30,000 per stock keeping unit, as well as charging for advertising and promotion. Smaller chains (10 stores or less)

and single store independent retailers avoid some of these costs. The foodservice sector also uses food brokers, who supply foodservice distributors, in turn delivering to the individual foodservice establishments. It is also possible for larger foodservice distributors to be supplied directly by the manufacturer. This sector does not require slotting allowances, advertising allowances, or brand identity. However, they demand consistent quality, and pricing is the most important competitive factor.

The size of the import market into the United States for fresh fruits and vegetables is approximately US $5.7 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); and
- 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.

As stated above, products are required to be marked with country of origin.

The FDA is notified of an entry of a regulated food through:

- Importer's Entry Notice (FDA Form FD 700 set) or Land Port Entry Notice (FDA Form FD 701);
- US Customs Form 7501 "Summary Sheet for Consumption Entry";
- copy of commercial invoice; and
- surety to cover potential duties, taxes and penalties.

In order to speed up the import process, the processor may wish to have a private laboratory examine samples of foods to be imported and certify the analysis of the processor, to show that the results are within the guidelines for levels of contaminants and defects in food for human use.

Fruit and vegetables imported require a permit from the USDA's Animal and Plant Health Inspection Service. The application, which should be made in advance, states the country

of origin, port of first arrival, and name and address of the importer in the US to which the permit should be sent. Upon arrival, a notice needs to be submitted to APHIS, in duplicate, through Customs, stating:

- number on the permit;
- kind of fruit or vegetable;
- quantity or number of containers in shipment;
- country where fruit or vegetable grown;
- date of arrival; and
- name of vessel and dock, if any, and name of importer or broker at port of arrival.

Trade Associations

National Association of Fruits, Flavours & Syrups
Matawan, New Jersey Tel. (908) 583-8272
Fax (908) 583-0798

National Food Brokers Association
Washington, DC Tel. (202) 789-2844
Fax (202) 842-0839

National Food Distributors Association
Chicago Tel. (312) 644-6610
Fax (312) 321-6869

Produce Marketing Association
Newark, Delaware Tel. (302) 738-7100
Fax (302) 731-2409

United Fresh Fruit & Vegetable Association
Alexandria, Virginia Tel. (703) 836-3410
Fax (703) 836-7745

There are various other state and product associations for this sector. Consult your US representative office or the "Encyclopaedia of Associations" for more specific associations.

Trade Fairs

Annual Convention of the Exposition of the
United Fresh Fruit & Vegetable Association
February
Various US locations

California State Fair
August/September
Various California locations

Citrus Fruit Fair & Music Festival
May
San Bernardino, California

Florida Citrus Festival
Jan. - Feb.
Auburndale, Florida

Produce Marketing Association Convention & Expo
October
Various US locations

SOURCES OF INFORMATION ABOUT THIS SECTOR

"Canadian Exporters' Handbook on Doing Business in the US Food and Seafood Market", Department of Foreign Affairs and International Trade, 1992.

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

"Industry Profile: Fruit and Vegetable Processing", Industry Canada, 1990.

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

"1995 Tradeshow Week Data Book", Tradeshow Week: New Jersey, 1994.

CHAPTER 9

HANDBAGS

CHAPTER 9 - HANDBAGS

INTRODUCTION

The North American Free Trade Agreement should increase the already intense activity in the North American handbags market. The reduction and elimination of tariffs in this sector should provide greater opportunities for manufacturers.

NAFTA addresses the different competitive circumstances of the leather and leather products industries. The agreement recognises that the leather products industries already experience intense import competition. To address these circumstances, NAFTA provides extended tariff staging and safeguard provisions against import surges from either of the three member countries. These provisions are designed to allow those sectors of the industry experiencing strong import competition sufficient time to adjust to any additional imports generated by NAFTA. Duty reductions under the agreement assist exports in this sector among the three member countries.

In Canada, the handbags sector is highly active. There are a great number of imports. This market should continue to grow as consumer incomes rise.

In Mexico, the handbags sector's still developing. Imports of handbags are small. As incomes in Mexico rise, demand for products of higher quality and style should grow.

In the United States, like Canada, the handbags sector is competitive. Because labour costs represent such a high proportion of total production costs, these industries encounter significant import competition. The market outlook looks positive, as the growing economy encourages consumer spending.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Handbags:			
leather, composition leather, patent leather	15.7	11	0-8.8
plastics, textiles	15.6	11	5-8.8

Standards

There are no mandatory standards at present for this sector in Canada. Voluntary regulations are found with the Canadian General Standards Board, located under Section III of this guide.

Labelling

Textile handbags are exempt from the labelling requirements of the Textile Labelling Act and Regulations. Leather handbags, as all leather products, have no labelling requirements, except for country of origin requirements, as discussed in the documentation section below.

If the product is labelled, it must be in a manner which is "neither false or deceptive", according to section 5 of the Act.

Packaging

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. 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.

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 Section III of this guide.

Questions on the Act may be directed to the Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

The Canadian handbags market is very price competitive. There are a great number of imports from countries such as Brazil, Mexico, the Philippines, Asia, India, and Kenya. High end imports are captured by Italy.

The latest available data suggests that the import market for handbags and luggage into Canada is US $176 million.

There is a good market for the exporter in the middle and "utility" niches. Quality is the prime determinant of buyer interest, and price is secondary. Delivery times in this market are critical.

In Canada, handbags are often lined with vinyl and are in many cases, a combination of leather and textile materials or completely synthetic materials. These substitutions are most common in lower-priced handbags, although a combination of materials and products made from wholly synthetic materials are increasingly popularised by the high fashion industry.

The retail market is dominated by a limited number of large department stores and chain stores (which usually focus on particular product lines, such as accessories) that are also significant importers. Discount stores are rising in popularity and taking market share from the large department stores. Large Canadian retailers' prefer to buy directly from foreign producers and manufacturers. Smaller retailers' volumes do not usually justify buying direct. Canada buys from handbags importers mainly in Montreal.

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 Custom 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 handbags, except those made of beads, metal mesh, or similar material, 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

Luggage, Leathergoods, Handbags and Accessories Association of Canada
Scarborough, Ontario tel. (416) 491-5844
fax (416) 496-9329

Trade Fairs

Mode Accessories International Exposition
January, September
Toronto

MEXICO

Tariffs (%)

Items:	General	US/Canada
Handbags:		
leather, composition leather, patent leather	20	C
plastics, textiles	20	C

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

Safety and Testing Standards

There are voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume I, Classification A. A sampling of the range of standards applicable to this sector include fire resistance determination for textile products, graphical symbolism for care of piece goods, determination of resistance to grain cracking in leather, and other standards. 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

Leather products and products having the appearance of leather are subject to special labelling requirements in Mexico. According to Mexico's Ley de Proteccion al Consumidor (consumer protection law), leather and textile products and accessories must meet specific labelling requirements, which are enforced at the border. However, they do not have to be accompanied by a certificate of compliance. For these products, labels must be affixed to the product and not just to the packaging.

The minimum labelling requirements for leather products are:

- name of exporter;
- materials (general or specific definition and, if applicable, finishing);
- country of origin;
- name and address of importer; and

- Federal Taxpayer Number of the importer and/or registration number of the chamber of commerce to which he/she belongs.

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 Mexican market is still developing , and imports of handbags are small.

In the case of leather products, price is an all important consideration in buying decisions by lower-income groups in Mexico. For middle and higher income groups, style and quality are more important. As incomes in Mexico rise, purchases by this segment of the economy will also grow.

The growth in department and speciality stores in malls in this country means that there are new retail and distribution opportunities for this sector, specifically in mall clothing and accessories stores.

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) with original and several copies;
- packing list (if more than one package shipped) with at least four copies;
- bills of lading; one original for importer and one for customs broker.

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;
- freight and insurance charges;

- price and total value of shipment;
- 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.

Trade Associations

Asociacion Mexicana de Fabricantes de Articulos para Regalo, Decoracion y Artesanias
(Gift, decoration, and craft manufacturers association of Mexico)
Mexico City Tel. (5) 564-8961, 564-3668
Fax (5) 574-9709

Trade Fairs

AMFAR Expo Regalo (giftware)
September
Guadalajara

Expo Piel (leather arts & apparel)

Manualidades: Salon Nacional de las Artes Manuales (handmade gifts)
October
Guadalajara

Sapica (footwear & leather items)
May
Leon

Sede del Regalo y Salon de la Importacion (giftware, imports)
January/August
Mexico City

UNITED STATES

Tariffs (%)

Items:	General	GSP	CBI	Canada/Mexico
Handbags:				
leather, composition leather, patent leather	5.3-10	5.3-10	4.7-8.8	0-9
plastics, textiles	5.1-20	0-20	0-18.5	0-18

Standards

There are no standards as such; please refer to guides under the labelling section below.

Labelling

The Federal Trade Commission (FTC) has guides for the ladies' handbag industry. Under the guidelines, labelling is not permitted which is likely to mislead the consumer concerning the material composition, quality, finish, durability, price, origin, construction, ease of cleaning, or any other feature of the product. The material composition of the product should not be represented by any term which conveys the impression that it is made in whole or in part from leather, split leather, vinyl, plastic, or other material, when such is not the fact. If the leather used is split leather or non leather material which has the appearance of being leather, or leather which has been processed to simulate a different type of leather, such must be disclosed. If the product is composed of more than one kind of leather or leather and non leather, the labelling should indicate the part to which the representation is applicable. Simulated or imitation leather, and embossed or processed leather (which may simulate the appearance of a different type of leather), must be labelled as such. There can be non misrepresentation as to type of finish graining, embossing and processing. There is also no allowance for misuse of terms such as "scuffproof", "scratchproof", "scuff resistant", and "scratch resistant". The labels, stamps or tags must be imbedded in or attached to the product itself until final sale to consumer.

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.

Marketing and Distribution

In the United States, the handbag market is very price competitive. There are many imports from countries in Asia, Africa and South America.

The size of the import market into the United States for handbags and luggage is approximately US $2.6 billion.

There are several large US distributors in this sector, mainly in Chicago and New York. There is a good market for exporters in the "utility" and middle niches, as Italy is the predominant force in the high end market. Manufacturers should be aware that delivery times are critical in the US market.

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); and
- 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, or an article incapable of being marked. The manufacturer should check with US Customs to verify which situation applies to his product.

Trade Associations

National Fashion Accessories Association
New York Tel. (212) 947-3424
Fax (212) 629-0361

National Luggage Dealers Association
New York Tel./Fax (212) 684-1610

Trade Fairs

Fashion Accessories Expo
January, May, August - New York
February, August - Las Vegas

International Fashion Boutique Show
January, June, August, October
New York

Western Shoe Association Shoe & Accessory Market
January, June
Long Beach, California

SOURCES OF INFORMATION ABOUT THIS SECTOR

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

"Industry Profile: Leather Tanning", Industry Canada, 1990.

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

CHAPTER 10

HANDMADE CARPETS AND RUGS

CHAPTER 10 - HANDMADE CARPETS AND RUGS

INTRODUCTION

NAFTA will create new opportunities for manufacturers of textiles and fibres to expand sales, increase production and realise economies of scale. The three countries can also take full advantage of their complementary resources to enhance export potential.

In Canada, most product shipments in the carpet sector are manufactured by a very small number of producers. Four companies represent more than half of all domestic carpet production. Vertical integration among the fibre, fabric and apparel sectors is almost non-existent. The carpet and rug sector is capital-intensive, with most major producers vertically integrated to include yarn, carpet construction and dyeing, as well as finishing processes. Importers have approximately 20 % of the carpet market.

Low per capita income and cultural factors have made carpet and rug consumption relatively low compared to other countries. But, there has been steady growth in carpet and rug demand in Mexico since the late 1980's. With rising incomes and greater housing construction, this demand should continue to increase.

The United States currently accounts for more than half of world-wide carpet consumption. Demand levels for carpets and rugs are dependent on the strength of the domestic economy and concurrent growth of home construction. Steady growth in the US economy should improve the outlook for the replacement carpet sector. India and China have been the two largest sources of US carpet imports in recent years. Their imports are mostly woven and handloomed floorcovering, which are not directly competitive with the tufted floorcoverings produced domestically.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Carpets, knotted	9.7	0	0-3
Carpets, hand woven	19.3	13	6-10.4
Carpets, coconut fibre	0	0	0
Carpets, woven	19.3-21.2	13-14.5	6-11.6
Carpets, not pile	9.9-21.2	0-14.5	0-10.4
Carpets, tufted	10	0	0-6
Carpets, felt, not tufted	19.3	13	6-10.4
Other carpets (including braided)	18.3	12.5	5.7-10

Standards

There are standards for labelling (outlined in the Labelling section, below) and fibre content determination. The amount of textile fibre present in a textile fibre article must be determined according to the test methods contained in the National Standard of Canada, Textile Test Methods. More information about the test methods may be obtained from the Canadian General Standards Board (CGSB), in the addresses section of this guide.

In addition, there exists a basic, minimum flammability standard for carpets and rugs. Products which do not meet the established requirements cannot be sold, advertised or imported into Canada. Information on standard, contained in the Hazardous Products Act, may be obtained from the Chemical Hazards Division at Health Canada, listed in Section III of this guide.

Labelling

Industry Canada's Textile Labelling Act and Textile Labelling and Advertising Regulations provide basic labelling requirements for consumer textile articles sold in Canada, which includes carpets and rugs. The Act prohibits a dealer from selling, advertising, or importing into Canada, consumer textile articles unless they are labelled with fibre content and dealer identification in accordance with the Act and Regulations, and from making misleading representations relating to textile fibre products.

The basic requirements are that the label have:

- fibre content information expressed in percentages by mass
  - generic name of all fibres which make up at least 5 % of the product; those making up less than 5 % may be identified as "other fibre(s)"
  - fibres listed in order of predominance
  - if reused or reprocessed fibres are used, these must be listed as such; if mixed or unknown or miscellaneous fibres are used, these must be listed as such
  - when only one fibre is contained, the words "all" or "pure" may be used instead of 100%;

- dealer identity information
  - name and address, or, for a dealer in Canada, their identification number ("CA number), obtained by applying to Industry Canada.

Fibre content information must be in English and French, except in areas where only one official language is used in consumer purchases. Dealer identification and country of origin (when required) only need to be in one of the official languages. The province of Quebec has additional requirements concerning all products marketed therein, which should be obtained from the Office de la Langue Francaise, found under Section III of this guide.

Packaging

When a consumer textile article is sold in a wrapper, package or container and the label attached to the article is clearly visible, there is no other labelling necessary. If the label is not visible, the information required to be shown must be repeated on the package in the manner outlined above.

For all other 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. 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 Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

Canadian consumer patterns reflect a great degree of sensitivity to quality, value and service.

The retail market is dominated by a limited number of large department stores and chain stores (which usually focus on particular product lines, such as carpets or furnishings, in this case) that are also significant importers. Large Canadian retailers prefer to buy directly from foreign producers and manufacturers. Smaller retailers do not usually deal in volumes which would justify buying direct.

The latest available data suggests that the import market for carpets and rugs into Canada is US $308 million.

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 Custom 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 Carpet Institute
Ottawa, Ontario
Tel. (613) 232-7183
Fax. (613) 232-3072

Canadian Textiles Institute
Ottawa, Ontario
Tel. (613) 232-7195
Fax (613) 232-8722

Trade Fairs

BC Home and Garden Show
February
Vancouver

Canada's Home Furnishings Market
January
Toronto

Design Forum
August
Toronto

International Interior Design Exposition
November
Toronto

International Decor Showcase
March
Toronto

Metro Home Show
January
Toronto

National Home Show
April
Toronto

MEXICO

Tariffs (%)

Items:	General	US/Canada
Carpets, knotted	20	B+/C
Carpets, hand woven	20	B+/C
Carpets, coconut fibre	20	B+/C
Carpets, woven	20	B+/C
Carpets, not pile	20	B+/C
Carpets, tufted	20	B+/C
Carpets, felt, not tufted	20	B+/C
Other carpets (including braided)	20	B+/C

B+ - duties removed in seven stages: 20% in the first year then 10% annually to full elimination by 2001
C - duties removed in ten equal stages of 10% annually to full elimination by 2003

Standards

There are voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume I, Classification A. A sampling of the range of standards applicable to this sector include determination of pile or tuft height on rugs and carpets, weight determination of total pile and tuft by unit of area on rugs and carpets, fire resistance determination for textile products, and other standards. 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

According to Mexico's Ley de Proteccion 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.

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

Because of hot weather in many regions, use of carpets and rugs is only 20% of the European, US, and Canadian average. Carpet and rug consumption is mainly concentrated in major urban areas like Mexico City, Monterrey and Guadalajara.

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) with original and several copies;
- packing list (if more than one package shipped) with at least four copies;

- bills of lading, including one original for importer and one for customs broker.

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 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.

Trade Associations

Asociacion Mexicana de Fabricantes de Articulos para Regalo, Decoracion y Artesanias
(gift, decoration, and craft manufacturers association of Mexico)
Mexico City
Tel. (5) 564-8961, 564-3668
Fax (5) 574-9709

Camara Nacional de la Industria Textil
(national textile industry chamber)
Mexico City
Tel. (5) 202-2567
Fax. (5) 540-1946

Trade Fairs

AMFAR Expo Regalo (giftware)
September
Guadalajara

Manualidades: Salon Nacional de las Artes Manuales (handmade gifts)
October
Guadalajara

Sede del Regalo y Salon de la Importacion (giftware, imports)
January/August
Mexico City

UNITED STATES

Tariffs (% except where $/m^2$)

Items:	General	GSP	CBI	Canada/Mexico
Carpets, knotted	3.9-6.6	0-3.9	0-5.1	0-5.9
Carpets, hand woven	4.9	0-4.9	0	0-4.4
Carpets, coconut fibre	$0-0.215/m^2	0	0	$0-0.086/m^2
Carpets, woven	3.5-10	0-10	0-10	0-9
Carpets, not pile	4.9-7.7	0-7.7	0-7.7	0-6.9
Carpets, tufted	6.6-7.6	0-7.6	0-7.6	0-6.8
Carpets, felt, not tufted	5.3	5.3	5.3	2.1-4.7
Other carpets (including braided)	0-6.5	0-6.5	0	0-5.8

Standards

Carpets and rugs may not be imported into the US if they fail to conform to an applicable flammability standard issued under the Flammable Fabrics Act, administered by the Consumer Product Safety Commission (CPSC). One of a kind carpets or rugs, such as antiques, Orientals, or hides, may be excluded from testing for flammability under the Standard, according to conditions set out by the CPSC.

Small carpets and rugs (those that are no greater than 6 feet in dimension and 24 square feet in area) do not have to meet any specific standard; they may be flammable. However, they must be labelled as such. Testing for flammability is set out in CPSC regulations for small carpets and rugs.

Labelling

If any carpet or rug, including small, has had a fire-retardant treatment or is made of fibres which have had a fire-retardant treatment, it shall be labelled with the letter "T", according to conditions set out by the CPSC.

If a small carpet or rug is flammable, the CPSC requires that the product be labelled with the statement "Flammable (Fails US Department of Commerce Standard FF 2-70): Should not be used near sources of ignition".

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.

Marketing and Distribution

Restructuring in the US carpet industry has increasingly concentrated sales, marketing, and production capacity among fewer firms, reinforcing their attempts to establish partnerships and exclusive arrangements with retailers and suppliers. In addition, these partnerships have enhanced prospects of having proprietary technologies and product characteristics that will distinguish different carpet brands. Product differentiation, not price, must play a prominent role in marketing floorcovering if success is to be achieved in this sector.

In marketing this product, the manufacturer must take into account consumer preferences for specific floorcovering types.

The size of the import market into the United States for carpets and rugs is approximately US $770 million.

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.

Trade Associations

Carpet & Rug Institute
Dalton, Georgia Tel. (706) 278-3176
Fax (706) 278-8835

Oriental Rug Importers Association
Secaucus, New Jersey Tel. (201) 866-5054
Fax (201) 866-6169

Trade Fairs

American Society of Interior Designers Expo of Design Sources
July
Various

New York Home Textiles Show
April/October (biannual)

OASIS Gift Show
January, August
Phoenix, Arizona

SOURCES OF INFORMATION ABOUT THIS SECTOR

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

"Industry Profile: Textiles", Industry Canada, 1990.

"MEXICO Business, The Portable Encyclopaedia for Doing Business with Mexico", World Trade Press (San Rafael, California), 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 9 - Textiles", United States Department of Commerce, International Trade Administration, 1993.

CHAPTER 11

HAND TOOLS

CHAPTER 11 - HAND TOOLS

INTRODUCTION

The integrated, competitive business environment created by NAFTA should stimulate trade in the hand tools industry. The reduction or elimination of tariffs between the three NAFTA countries will allow for easier access to each others' market.

The Canadian hardware industry manufactures a wide range of hand tools. Imports make up almost two-thirds of the Canadian market, with an increase in low-cost products of this sector. This has resulted in rationalisation of domestic manufacturers as low-end production has shifted to low cost foreign manufacturers. The majority of firms are small, family-owned businesses. The demand for these products follows the growth of activity in the construction industry and home renovations market. The largest growth in this sector in recent years is the do-it-yourself retail market, supplied increasingly with imports from low-cost countries.

The Mexican market for hand tools is dependent on the continued growth of housing construction and renovation. It is a highly fragmented, competitive industry. A recent anti-dumping ruling in Mexico shows the extent of competition in this industry, as well as the importance placed on maintaining the indigenous industry.

In the United States, the hand tool industry is recovering from the recession, helped by increased new residential construction and higher expenditures for home improvement and repair. The outlook for this industry is sensitive to sales of new and existing residential units, as well as expenditures for home improvement, maintenance, and repair. Such expenditures are expected to increase. Contributors to growth include an expansion in the number of do-it-yourselfers, and increased expenditures for residential upkeep and renovations.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Agriculture, horticulture, forestry:			
Spades, shovels, forks	8.6	6	2.7-3.6
Picks, hoes, rakes, axes	9	6	2.8-3.6
Shears and pruners	0	0	0
Hand saws	10.4 (BPT = 10)	7	3.3-5.6
Hand-operated spanners, wrenches	10.5 (BPT = 10)	7.5	3.3-4.5
Hammers and sledge hammers	10.5 (BPT = 10)	7.5	3.3-6
Planes, chisels, wood working tools	10.2 (BPT = 10)	7	3.2-4.2
Screwdrivers	10.5 (BPT = 10)	7.5	3.3-4.5
Household tools	9.5	6.5	3-3.9
Vices, clamps	9.7	6.5	3.1-5.2
Two or more tools, in sets, for retail sale	9.7	6.5	3.1-3.9

Standards

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.

Labelling

Instructions accompanying **pre-packaged** hand tools 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.

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 these requirements may be obtained form the Office de la Langue Francaise, found in 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.

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.

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 Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

National distribution centres are located in southern Ontario. These are concentrated among few buying groups and speciality retail chains.

The consumer do-it-yourself retail outlets represent a dynamic part of the Canadian distribution channels for hand tools, as the largest growth sector in the last few years has been the do-it-yourself market. This market has been supplied increasingly by imports from low-cost countries.

The latest available data suggests that the import market for hand tools into Canada is US $219 million.

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 Custom 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 hardware 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 Hardware & Housewares Manufacturers' Association
Scarborough, Ontario Tel. (416) 282-0022
Fax (416) 282-0027

Canadian Retail Hardware Association
Mississauga, Ontario Tel. (416) 821-8946

Trade Fairs

Canadian Hardware/Housewares/Home Improvement Show
February
Toronto

The Western Show
October
Vancouver

World Trade
October
Toronto

MEXICO

Tariffs (%)

Items:	General	US/Canada
Agriculture, horticulture, forestry:		
Spades, shovels	20	B/C
Forks	15/20	B
Picks, hoes, rakes, axes	20	B/C
Shears and pruners	20	B
Hand saws	10/15/20	B/C
Hand-operated spanners, wrenches	10/15/20	C
Hammers and sledge hammers	20	C
Planes, chisels, wood working tools	10/20	B
Screwdrivers	10/20	B
Household tools	10/20	A/B
Vices, clamps	10/20	A-C
Two or more tools, in sets, for retail sale	20	C

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

Standards

There are no mandatory Mexican standards certification requirements for hand tools. However, due to the changing nature in voluntary and mandatory standards requirements, 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

According to Mexico's Ley de Proteccion 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.

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

Tools in Mexico are a fragmented market. The top lines are imported from the United States, Germany and Sweden. Buyers display significant brand loyalty. Chinese tools compete directly with Mexican and Taiwanese tools in the more economical but lower quality tool segment where there is little brand allegiance.

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) with original and several copies;
- packing list (if more than one package shipped) with at least four copies;
- bills of lading with one original for importer and one for customs broker.

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;
- freight and insurance charges;
- price and total value of shipment;
- 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.

Trade Associations

Asociacion de Ferreteros de Mexico
(Mexican hardware association)
Mexico City Tel. (5) 687-4639, 687-4675
Fax (5) 669-4532

Trade Fairs

Expo Nacional Ferretera
(Mexico hardware show)
September
Guadalajara

UNITED STATES

Tariffs (% except where $/each and $/kg)

Items:	General	GSP	CBI	Canada/Mexico
Agriculture, horticulture, forestry:				
Spades, shovels	3	0	0	0-1.2
Forks	2.8	0	0	0-1.1
Picks, hoes, rakes, axes	0-6.2	0	0	0-2.4
Shears and pruners	$0 -0.02/ea + 5.1%	0	0	$0-0.008/ea. +2%
Hand saws	0-7.2	0	0	0
Hand-operated spanners, wrenches	9	0	0	0-3.6
Hammers and sledge hammers	2.1-6.2	0	0	0-2.4
Planes, chisels, wood working tools	6.2-7.2	0	0	0-2.8
Screwdrivers	6.2	0	0	0-2.4
Household tools	3.7%-$0.022/kg+5%	0	0	0-2.1%
Vices, clamps	5	0	0	0-2
Two or more tools, in sets, for retail sale	- the rate of duty applicable to that article in the set subject to the highest rate of duty -			

Standards

There are, at present, no mandatory standards for tools. Please consult with the National Institute for Standards and Technology, in Section III of this guide, for the most current information in this area.

Labelling

The Federal Trade Commission 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.

Marketing and Distribution

The market for these products should have as the main impetus the expansion in the number of do-it-yourselfers, and increased expenditures for residential upkeep and renovations.

The retail environment for hand tools consists of large home centres (which are gaining market share), traditional hardware stores, and mass merchants. Membership home clubs compete with mass merchants and home centres as outlets for power tools. Home centres draw increasing business from contractors and woodworking professionals, as they opt for the convenience of home centres over traditional industrial distribution channels.

The size of the import market into the United States for hand tools is approximately US $2.4 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); and
- 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, or an article incapable of being marked. The manufacturer should check with US Customs to verify which situation applies to his product.

Trade Associations

American Hardware Manufacturers Association
Schaumburg, Illinois Tel. (708) 605-1025
Fax (708) 605-1093

Hand Tools Institute
Tarrytown, New York Tel. (914) 332-0040
Fax (914) 332-1541

International Hardware Distributors Association
Chicago, Illinois Tel. (312) 644-6610
Fax (312) 321-6869

National Retail Hardware Association
Indianapolis Tel. (317) 290-0338
Fax (317) 328-4354

National Wholesale Hardware Association
Philadelphia Tel. (215) 564-3484

Trade Fairs

Hardware Distributing Company Hardware Show
August
Tacoma, WA

Hardware Distributors Annual Trade Show
September
Grand Rapids, Michigan

Hardware Wholesalers Market
May, October
Indianapolis

National Hardware Show
August
Chicago

SOURCES OF INFORMATION ABOUT THIS SECTOR

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

"Industry Profile: Hardware", Industry Canada, 1990.

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

"US Industrial Outlook. Chapter 16: Metalworking Equipment", US Department of Commerce, International Trade Administration, 1993.

CHAPTER 12

HOUSEHOLD FURNITURE

CHAPTER 12 - HOUSEHOLD FURNITURE

INTRODUCTION

The FTA and now NAFTA, with their tariff elimination on furniture, will serve to increase trade activity between the member countries in this area. NAFTA will result in increased competition for both Canadian and US household furniture manufacturers from Mexican exports. Nevertheless, specialisation, particularly in the high-end furniture market, may make it possible for manufacturers in both countries to continue to compete effectively.

The Canadian furniture industry has a strong domestic focus, with domestic sales accounting for about 70 % of total sales. Canadian imports of household furniture are expected to have real growth of 5-10 % for the next few years. Canadian consumption of furniture products has shown moderate long-term growth interspersed with periods of varying degrees of negative and positive growth, for the most part reflecting the economic cycle. Imports of furniture and furniture components for the manufacturing process are an increasing trend. New products to accommodate the home office are becoming more popular.

Mexico's furniture market is small but is growing rapidly as a result of increased imports and new government policies. The domestic industry suffers from a lack of economies of scale and high prices for domestic inputs, and is oriented almost completely to the domestic market. The Mexican government has established a joint program with private interests to make the domestic furniture industry more competitive. Nonetheless, Mexico has a growing demand for imported furniture. Imports are expected to grow at faster pace than domestic production, especially for wood and metal furniture.

The United States is the world's largest producer of furniture. However, there has been increased competition and import penetration by furniture products from Asia and Europe. More recently, US manufacturers have taken advantage of low wage rates in Mexico to produce furniture from US parts. The products are then shipped back to the US market under the "Maquiladoras Industries" arrangement, whereby duty is applied only to the value added in Mexico. The industry consists of about 3000 establishments, with most of the larger firms producing in more than one product category. The ten largest firms account for approximately 25 % of domestic production. Production of household and institutional furniture is concentrated geographically.

Generally, the US furniture industry follows cyclical patterns of growth closely related to trends in housing construction. During the next few years, household furniture sales are expected to increase 3 - 5 % annually. Even though the actual number of furniture units produced may increase only marginally, if at all, more higher ticket items will be purchased.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Seats	10.1-15	8-10	0-8
Seat parts	10-1-13.9	8-10	0
Metal furniture	11.7	8	0-6.4
Wooden furniture	12-14.2	10	0-8
Plastics furniture	13.9	10	0-8
Furniture, other (includes cane, osier bamboo, similar materials)	13.9	10	0-6
Furniture parts	10-13.9	8-10	0
Mattresses	11.6-13.9	8-10	0-8
Lamps, electrical	10.5	7.5	3.3-6
Lamps, non-electrical	9.2-10.2	6.5-10	3-6

Standards

There are no technical standards established by the Canadian government for imported furniture products.

However, the Canadian Upholstered Furniture Action Council (UFAC) promotes voluntary industry standards for the flammability of upholstered furniture. The furniture industry is responsible for monitoring and regulating itself to ensure that upholstered furniture conforms to the UFAC's flammability specifications, and that consumers are made aware of these standards. Manufacturers who affiliate themselves with UFAC agree to (a) use only UFAC-tested materials in the production of their upholstered furniture; (b) conform to UFAC construction standards; and, (c) as an assurance to the consumer, affix UFAC's emblem on each piece of furniture (which must be printed in English and French for Canada). Additional information on the UFAC program can be obtained by contacting the UFAC/Canadian Council of Furniture Manufacturers.

In addition, there exists a basic, minimum flammability standard for upholstered furniture, mattresses, cushions, and chair pads. Products which do not meet the established requirements cannot be sold, advertised or imported into Canada. Information on the Hazardous Products Act may be obtained from the Chemical Hazards Division at Health Canada, listed in the addresses section of this guide.

Furniture products which have integral electrical lighting systems must comply with Canadian federal law standards established by the Canadian Standards Association (CSA). Information pertaining to the certification process and copies of the applicable standards can be obtained by contacting the CSA.

There are standards for labelling (outlined in the Labelling section, below) and fibre content determination, if textile coverings are used on furniture. The amount of textile fibre present in a textile fibre article must be determined according to the test methods contained in the National Standard of Canada, Textile Test Methods. There are other voluntary standards for furniture. More information on these standards and on the test methods may be obtained from the Canadian General Standards Board (CGSB), in the addresses section of this guide.

Labelling

Instructions accompanying pre-packaged furniture 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.

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-packagedproduct 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 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.

Textile outer coverings for furniture fall under the Textile Labelling Act, which requires that the fibre content of all textile materials be declared, as well as dealer information. For more information about textile labelling requirements, see the chapter on Ready-Made Garments in this guide, under Canadian labelling requirements.

The fibre content of the filling or stuffing used in upholstered furniture, mattresses, cushions, and chair pads is not required under the Textile Labelling Act and its Regulations. However, in the provinces of Quebec, Ontario and Manitoba, all fillings or stuffing are regulated, and all manufacturers of upholstered or stuffed articles for sale in these provinces should contact the provincial government offices dealing with consumer products, listed in Section III of this guide.

The use of North America's most heavily-advertised and best known symbol for products made from hardwood is the Hardwood Mark, created for and copyrighted by the National Hardwood Lumber Association (NHLA) in the United States. It is now available for use on manufacturers' product literature, advertising, packaging, point-of-purchase materials, and on the products themselves. The mark, and an application and rules for its use can be obtained by contacting the NHLA.

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.

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 Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

The Canadian household furniture market has a wide variety of consumer preferences in style, design, uniqueness, quality, and price.

Imports of furniture and furniture component parts are increasing. They compete with Canadian products to a large extent on the basis of price, mitigating high transportation costs in part by shipping the product unassembled. Furniture products imported from Europe tend to feature unique modern or contemporary designs that appeal to smaller market segments in higher-priced ranges. Shifts in the type of furniture being purchased include the emergence of ready-to-assemble furniture and wall units. Recently, increased attention has been given to designing products that satisfy the needs of both the ageing and disabled populations. Research in both design and consumer markets will be very important to success in Canada. Differences in taste between the English-speaking and French-speaking populations may require tailoring of products and advertising.

Most household furniture products are marketed nationally, although small manufacturers typically serve regional markets. In some situations, transportation costs preclude the profitable sales of a product in distant markets.

In distribution, there has been a trend to centralised buying by department stores, furniture chains and buying groups of independent retailers. Some distribution occurs through wholesaler merchants, agents and brokers. Quebec's imports come mainly from European countries and are usually handled by agents. In the rest of Canada, imports are primarily sourced from the United States and are predominantly handled by merchant wholesalers. Some advantages of selling directly through chain retailers are they advertise and promote a client's products, and they usually pay on time. To meet the increased demands of consumers with respect to service and quality, retailers will be expecting improved service from their suppliers. Some retailers are already giving preference to those manufacturers who have a recognised quality assurance program in place in their facilities.

The latest available data suggests that the import market for household furniture into Canada is US $577 million.

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 Custom 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 Council of Furniture Manufacturers
Ottawa, Ontario Tel. (613) 232-3322
Fax (613) 232-3343

Canadian Home Furnishings Association
Winona, Ontario Tel: (416) 643-6399
Fax: (416) 643-6411

Furniture West Inc.
Winnipeg, Manitoba Tel: (204) 632-5529
Fax: (204) 694-1281

National Hardwood Lumber Association
Memphis, Tennessee Fax: (901) 382-6419

Ontario Furniture Manufacturers' Association
Mississauga, Ontario Tel: (416) 677-6561
Fax: (416) 677-5212

Quebec Furniture Manufacturers' Association
Montreal, Quebec Tel: (514) 866-3431
Fax: (514) 871-9900

Upholstered Furniture Action Council
High Point, North Carolina Tel: (919) 885-5065

Trade Fairs

Canada's Home Furnishing Market Show
January
Toronto

Design Forum
August
Toronto

International Interior Design Exposition (IIDEX)
November
Toronto

Montreal Furniture Market Show
June

MEXICO

Tariffs (%)

Items:	General	US/Canada
Seats	15	A-C
Seat parts	10/15	A
Metal furniture	20	A
Wooden furniture	15/20	A-C
Plastic furniture	20	A
Furniture, other (includes cane, osier bamboo, similar materials)	20	B
Furniture parts	10	A
Mattresses	20	A-C
Lamps, electrical	20	B-C
Lamps, non-electrical	20	B-C

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

Standards

There are voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume IV, Classification Q. 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

According to Mexico's Ley de Proteccion 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.

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 largest import category is wood furniture, with one-third of the market. Other significant categories are seats, metal furniture, and lamps and lighting fixtures. Imports of furniture made of plastics and other materials are still not very significant. In the bedding category, demand is mostly filled by domestic production.

Because of Mexico's growing demand for imported furniture, manufacturers need to aggressively market their furniture products in order to successfully take advantage of these opportunities. Mexican consumers and retailers perceive that European products are of high quality, and that Asian products are generally priced lower and offer better financing terms. Currently, credit terms are very important in the buying decision because

they give the customer a period of time to pay for their purchase charging minimal interest rates when economic resources are scarce. Quality and service are also important for the middle class group and the high purchasing power segment which account for over 43 % of the population in Mexico. Mexican customers prefer to pay more and get furniture that lasts longer.

The most common distribution channels for furniture are wholesalers, chain stores specialising in furniture, department stores, and large supermarkets. There is a small percentage distributed directly to a retail outlet by the manufacturer. Most imports are sold in Mexico City and other large cities.

Furniture sales depend on the time of the year and promotional campaigns. Besides the periods of promotional effort, November, December and January generally represent twice as much as sales volume as the rest of the year.

Firms may become successful in areas of this furniture market by participating in existing trade shows, actively marketing their goods to chain stores and buyers, working with Mexico-based distributors or representatives, and offering competitively priced, high-quality products to the consumer.

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.

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;
- freight and insurance charges;
- price and total value of shipment;
- 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.

Mexico has also recently begun requiring certificates of quality before certain products can be sold in Mexico.

All products entering into 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 de Fabricantes de Muebles de Jalisco, a.c.
(Association of furniture manufacturers of Jalisco)
Guadalajara Tel. (3) 622-7178
Fax (3) 622-7103

Camara Nacional de la Industria Maderera y Similares
(Lumber and related products industry national chamber)
Mexico City Tel. (5) 598-6725
Fax: (5) 598-6932

Camara Nacional de la Industria de la Transformacion-CANACINTRA
(National chamber of manufacturing industries)
Mexico City Tel. (5) 563-3400 / 563-0501
Contact: Manager of the Consejo Coordinador Mueblero (Furniture Co-ordinating Council)
President of the Seccion de Muebles para Cocinas Integrales (Section of Kitchen Furniture)

Trade Fairs

Expo-Cocina
(Expo - Kitchen)
Mexico City
May -June

Expo-Industrial CAREINTRA
(Trade show by Regional Chamber of Manufacturing Industries of the State of Jalisco)
Guadalajara
August

Expo Mueble
(Furniture show by the Furniture Association of the State of Nuevo Leon)
Monterrey, September
Guadalajara, February/August

Exposicion Provi Mueble
Monterrey
March

Feria del Regalo y Salon de las Importaciones
(gift fair and imports show)
Mexico City
January, August

Tecno Mueble Internacional
(international furniture show)
Guadalajara
July

UNITED STATES

Tariffs (%)

Items:	General	GSP	CBI	Canada/Mexico
Seats	2.4-7.5	0	0	0-2.4
Seat parts	2.4-7.5	0	0	0
Metal furniture	4	0	0	0
Wooden furniture	2.5-6.6	0	0	0
Plastic furniture	2.4-6	0	0	0
Furniture, other (includes cane, osier bamboo, similar materials)	4-7.5	0	0	0
Furniture parts	2.4-7.5	0	0	0
Mattresses	6	0-6	0	0-5.4
Lamps, electrical	3.7-7.6	0	0	0-3
Lamps, non-electrical	3.7-7.6	0	0	0-3

Standards

The US' Upholstered Furniture Action Council (UFAC) promotes voluntary industry standards for the flammability of upholstered furniture. The furniture industry is responsible for monitoring and regulating itself to ensure that upholstered furniture conforms to the UFAC's flammability specifications, and that consumers are made aware of these standards. Manufacturers who affiliate themselves with UFAC agree to (a) use only UFAC-tested materials in the production of their upholstered furniture; (b) conform to UFAC construction standards; and, (c) as an assurance to the consumer, affix UFAC's emblem on each piece of furniture. Additional information on the UFAC program can be obtained by contacting the UFAC.

The Environmental Protection Agency is currently developing a control technique guideline for volatile organic compound emissions for the wood furniture and kitchen cabinet industries as required by the Clean Air Act Amendments of 1990. State and local air quality regulators will use this to establish reasonably available control technologies for the wood furniture and cabinet industries.

Upholstered furniture may not be imported into the US if the fabric used for the furniture fails to conform to an applicable flammability standard issued under the Flammable Fabrics Act, administered by the Consumer Product Safety Commission.

Furniture products which have integral electrical lighting systems should comply with U.S. Electrical Standards, established by Underwriters Laboratories (UL). For more information on standards contact these organisations, all listed in Section III of this guide.

Labelling

The Federal Trade Commission (FTC) has issued guides for the household furniture industry which requires that the manufacturer, distributor or retailer of furniture must provide full disclosure of the utility, construction, composition, durability, design, style, quality, quantity or number of items, model, origin, manufacture, price, grade, or any other material aspect of the item of furniture. Disclosure should be made on the product, tag or label prominently attached to it, until purchased by the consumer. Specific examples of non misleading disclosures include describing wood and wood imitations, identity of woods, leather and leather imitations, outer coverings materials (fibre content), stuffings, and origin and style of furniture. Please contact the FTC for more details concerning their furniture guidelines, under Section III of this guide.

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).

As with Canada, the United States uses North America's most heavily-advertised and best known symbol for products made from hardwood is the Hardwood Mark, created for and copyrighted by its National Hardwood Lumber Association (NHLA). It is now available for use on manufacturers' product literature, advertising, packaging, point-of-purchase materials, and on the products themselves. The mark, and an application and rules for its use can be obtained by contacting the NHLA.

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.

Marketing and Distribution

Manufacturers are primarily located in North Carolina, Virginia, California, and New York.

A firm must be cost competitive with domestic suppliers in the low to medium priced categories. Otherwise, a manufacturer may also be successful in market niches in the US, either by specialising in products targeted to specific market segments or by focusing on products in the higher-priced ranges, where design and quality are more important than price. Home entertainment furniture is the biggest growth market in the industry. Recently, increased attention has been given to designing products that satisfy the needs of both the ageing and disabled populations.

As with Canada, in distribution, there has been a trend to centralised buying by department stores, furniture chains and buying groups of independent retailers. This trend is expected to continue and could benefit the large multiplant US firms, which tend to have great productive capacity in a wider range of products, therefore being in a better position to supply large-volume orders. To meet the increased demands of consumers with respect to service and quality, retailers will be expecting improved service from their suppliers. Some retailers are already giving preference to those manufacturers who have a recognised quality assurance program in place in their facilities.

The size of the import market into the United States for household furniture is approximately US $5.5 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); and
- 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, or an article incapable of being marked. The manufacturer should check with US Customs to verify which situation applies to his product.

Trade Associations

American Furniture Manufacturers Association
High Point, North Carolina Tel. (919) 884-5000
Fax (919) 884-5303

American Society of Furniture Designers
High Point, North Carolina Tel. (919) 884-4074
Fax (919) 883-6631

International Home Furnishings Marketing Association
High Point, North Carolina Tel. (919) 889-0203
Fax (919) 889-7460

International Home Furnishings Representatives Association
High Point, North Carolina Tel. (919) 889-3920
Fax (919) 883-8245

International Wholesale Furniture Association
High Point, North Carolina Tel. (919) 884-1566

National Home Furnishings Association
High Point, North Carolina Tel. (919) 883-1650
Fax (919) 883-1195

Upholstered Furniture Action Council
High Point, North Carolina Tel: (919) 885-5065

Trade Fairs

International Contemporary Furniture Fair
May
New York

International Home Furnishings Market
April, October
North Carolina

New York Home Textiles Show
April/October (biannual)

SOURCES OF INFORMATION ABOUT THIS SECTOR

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

"Industry Profile: Household Furniture", Industry Canada, 1991.

"Market Research Report: Canada - Furniture Market", US Department of Commerce, International Trade Administration, 1992.

"Market Research Report: Canada - Furniture Market Trends", US Department of Commerce, International Trade Administration, 1994.

"Market Research Report: Canada - Household Furniture", US Department of Commerce, International Trade Administration, 1994.

"Market Research Report: Mexico - Household Furniture", US 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: Home and Office Furniture", Department of Foreign Affairs and International Trade, 1992.

"NAFTA and the Furniture Sector", Industry Canada, 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 36 - Household Consumer Durables", US Department of Commerce, International Trade Administration, 1994.

CHAPTER 13

JEWELLERY

CHAPTER 13 - JEWELLERY

INTRODUCTION

NAFTA provides significant commercial opportunities in all three member countries for the jewellery sector. The reduction of tariffs and other impediments between the three countries will increase their trade in this sector.

The total Canadian market for jewellery is estimated to be about $500 million. Imports account for about one-third of the total market. Of imports, precious metal jewellery makes up the highest percentage, with costume jewellery and silverware, goldware and stones following in decreasing order. The Canadian industry is globally competitive in the mid-priced range of machine-made precious jewellery items, as well as middle to high-end costume jewellery. Domestic industry is as technologically advanced as its international competitors. The domestic market is small and almost saturated. As a result, there are few opportunities for growth based on Canadian demand.

Overall Mexican consumption of jewellery will rise as their standard of living increases. The market for custom fashion jewellery has increased because it is more accessible than fine jewellery. Fine jewellery is also facing a problem since the Banco Nacional de Mexico (Mexico's National Bank) has retired the sale of gold so Mexican manufacturers have to buy directly from the mines or import their supply. Imports of custom fashion jewellery are very important in the Mexican market. Imported custom fashion jewellery is in demand because of its novelty, design and quality.

In the United States, the manufacturing of jewellery, both precious metal and costume, has remained quite unconcentrated and competitive over the years. Imports will remain a threat to the industry. As the trend toward increased international trade continues, rising imports of such labour-intensive products as jewellery are expected.

Americans' expected increased annual disposable personal income of about 2-2.5 % for the next few years will mean that some of the increased income will be spent on such personal consumption goods as jewellery. Demographics also favours the jewellery industry: the two leading purchasing groups of jewellery, the 35 to 44 and 45 to 54 year age groups, are increasing. The industry also will benefit from the continued increase (about 1.5 % per year) in the number of working women, major purchasers of jewellery.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Pearls	0	0	0
Diamonds	0-9.5	0-6.5	0
Precious and semi-precious stones	0	0	0
Gold, Silver	0-10.2	0-7	0
Silver jewellery	12.4	8.5	0-6.8
Precious metal jewellery	12-12.4	8.5	0-6.8
Silver tableware	9.9	7	0-4.2
Precious metal tableware	9.9	7	0
Base metal tableware	9.9	7	0
Articles of cultured pearls, precious and semi-precious stones	0-12.4	0-8.5	0
Imitation jewellery	10.6-12.4	8-8.5	3.7-5.1
Coin	0-9.5	0-6.5	0-3

Standards

Canada's Precious Metals Marking Act is similar to standards in other countries, defining the gold, silver, platinum, or palladium purity required for identifying the quality of jewellery and silverware. Canada does not require the manufacturer to mark the article; if a quality mark is applied to a precious metal product, however, the mark must be accurate within prescribed tolerances and a registered trademark must be applied. Government inspectors enforce this system through their authority to inspect, test, and take appropriate action when necessary. Additional information on standards may be obtained from the Merchandise Standards Division, Industry Canada, under Section III of this guide.

Labelling

Labelling for jewellery is discussed in the standards section, above.

Pre-packaged products 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.

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-packagedproduct 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 form the Office de la Langue Francaise, found in 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.

Packaging

For all 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. 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 Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

The great majority of precious metal jewellery is purchased by Canadian women, who now have increasingly more disposable income due to their increasing participation in the workforce. In the precious metal jewellery subsector, disposable income is the most important factor for the consumer, with price much less so. Costume jewellery is associated with fashion trends; demand is influenced by price and fashion. Colour and variety of design are important in the high end of this sub-sector.

Half of precious metal jewellery sales occur during the fourth quarter of the year. Costume jewellery is not as affected by this seasonality of demand. Distribution is through speciality retailers and chains, as well as department stores.

The latest available data suggests that the import market for jewellery into Canada is US $302 million.

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 Custom 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 Jewellers Association
Toronto, Ontario Tel. (416) 480-1424
Fax (416) 480-2342

Canadian Jewellery Travellers Association
Toronto, Ontario Tel.(416)480-1424
Fax (416) 480-2342

Jewellers Vigilance Canada
Toronto, Ontario Tel. (416) 480-1452
Fax (416) 480-2342

Silversmiths Guild of Canada
Toronto, Ontario Tel. (416) 480-1424
Fax (416) 480-2342

Trade Fairs

Jewellery Buy Mart
August
Montreal

Mode Accessories International Exposition
January, September
Toronto

MEXICO

Tariffs (%)

Items:	General	US/Canada
Pearls	10	A
Diamonds	10	A
Precious and semi-precious stones	10	A
Gold, Silver	15/20	A/B/D
Silver jewellery	20	C
Precious metal jewellery	10/20	C
Silver tableware	20	B
Precious metal tableware	20	B
Base metal tableware	20	B
Articles of cultured pearls, precious and semi-precious stones	10/20	A
Imitation jewellery	10/15/20	A
Coin	Exempt	D

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

Silver products are subject to Mexican standards certification requirements. Companies wishing to export these types of products must obtain a standards certificate from SECOFI prior to exporting the products. 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 this and any other jewellery product.

Labelling

There are special labelling regulations on silver, silver-plated and nickel-plated articles. For more information contact SECOFI, found under Part III of this guide.

According to Mexico's Ley de Proteccion 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/or preservation of the product.

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

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

Seventy percent of fashion jewellery is targeted for middle to upper income women. Mexico City, along with Monterrey and Guadalajara represent the largest Mexican markets. Sales distribution is grouped as follows: department stores (60%); boutiques (20%); street markets (15%); and supermarket chains (5%). Foreign firms mainly sell through Mexican representatives or distributors.

It is important to note that the market is becoming saturated so novelty and high quality will play an important role.

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) with original and several copies
- packing list (if more than one package shipped) with at least four copies; and
- bills of lading, including one original for importer and one for customs broker.

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;
- freight and insurance charges;
- price and total value of shipment;
- 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.

Trade Associations

Asociacion Mexicana de Fabricantes de Joyeria - AMFAR
(Gift products manufacturers Mexican association)
Mexico City Tel. (5) 564-8961, 564-4564, 564-8938
Fax. (5) 574-9709

Asociacion Nacional de Exportadores e Importadores de Plateria y Joyeria
(Silver & jewellery exporters & importers association)
Mexico City Tel. (5) 512-2016, 510-3200
Fax (5) 510-3554

Camara Nacional de la Industria de la Plateria y la Joyeria
(Silver & jewellery industry national chamber)
Mexico City Tel. (5) 516-1771
Fax (5) 516-8481

Trade Fairs

AMFAR
Annual
Mexico City

Expo Joya
Annual
Guadalajara

Expo Joyeria
February
Mexico City

Expo Regio Joya
November
Monterrey

Exposicion Oro y Plata
April
Guadalajara

UNITED STATES

Tariffs (%)

Items:	General	GSP	CBI	Canada/Mexico
Pearls	0-2.1	0	0	0
Diamonds	0-4.9	0	0	0
Precious and semi-precious stones	0-21	0-6	0	0
Gold, Silver	0-20	0-8.2	0	0
Silver jewellery	6.5-27.5	0-27.5	0	0
Precious metal jewellery	6.5-7	0-6.5	0	0
Silver tableware	4.4-6.6	0-6	0	0-4.8
Precious metal tableware	7.9	0	0	0
Base metal tableware	6	0	0	0
Articles of cultured pearls, precious and semi-precious stones	2.1-21	0-6.5	0	0
Imitation jewellery	0-11	0	0	0-4.4
Coin	0	0	0	0

Standards

The Federal Trade Commission (FTC) has established guides for the jewellery industry. The industry member may not misrepresent the type, kind, grade, quality, quantity, metallic content, size, weight, cut, colour, character, substance, durability, serviceability, origin, price, value, preparation, production, manufacture or distribution of the jewellery.

By labelling the product according to the guidelines set out below, the industry member agrees to fulfil the requirements that that term implies. For example, no jewellery product may be ascribed as "sterling silver" unless it is at least 925/1000ths pure silver. More information including labelling and concurrent guidelines are available from the FTC, under Section III of this guide.

Labelling

The FTC stipulates that any marking or labelling of jewellery products or containers cannot have any visual representations or in conjunction with accompanying words or phrases, that are misleading or deceiving as to type, kind, grade, quality, quantity, metallic content, size, weight, cut, colour, character, substance, durability, serviceability, origin, preparation, production, manufacture or distribution of any industry product.

It is also unfair trade practice to misrepresent the place of origin of the product.

There cannot be misuse of terms such as "hand-made", "handpolished", "platinum", 'iridium", "palladium", "ruthenium", "rhodium", "osmium", "diamond", "perfect", "blue White", "properly cut", "brilliant", "full cut", "clean", "pearl", "cultured pearl", "cultivated pearl", "seed pearl", "Oriental pearl", "Oriental", "natura", "ruby", "sapphire", "emerald", "topaz", "stone", "birthstone", "real", "genuine", "natural", "gem", "reproduction", "replica", or "synthetic". There can be no misrepresentation as to gold or silver content, cultured pearls, or precious and semi-precious stones (for example, artificial colour).

Quality marks must clearly identify the quality of item, be clearly associated with the part of the item to which it applies. All members of the industry have consented to accompany quality markings with name or other adequate identification of the manufacturer, processor, or distributor.

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.

Marketing and Distribution

As noted earlier, there is potential to increase sales to the 35-54 year old age bracket, as they are the greatest purchasers of jewellery, and are increasing in size. Working women also follow the same trend.

The retail distribution of jewellery is competitive. Large jewellery retail chains, such as Zale Corporation, Barry's Jewellers, and Sterling, Inc., have evolved with the growing importance of shopping malls in the United States. The development of alternate sales channels, such as warehouse clubs, catalogues and catalogue showrooms, and televised merchandising, as well as the continued growth of discount stores, have been other important trends reinforcing competition in jewellery retailing. However, the local independent jewellery store, with its full range of products, is still an important channel, since many of the other types of retailers carry only a narrow set of products aimed at a limited category of shopper, as well as being competitive in price.

The size of the import market into the United States for jewellery is approximately US $3.8 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); and
- 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, or an article incapable of being marked. The manufacturer should check with US Customs to verify which situation applies to his product.

Trade Associations

American Gem & Mineral Suppliers Association
Yucaipa, California Tel./Fax (909) 794-1343

American Gem Trade Association
Dallas, Texas Tel. (214) 742-4367
Fax (214) 742-7334

Council of Affiliated Associations of Jewellers of America
New York Tel. (212) 768-8777
Fax (212) 768-8087

Fashion Jewellery Association of America
Providence, Rhode Island Tel. (401) 273-1515

Independent Jewellers Organisation
Westport, Connecticut Tel. (203) 226-6941
Fax (203) 454-4371

Jewellers of America
New York Tel. (212) 768-8777
Fax (212) 768-8087

Jewellery Industry Distributors Association
Baltimore Tel. (410) 752-3318
Fax (410) 752-8295

Manufacturing Jewellers & Silversmiths of America
Providence, Rhode Island Tel. (401) 274-3840
Fax (401) 274-0265

Trade Fairs

Chicago Gift Show
January/July (biannual)

Fashion Accessories Expo
January, May, August - New York
February, August - Las Vegas

International Fashion Boutique Show
January, June, August, October
New York

International Jeanswear & Sportswear Show
March, September
Miami

JA International Jewellery Show
February/July
New York

New York International Gift Fair
January/August (biannual)

OASIS Gift Show
January, August
Phoenix, Arizona

San Francisco International Gift Fair
January/August (biannual)

Washington Gift Show
January/July (biannual)

SOURCES OF INFORMATION ABOUT THIS SECTOR

"Encyclopaedia of Associations: National Organisations of the US, Vols. I & II", Gale Research Inc. (Washington), 1994.
"Industry Profile: Jewellery", Industry Canada, 1990.

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

"Mexico Market Research Reports - Custom Fashion Jewellery", US Department of Commerce, International Trade Administration, 1993.

"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 37: Personal Consumer Durables", US Department of Commerce, International Trade Administration, 1993.

CHAPTER 14

LEATHER GOODS INCLUDING SHOES AND GARMENTS

CHAPTER 14 - LEATHER GOODS INCLUDING SHOES AND GARMENTS

INTRODUCTION

NAFTA addresses the different competitive circumstances of the leather, leather products and footwear industries. The agreement recognises that the footwear and leather products industries already experience intense import competition. To address these circumstances, NAFTA provides extended tariff staging and safeguard provisions against import surges from either of the three member countries. These provisions are designed to allow those sectors of the industry experiencing strong import competition sufficient time to adjust to any additional imports generated by NAFTA. Duty reductions under NAFTA assist exports in this sector among the three member countries.

The Canadian footwear industry is mostly made up of small companies which lack economies of scale, financial and management resources, and have limited design capability. Canadian manufacturers concentrate on leather boots and shoes in the medium and high price ranges. There has been a substantial increase in the number of footwear imports, especially from the newly industrialised countries, which are able to produce leather at lower costs. There will continue to be increased competition from imports in this low growth market. The use of synthetic soles and textile uppers, especially in athletic footwear, is increasingly taking away demand from the leather footwear market.

Canadian leather garment producers only hold 10 % of the domestic market. As with footwear, newly industrialised countries and Asian countries are making up an increasingly significant portion of this market. The demand for leather is driven by fashion trends, changes in disposable income and, ultimately, price.

Mexico's leather-processing industry is diversified. This labour intensive Mexican sector has faced stiff international competition from imports of low-cost Asian products. As incomes in Mexico rise, demand for products of higher quality and style should grow.

Total US product shipments have remained flat for the last several years, with half of these being luggage. Exports in the leather products industry represent 10 % of product shipments. Because labour costs represent such a high proportion of total production costs, these industries encounter significant import competition.

The US footwear industry consists of about 350 companies. Production has declined at a compound annual rate of about 5.5 % since 1968. The US industry is not competitive except in few types made of leather and in high price categories. Foreign producers with lower labour costs have captured 87 % of the domestic market by volume.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Apparel	20.6 (BPT = 15.8)	15	6.7-12
Footwear	22.8 (BPT = 18.3)	X	9.1-20.5
Footwear parts	12.5	8	4.9-7.2
Gloves	23.1 (BPT = 18)	16.5	7.5-13.2
Gloves, kid	10.5	7.5	3.3-6
Belts	13.9	10	4.5-6
Trunks, suitcases, briefcases	16 (BPT = 12.5)	11	0-8.8
Wallets, purses, cases	12.7	9	0-7.2
Knapsacks, bags	16.3	11.5	0-9.2
Other clothing accessories	11.6	8	3.7-4.8

X - same as MFN tariff

Standards

There are no mandatory standards at present for this sector in Canada. Voluntary regulations are found with the Canadian General Standards Board.

Labelling

Leather products, including footwear, have no labelling requirements, except for country of origin requirements, as discussed in the documentation section below.

If the product is labelled, it must be in a manner which is "neither false or deceptive", according to section 5 of the Act.

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 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. 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 Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

The retail market is dominated by a limited number of large department stores and chain stores (which usually focus on particular product lines) that are also significant importers. Discount stores are rising in popularity at the expense of the large department stores. Canadian retailers prefer to buy directly from foreign producers and manufacturers. Smaller retailers do not usually volumes which would justify buying direct.

Footwear is marketed to a small number of major retail organisations and departments stores for a large share of its sales. Small shoe stores, chains and speciality shoe stores generally carry a higher proportion of domestic shoes than do the larger distributors.

Canadian producers are competitive with foreign counterparts in high quality, winter-related and protective footwear, mid- and high end footwear, and their ability to adjust to fast-changing domestic market demands.

As an example of the strength of the import market for this sector, the latest available data suggests that the import market for footwear into Canada is US $693 million.

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 Custom 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 leather products, including gloves and footwear, 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

Footwear Council of Canada
Toronto, Ontario Tel. (416) 595-5333
Fax (416) 595-8226

Luggage, Leathergoods, Handbags and Accessories Association of Canada
Scarborough, Ontario Tel. (416) 491-5844
Fax (416) 496-9329

Shoe Manufacturers' Association of Canada
Montreal, Quebec Tel. (514) 937-8118
Fax (514) 937-7066

Tanners Association of Canada
Toronto, Ontario Tel. (416) 463-3118
Fax (416) 466-1277

Trade Fairs

Mode Accessories International Exposition
January, September
Toronto

North American Fur & Fashion Expo
May
Montreal

Outerwear Expo
March
Montreal

Preselection Show
June, December
Toronto

MEXICO

Tariffs (%)

Items:	General	US/Canada
Apparel	20	C
Footwear	20	A/B+/C
Footwear parts	15	A/B/C
Gloves	15	C
Gloves, kid	15	C
Belts	20	A
Trunks, suitcases, briefcases	20	C
Wallets, purses, cases	20	C
Knapsacks, bags	20	C
Other clothing accessories	20	A

A - duties fully eliminated on January 1, 1994
B - duties removed in five equal stages of 20% annually to full elimination by 1998
B+ - duties removed in seven stages: 20% in the first year then 10% annually to full elimination by 2001
C - duties removed in ten equal stages of 10% annually to full elimination by 2003

Standards

There are voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume I, Classification A. A sampling of the range of standards applicable to this sector include size designation of garments, shrinkage determination methods, fire resistance determination for textile products, graphical symbolism for care of piece goods and clothing, determination of resistance to grain cracking in leather, physical test of leather waterproofness for boot and shoe sole leather, shoe lace specifications, and other standards. 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

Leather products and products having the appearance of leather are subject to special labelling requirements in Mexico. According to Mexico's Ley de Proteccion al

Consumidor (consumer protection law), leather products must meet specific labelling requirements, which are enforced at the border. Labels must be affixed to the product and not just to the packaging. There is no requirement for a certificate of compliance.

The minimum labelling requirements for leather products are:

- name of exporter;
- materials (general or specific definition and, if applicable, finishing);
- country of origin;
- name and address of importer; and
- Federal Taxpayer Number of the importer and/or registration number of the chamber of commerce to which he/she belongs.

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

For consumer goods, price is an important consideration in buying decisions by lower-income groups in Mexico. For middle and higher income groups, style and quality are more important. As incomes in Mexico rise, purchases by this segment of the economy will also grow.

The growth in department and speciality stores in malls in this country means that there are new retail and distribution opportunities for this sector, specifically in mall shoe stores and clothing stores.

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) with original and several copies;
- packing list (if more than one package shipped) with at least four copies;
- bills of lading with one original for importer and one for customs broker.

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;
- freight and insurance charges;
- price and total value of shipment;
- 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.

Trade Associations

Camara Nacional de la Industria del Calzado
(Footwear industry national chamber)
Mexico City Tel. (5) 533-6255, 525-4960
Fax (5) 511-5054

Camara Nacional de la Industria del Vestido
(Garment industry national chamber)
Mexico City Tel. (5) 588-7822, 588-7664
Fax (5) 578-6210

Camara Nacional de la Industria de la Curtiduria
(Tannery industry national chamber)
Mexico City Tel. (5) 564-6600, 564-4866
Fax (5) 574-2552/5

Trade Fairs

APICE (footwear industry)
September
Guadalajara

Expo Piel (leather arts and apparel)

Exposicion Nacional del Calzado (national wholesale footwear show)
May/October
Guadalajara

Sapica (footwear & leather items)
May
Leon

Selec Moda Primavera/Verano (spring/summer footwear)
Mexico City

UNITED STATES

Tariffs (%)

Items:	General	GSP	CBI	Canada/Mexico
Apparel	4.7-6	0-6	0-5.3	0-5.4
Footwear	2.5-37.5	2.5-37.5	2.5-37.5	0-30
Footwear parts	3.7-10	0-10	0-10	0-8
Gloves	14	14	0	5.6-12.6
Gloves, kid	14	14	0	5.6-12.6
Belts	5.3	0	0	0-2.1
Trunks, suitcases, briefcases	8	8	7	0-7.2
Wallets, purses, cases	4.7-8	0-8	0-7	0-7.2
Knapsacks, bags	6.8	6.8	6	0-6.1
Other clothing accessories	0-5.6	0	0	0-2.2

Standards

A garment may not be imported into the US if it fails to conform to an applicable flammability standard issued under the Flammable Fabrics Act, administered by the Consumer Product Safety Commission.

Please also refer to guides under the labelling section below.

Labelling

The Federal Trade Commission (FTC) has guides for shoe content labelling. Under the guidelines, the term "leather" and other terms suggestive of leather may be used in labelling only when the shoes are composed in all substantial parts of top grain leather; this term may not be used if the shoes are made from split or ground pulverised, or shredded leather. If such is the case, the term may be used only if qualified as to leather type, or by specifying which parts are made of top grain leather. No misleading name or mark may be used on labelling to convey that the shoes are made of a certain type of material when they are not. The labels, stamps or tags must be embedded in or attached to the product itself until final sale to consumer. Simulated or imitation leather, and embossed or processed leather (which may simulate the appearance of a different type of leather), must be labelled as such. Innersoles of non-leather material which are concealed from view, but also contain other visible parts of leather, must bear a label clearly disclosing the presence of the non-leather innersole.

Please consult the FTC about specific guidelines for your product.

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.

Marketing and Distribution

There are many suppliers and international competitors in the US leather goods market; however, there are niche opportunities for suppliers. Success in this sector depends on factors like quality, competitive pricing, timely delivery, and reliability.

Distribution includes large department stores, chain stores which focus on particular product lines, and individual leather goods retailers.

The size of the import market into the United States for leather goods is approximately US $12.3 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); and
- 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, or an article incapable of being marked. The manufacturer should check with US Customs to verify which situation applies to his product.

Trade Associations

Footwear Distributors & Retailers of America
Washington Tel. (212) 737-5660
Fax (212) 638-2615

Footwear Industries of America
Washington Tel. (202) 789-1420
Fax (212) 789-4058

Leather Apparel Association
New York Tel. (212) 924-8895
Fax (212) 727-1218

Leather Industries of America
Washington Tel. (202) 342-8086
Fax (212) 342-9063

Luggage & Leather Goods Manufacturers of America
New York Tel. (212) 695-2340
Fax (212) 643-8021

National Luggage Dealers Association
New York Tel./Fax (212) 684-1610

National Shoe Retailers Association
Columbia, Maryland Tel. (410) 381-8282
Fax (410) 381-1167

Sporting Goods Manufacturers Association
North Palm Beach, Florida Tel. (407) 842-4100
Fax (407) 863-8984

Trade Fairs

Fashion Accessories Expo
January, May, August - New York

February, August - Las Vegas

The Footwear Show (part of The Supershow)
February
Atlanta, Georgia

International Fashion Boutique Show
January, June, August, October
New York

International Jeanswear & Sportswear Show
March, September
Miami

Middle Atlantic Shoe Market
January, June, August
Various Eastern US states

Mode Accessories International Exposition
January, September
Toronto

Western Shoe Associates International Buying Markets
February, August
Las Vegas

Western Shoe Associates Shoe & Accessory Market
January, June
Long Beach, California

SOURCES OF INFORMATION ABOUT THIS SECTOR

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

"Industry Profile: Footwear", Industry Canada, 1990.

"Industry Profile: Leather Tanning", Industry Canada, 1990.

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

CHAPTER 15

MARBLE AND GRANITE

CHAPTER 15 - MARBLE AND GRANITE

INTRODUCTION

The integrated, competitive business environment created by NAFTA should stimulate both trade and investment in the construction materials industry. The reduction or elimination of tariffs between the three NAFTA countries will allow for their easier access to each others' market. All three countries are relatively competitive and technologically advanced in the construction materials sector. Market share may be affected by factors such as input costs, transportation costs and marketing efforts.

In Canada, the demand for construction products should remain strong. During the next five years, lower interest rates and depressed real estate prices are expected to stimulate growth in the housing sector, especially non-residential construction. There is a modern, efficient and low-cost building stone industry in Canada, concentrated in Quebec. There is a positive outlook for building stone products, based on industry demand trends.

The Mexican market for construction products has grown rapidly in recent 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. 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 and support services (rest stops, hotels, and so forth) to modernise Mexico's highway system.

In the United States, demand for construction materials should increase after having bottomed out in 1993. Products used predominantly in new single-family housing and residential alterations, repairs, and additions continue to benefit the most, while products used mainly in private non-residential buildings will continue to experience weak demand. Construction work on existing structures is an excellent market for construction materials. Longer-term demand for construction materials will continue to reflect the pace of the US' economic recovery. Leading domestic producers of dimension stone are located in Georgia, Indiana, and Massachusetts, accounting for almost 40% of US output. Import values continue to exceed that of domestic production. Imports of marble exceed those of granite, probably due to the fact that domestic production of granite far exceeds that of marble.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Granite	0-9.5	0-6.5	0-3.9
Marble	0-5.3	0-3.5	0

Standards

There are no mandatory standards for marble and granite at present. However, architects and professionals in the construction industry tend to voluntarily follow the norms set by the American Society of Testing and Materials (ASTM). ASTM defines tests and procedures for measuring the performance of building construction elements, connections and assemblies, including durability, serviceability, structural performance, and infiltration performance. ASTM provides guides to absorption, density, flexible strength, and resistance to compression for these materials. The manufacturer should be aware that purchaser may require that the product meet ASTM's specifications. For further information, please contact the ASTM, located under Section III of this guide.

Labelling

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.

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 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.

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 Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

The latest available data suggests that the import market for crude or roughly trimmed marble and granite into Canada is US $8 million.

These products face competition from substitutes such as ceramics, glass, concrete, aluminium, and steel. However, architects and developers are becoming more interested in these products, which suggests good future demand for these products. Marketing and distribution is similar to that of the United States, below.

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 Custom 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

Association of Consulting Engineers of Canada
Ottawa, Ontario Tel. (613) 236-0569
Fax (613) 236-6193

Canadian Construction Association
Ottawa, Ontario Tel. (613) 236-9455
Fax (613) 239-9526

Royal Architectural Institute of Canada
Ottawa, Ontario Tel. (613) 232-7165
Fax (613) 232-7559

Trade Fairs

Buildtech
January (Ottawa); April (Toronto); October (Montreal)

IDEAS
February
Toronto

International Kitchen and Bath Show
September
Toronto

Ontario Association of Architects - Architectural Products and Services Show
April
Toronto

Salon de l'industrie de la renovation et des materiaux de construction
November
Montreal

MEXICO

Tariffs (%)

Items:	General	US/Canada
Granite	15/20	A/B
Marble	10/15/20	A

A - duties fully eliminated on January 1, 1994
B - duties removed in five equal stages of 20% annually to full elimination by 1998

Standards

Standards for building products in Mexico involve different federal, state and municipal laws and building codes. Mexican building codes vary from state to state, but are generally based on those established for the Federal District, since they are generally the most strict and are often modified for use in other regions. The laws are designed to guarantee liveability, functionality, sanitation, environmental compatibility, access to transportation, safety in emergencies, structural safety and integration with the image of the neighbouring buildings. The laws, called the Reglamento de Construcciones del Departamento del Distrito Federal, are updated and published in the Diario Oficial. Complete details of codes and technical standards may be obtained from the Centro Impulsor de la Construccion y la Habitacion, listed in Section III of this guide.

There are also product standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume I, Classification C. Standards include those applicable for tiles. Mexico observes the standards set by the American Society for Testing of Materials. 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

Mexico's Ley de Proteccion al Consumidor (consumer protection law), mandates that 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.

Bulk products are generally exempt from this Ley.

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

Three major groups make up the construction and building products industry: construction companies, public works departments in the various levels of government, and the consumer market. The largest construction companies are the most important buyers of imported construction materials, as they have influence over purchasing decisions. This influence extends to public works projects, which are being increasingly given to the private sector. Price, quality and service are the most important criteria for purchases. The consumer market, a significant portion of Mexico's construction industry, includes construction undertaken by private homeowners and small contractors. This

market is difficult to get into because of the fragmented distribution system. In most cities, there are a large number of outlets, each carrying a narrow range of stock. Recently, large chain stores specialising in construction products have begun to enter the Mexican market. The relative success depends on customer's accessibility to them in terms of transportation of these materials.

Mexico's civil engineers and architects have a strong influence over the selection of construction products. Introduction of a product might include contacts with these professionals.

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) with at least four copies;
- bills of lading, with one original for importer and one for customs broker

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;
- freight and insurance charges;
- price and total value of shipment;
- 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.

Trade Associations

Asociacion de Comerciantes de Materiales para la Construccion de la Republica Mexicana
(National association of distributors of construction materials)
Mexico City
Tel. (5) 593-4995
Fax (5) 593-6047

Camara Nacional de Empresas de Consultoria
(Association of consulting engineers)
Mexico City
Tel. (5) 559-9888
Fax (5) 559-4914

Camara Nacional de la Industria de la Construccion-CNIC
(National chamber of the construction industry)
Mexico City Tel. (5) 665-1500
Fax: (5) 606-6720

Colegio de Arquitectos
(School of architects)
Mexico City
Tel. (5) 570-0007
Fax (5) 259-5423

Trade Fairs

Constructo
(building materials & construction industry trade show)
October
Monterrey

Construexpo
(exhibition of construction materials, equipment)
November
Guadalajara

Expo CIHAC
October
Mexico City

Muestra de la Industria de la Construccion
(construction industry exhibition)
May
Mexico City

Triexpo CBR
(tiles, kitchen & bath fixtures)
December
Monterrey

UNITED STATES

Tariffs (% except where $/m^3$)

Items:	General	GSP	CBI	Canada/Mexico
Granite	0-4.2	0	0	0
Marble	2.1-6	$0-3.46/m^3	0	0

Standards

As with Canada, there are no mandatory standards for marble and granite at present. However, architects and professionals in the construction industry tend to voluntarily follow the norms set by the American Society of Testing and Materials (ASTM). ASTM defines tests and procedures for measuring the performance of building construction elements, connections and assemblies, including durability, serviceability, structural performance, and infiltration performance. ASTM provides guides to absorption, density, flexible strength, and resistance to compression for these materials. The manufacturer should be aware of that purchaser may require that his product meet ASTM's specifications. For further information, please contact the ASTM, located under Section III of this guide.

Labelling

The Federal Trade Commission 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.

Marketing and Distribution

The size of the import market into the United States for marble and granite is US $975 million.

US dimension stone imports are primarily in dressed marble and granite. Rough granite and marble finished in the US are consumed in far fewer proportions. Dimension stone is used in ashlar (17%), curbing (15%), rough blocks for monuments(13%), dressed monumentals (12%), and other uses (43%).

As with other products in the construction industry, marketing is affected by consumer trends and tastes in home design and decor. Architects also greatly influence trends in home construction materials consumption. Exporters should therefore look to architects and home decor supply stores as possible distribution points, as well as obtaining more information from US industry associations.

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); and
- 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, or an article incapable of being marked. The manufacturer should check with US Customs to verify which situation applies to his product.

Trade Associations

American Institute of Architects
Washington Tel. (202) 626-7300

American Monument Association
Worthington, Ohio Tel. (614) 885-2713
Fax (614) 885-9133

Barre Granite Association
Barre, Vermont Tel. (802) 476-4131
Fax (802) 476-4765

Building Stone Institute
New York Tel. (212) 490-2530

Elberton Granite Association
Elberton, Georgia Tel. (706) 283-2251

Marble Institute of America
Farmington, Michigan Tel. (810) 476-5558
Fax (810) 465-1630

National Stone Association
Washington Tel. (202) 342-1100

National Tile Contractors Association
Jackson, Mississippi Tel. (601) 939-2071
Fax (601) 932-6117

Trade Fairs

Buildings Show
September
Chicago

Construction Specifications Institute Convention
June
Houston

Kitchen/Bath Industry Show
May
Atlanta

National Association of Home Builders Convention
February
Las Vegas

National Building Material Distributor Association Convention
October
Orlando

National Building Products Conference
August
Chicago

National Home Centre Show
March
Chicago

SOURCES OF INFORMATION ABOUT THIS SECTOR

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

"Market Intelligence: Marble and Granite Tiles and Slabs", Industry Canada, 1995.

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

"NAFTA and the Construction Materials Sector", Industry Canada, 1994

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

"Opportunities in Mexico: The Construction Products Market", Department of Foreign Affairs and International Trade, 1994.

"US Industrial Outlook. Chapter 7: Construction Materials", US Department of Commerce, International Trade Administration, 1993.

CHAPTER 16

PROCESSED FOODS

CHAPTER 16 - PROCESSED FOODS

INTRODUCTION

NAFTA provides opportunities for each of the three member countries to increase their trade with each other in the processed foods sector. Tariffs on most products are phased-out over a ten year period. Also, there is an attempt to harmonise regulations and standards in this sector.

The processed foods industry in Canada produces canned and packaged foods and juices. There are also many value-added items produced, such as relishes, jams, sauces, and other items. Some companies also manufacture frozen prepared meals and canned specialities. There is a consistently greater demand of imports than domestically-produced goods, since consumers buy varieties of processed goods made from produce that cannot be grown in Canada's climate. These goods include produce such as tropical fruits, raisins and nuts. Changing Canadian lifestyles stress less meals eaten at home and more high-value products. Frozen and prepared foods, and high-value grain and feed products, in the ready-to-eat and ready to cook form, are expected to increase in sales as a result.

The Mexican food processing sector is dominated by US and European multinationals. The Mexican industry is weakest in the area of economies of scale, process controls and capability for new product development.

Mexico's demand for imported processed foods is growing, which reflects its lowering of trade barriers, increased urbanisation and higher disposable income. The volume of trade and variety of products offered to consumers is expected to increase as disposable incomes rise and imported food becomes affordable for more people. This projection is contingent on the relative purchasing power of the domestic currency in the short and long term.

The processed foods and beverages industry is the largest manufacturing sector in the US, and it is undergoing through increasing concentration. Most of the industry is located in ten states, whose agricultural and industrial bases supply raw materials to the companies. The market for processed foods is expanding and changing. The increase in middle-age group means more consumers at the peak of their earning power and having more disposable income. This group is often more willing to try new products and tends to purchase higher-priced, value-added products.

The demand for canned foods should decline as consumer preference shifts toward fresh-frozen and frozen convenience foods which emphasise nutrition. The speciality food sector which includes salad dressings and sauces, and speciality preserves (no

preservatives or artificial flavourings) will continue to grow. As in Canada, the trend to eat outside the home and the concurrent popularity of ready-to-eat and ready-to-cook foods mean promising outlooks for these types of product.

CANADA

Tariffs (% except where $/kg)

Items:	MFN	GPT	US/Mexico
Cucumber, gherkins, or onions in vinegar or acetic acid	11.8	X	3.7
Relishes, olives, pickles, or other preserved fruit and nuts	Free	X	3-3.7
Tomatoes, prepared, preserved, or paste	13.3	X	4
Mushrooms, prepared or preserved	19.5	X	6
Vegetables, frozen			
potatoes	9.4	X	3
asparagus	21.2	X	6.7-18
broccoli, cauliflower	19.5	X	6-16
brussels sprouts	19.5	X	6
carrots	14.1-17.1	X	4.5-5.2
spinach	0	X	0
artichokes, bamboo shoots, cactus leaves, cardoons, chickpeas, cilantro, jicama, leaf chervils, malanga, okra, peas (other than "standard"), tamarillos, tarragons, tomatillos, topedos, verdolagas	0	X	0
beans (snap or lima), peas, corn	14.1	X	4.5
Vegetables, prepared, preserved			
homogenised vegetables	11.8	X	3.7
potatoes	9.4	X	3
peas	11.8	X	3.7
beans, baked	9.4	X	3
beans, other	11.8	X	3.7
asparagus	21.2	X	6.7-18
olives in brine	0	X	0
sweet corn	12.2	X	3.7
carrots	12.2-17.1	X	3.7-5.2

artichokes, bamboo shoots, cactus leaves, cardoons, chickpeas, cilantro, jicama, chervils, malanga, okra, peas (other than "standard"), spinach, tamarillos, tarragons, tomatillos, topedos, verdolagas, water chestnuts	0	X	0
Vegetables, in air tight containers: pimento, beets, spinach, carrots, horseradish, mixtures, others	0	X	0
Fruit, preserved by sugar	14.1	X	4.5
Nuts, preserved by sugar	9.4	Free	0-3
Jams and jellies:			
homogenised, citrus, berry, nut	9.8 (BPT = 7.5)	X	3
strawberry	14.6	X	4.5-12
banana puree	0	X	0
Nuts	9.4	0	0-3
...except almond, pistachio	0	0	0
Peanut butter	$0.0415/kg	0	$0-0.013/kg
Pineapples	0	X	0
Citrus Fruit	0	X	0
Pears, pulp	9.4	X	3
Pears	14.1	X	4.5
Apricots, pulp	9.4	X	3
Apricots	14.1	X	4.5
Cherries, pulp	9.4	X	3
Cherries	14.6	X	4.5
Peaches, pulp	9.4	X	3
Peaches	12.2	X	3.9
Strawberries, pulp	14.6	X	4.5
Strawberries	9.8	X	3
Palm hearts, in air tight containers	0	X	0
Palm hearts	11.8	X	0-3.7
Mixtures (fruit)	0	X	0
Apples, pulp	9.8	X	3
Apples, applesauce	4.9	X	1.5
Banana chips	0	0	0-4.5
Berry pulp, various	9.4	X	3

Juice, citrus	0-2.8	X	0-0.9
Juice, pineapple	0	X	0
Juice, tomato	14.6	X	4.5-12
Juice, grape	14.1	X	4.5
Juice, grape (for wine-making)	0	X	0
Juice, apple	4.9-9.8	X	1.5-3
Juice, passion fruit	0	X	0
Juice, prune	2.8	X	0.9
Juice, vegetable	14.1	X	4.5
Spices (whole)	0	X	0
Spices (crushed or ground)	4.7	0	0-1.5
...except saffron, turmeric, curry	0	X	0
Soya sauce	14.1	X	4.5
	(BPT = 12.5)		
Tomato ketchup	14.6	X	4.5-12
Mixed condiments and seasonings	11.8	8	3.7
	(BPT = 10)		
Sauces based on fish products	14.1	X	4.5
	(BPT = 12.5)		

X - same as MFN tariff

Standards

According to the Canada Agricultural Products Act, Processed Products Regulations, enforced by Agriculture and Agri-Food Canada's Food Production and Inspection Branch, processed food may only be imported into Canada if it:

- originated in a country that has grade requirements, standards, and food and establishment inspection systems that are equivalent to those set out in the Regulations;
- meets the grade requirements and standards for a similar food produced in Canada;
- has been prepared in equivalent conditions to those required by the Regulations.

Imported processed food must meet the minimum grades, container specifications, and marking requirements prescribed for that product. Grade standards for processed foods are set out in detail in the Regulations; please refer to these, or to Agriculture and Agri-Food Canada, for more details.

Also, food products and their ingredients must be:

- unadulterated;
- uncontaminated;
- sound, wholesome and edible;
- prepared in a sanitary manner (with regard to standards of cleanliness for the establishment, its equipment and personnel, and preparing, handling and storage of the product); and
- irradiated in accordance with the Food and Drug Regulations, if irradiated.

If the food product does not comply with the above requirements, a Canadian inspector may destroy or dispose of the product.

Processed foods are also regulated by the Canadian General Standards Board (CGSB), through voluntary standards. If the manufacturer wishes to be CGSB-accredited, which means that the manufacturer complies with the testing and other requirements of the CGSB and will be on its list (available to consumers), he should contact this organisation, under Section III of this guide.

Labelling

Unlabelled processed food imported to Canada may be imported if the importer provides evidence that the product will be labelled at its destination to comply with the Regulations.

If the processed food is labelled, it must comply with certain requirements:

- name and address of manufacturer or first dealer;
- variety;
- grade name, and size grading, if applicable;
- net quantity by volume, weight or count, as per units set out in Regulations;
- name of product as set out in the standard, if applicable;
- size grading;
- the word "Brand" or "Marque" with the brand or trade name if it is a geographical location or some other descriptive name;
- other specific wording, such as "in water", "Vitamin C Added", or others, when applicable;
- code mark indicating establishment where product packed, date of packing; and
- list of ingredients in descending order of proportion.

Please consult Agriculture and Agri-Food Canada or the Regulations for further details on individual product labelling, as well as grade markings for processed foods, which are set out in detail.

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 Section III of this guide.

Packaging

Processed foods may not be imported if the container:

- has not been well sealed;
- has a lid or bottom which has become convex;
- is otherwise defective.

Specifications for size, volume, net and drained weights, minimum fill and maximum head space, percentage of drained solids of containers are set out in detail in the Regulations. Also, they type of packing media (water, syrup, fruit juice, and so on) are also specified by product type in the Regulations.

Pre-packaged food products must be packaged in standard size containers as specified in section 36 if the Consumer Packaging and Labelling Act and Regulations. Contact the Merchandise Standards Division, Industry Canada, in Section III of this guide, for more information.

Marketing and Distribution

The reduction in meals eaten at home in Canada has resulted in an increase in high-value products to the food service sector.

There is an increasing demand for international foods and calorie-reduced products due to increased awareness of health and nutritional issues. Single-portion prepared foods are also popular. Frozen and prepared foods with short cooking times and microwave-ready items should expect increased sales, as well as high value grain products such as cereals, breads, and biscuits. The fastest growing branded categories include frozen breakfasts and entrees and vegetable and fruit juices. Successful imports in this sector are mostly ready-to-cook and ready-to-eat.

A few supermarket chains dominate the Canadian grocery market. They often buy packaged food products directly from exporters, instead of using intermediaries like brokers or importers.

The latest available data suggests that the import market for processed foods into Canada is US $869 million.

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 Custom 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.

Processed foods must be accompanied by the import declaration form in duplicate made by the manufacturer or shipper for clearance by Canadian Customs.

For more information about the documentation requirements and to obtain forms, please contact Agriculture and Agri-Food Canada at the location indicated in the addresses section of this guide.

Some agricultural products are prohibited; for details about products included on the prohibited list, contact Tariff Programs at Revenue Canada, under Part III of this guide.

Trade Associations

BC Food Processors Association
Vancouver, British Columbia
Tel. (604) 685-8131
Fax (604) 685-9623

Canadian Health Food Association
Markham, Ontario Tel. (905) 479-6939
Fax (905) 479-1516

Canadian Federation of Independent Grocers
Willowdale, Ontario Tel. (416) 492-2325
Fax (416) 492-2347

Canadian Speciality Food Association
Etobicoke, Ontario Tel. (416) 626-6239
Fax (416) 620-5392

Food Institute of Canada
Ottawa, Ontario Tel. (613) 722-1000
Fax (613) 722-1404

Grocery Products Manufacturers of Canada
Don Mills, Ontario Tel. (416) 510-8024
Fax (416) 510-8043

Ontario Food Processors Association
Mississauga, Ontario Tel. (416) 821-2321
Fax (416) 821-9702

Quebec Food Processors Association
Saint-Jean-Sur-Richelieu, Quebec
Tel. (514) 349-1521
Fax (514) 349-6923

Trade Fairs

Agriculture & Food Show International
February
Montreal

Canadian Fine Food Show
May
Toronto

Canadian Food and Beverage Show
February
Toronto

Canadian Health Food Association Annual Fall Convention; Spring Trade Show
Fall/Spring
Vancouver/Toronto rotation

Food Technology Expo
May
Toronto/Montreal rotation

Grocery Showcase Canada
October
Toronto

MEXICO

Tariffs (%)

Items:	General	US/Canada
Cucumber, gherkins, or onions in vinegar or acetic acid	20	B/C
Relishes, olives, pickles, or other preserved fruit and nuts	20	A/1/2
Tomatoes, prepared, preserved, or paste	20	A/3/4
Mushrooms, prepared or preserved	20	C
Vegetables, frozen		
potatoes	20	C/5/6
asparagus	20	A/7
broccoli, cauliflower	20	A/7
brussels sprouts	20	A/7
carrots	20	A/7
spinach	20	A/7
artichokes, bamboo shoots, cactus leaves, cardoons, chickpeas, cilantro, jicama, leaf chervils, malanga, okra, peas (other than "standard"), tamarillos, tarragons, tomatillos, topedos, verdolagas	20	A/7
beans (snap or lima), peas, corn	20	A/7
Vegetables, prepared, preserved		
homogenised vegetables	20	C
potatoes	20	C/5/6
peas	20	B
beans, baked	20	A
beans, other	20	A
asparagus	20	A/8
olives in brine	20	B
sweet corn	20	9
carrots	20	B
pimento	20	10/11

artichokes, bamboo shoots, cactus leaves, cardoons, chickpeas, cilantro, jicama, chervils, malanga, okra, peas (other than "standard"), spinach, tamarillos, tarragons, tomatillos, topedos, verdolagas, water chestnuts	20	B
Vegetables, in air tight containers: beets, spinach, carrots, horseradish, mixtures, others	20	B
Fruit, preserved by sugar	20	B
Nuts, preserved by sugar	20	B
Jams and jellies	20	A/C
Nuts	20	C
...except almond	20	A
Peanut butter	20	C
Pineapples	20	C
Citrus Fruit	12-20	A-C/14
Pears, pulp	20	B
Pears	20	B
Apricots, pulp	20	B
Apricots	20	B
Cherries, pulp	20	A
Cherries	20	A
Peaches, pulp	20	9
Peaches	20	9
Strawberries, pulp	20	A
Strawberries	20	A
Palm hearts, in air tight containers	20	A
Palm hearts	20	A
Mixtures (fruit)	20	B
Apples, pulp	20	B
Apples, applesauce	20	B
Banana chips	20	B
Berry pulp, various	20	B
Juice, citrus	17-20	A/C/18-20
Juice, pineapple	19-20	A/C
Juice, tomato	20	A
Juice, grape	20	C
Juice, grape (for wine-making)	20	C
Juice, apple	20	C
Juice, passion fruit	20	B
Juice, prune	20	B
Juice, vegetable	20	B

Spices	10/15/20	A/C
Soya sauce	20	C
Tomato ketchup	20	B
Mixed condiments and seasonings	20	C
Sauces based on fish products	20	C

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

Standards

A health certificate is required for processed food to be allowed entry into Mexico. The certificate must state that the product is approved for human consumption. This certificate may be issued in the country of origin by the government body which deals with health. However, always confirm whether or not your country's certification is recognised by the Mexican authorities. All documents have to be in Spanish or translated into Spanish or accompanied by a Spanish translation. The certificate must be an original document; no photocopies or faxes are accepted as substitutes.

There are also voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume II, Classification F. A sampling of the range of standards applicable to this sector include test methods, determination of sediments, net weight determination test methods, additives, and other standards. 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

According to Mexico's Ley de Proteccion al Consumidor (consumer protection law), all information contained on a 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/or preservation of the product.

Along with the above generic labelling requirements, additional requirements have been established for food products by the Department of Health ("Secretaria de Salud"). Food labels must include the following:

- product description;
- date of expiration (if applicable) - listed in order of day/month/year;
- list of ingredients;
- lot number;
- special instructions for preservation; and
- nutritional content (if nutritional quality is claimed).

Outside packages or wrappers must contain all of the required information, or must allow for the visibility of inside labels.

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 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

Since the number of suppliers of imported food products is relatively small in Mexico, prices for imported food products are high compared to those of the US. As more importers are expected to enter the market in the next few years, the volume of trade and diversity of products offered to Mexican consumers is expected to increase as disposable incomes rise and imported food becomes more affordable. Markets for luxury goods in the hotel and restaurant industry are also expanding.

Mexico has about 60,000 restaurants serving 3 million people daily. Moreover, large companies in the Mexico City area offer free or subsidised meals to about 3 million

workers in their cafeteria each day. Even capturing the business represented by only one single serving per week of a portion of these workers means a substantial increase in sales. Niches are available if companies customise products to suit Mexican tastes; success improves if producers can determine what the customer wants and work back to determine the products and services required.

There is a growing market among higher income Mexicans for imported foods that offer qualities not available in local products, such as uniqueness and high quality.

The best way to distribute in Mexico is through the country's major food retailers, although there are many small and medium sized food distributors, many independently operated food outlets and a few large restaurant chains. Producers sell their products through wholesalers and distributors and, in some cases, directly to retailers. A local agent who will distribute and promote the product among Mexico's top retailers and foodservice operators is suggested.

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) with at least four copies;
- bills of lading, with 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;
- freight and insurance charges;
- price and total value of shipment;
- 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 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.

Along with the Certificate of Hygiene and Origin required for importation, a certificate of origin is also needed. The certificate can either be that which is issued to NAFTA countries, WTO countries, or to any other country not encompassed elsewhere. However, the non-NAFTA, non-WTO certificate may mean that the exporter pays a higher rate of duties. This certificate is also issued to those exporters who fail to submit a certificate of origin upon entrance of their product into Mexico. Therefore, if a member of NAFTA or WTO, it is to the exporter's advantage to submit a certificate of origin to Mexican authorities upon arrival.

Import permits may be necessary for some agricultural products vital to Mexico's economy. For further information concerning whether this is applicable to your product, contact your customs broker or the Department of health.

As mentioned above, all documentation which is submitted with the shipment must be in Spanish, and in original form.

Trade Associations

Camara de la Industria Alimenticia de Jalisco
(Food processors industry of Jalisco chamber)
Guadalajara Tel. (3) 610-4177, 612-4065
Fax (3) 610-4179

Camara Nacional de la Industria de Conservas Alimenticias
(Canned goods industry national chamber)
Mexico City Tel. (5) 531-5939, 250-0507
Fax (5) 203-6798

Camara Nacional de la Industria de Restaurantes y Alimentos Condimentados
(Food and restaurant industry national chamber)
Mexico City Tel. (5) 604-0418
Fax (5) 604-4086

Confederacion Nacional de Productores de Coco y Sus Derivados
(Coconut product manufacturers national federation)
Mexico City Tel. (5) 546-4831/2
Fax (5) 546-4830

Trade Fairs

Alimentos y Bebidas (festival of food & beverages)
September
Mexico City

Expoalimentos (food & beverage industry exhibition)
September
Monterrey

Expo Natura (vegetarian & health products retail show)
November/December
Guadalajara

UNITED STATES

Tariffs (% except where $/kg and $/litre)

Items:	General	GSP	CBI	Canada/Mexico
Cucumber, gherkins, or onions in vinegar or acetic acid	8-12	0	0	0-4.8
Relishes, olives, pickles, or other preserved fruit and nuts	8-17.5	0-17.5	0	0-15.7
Tomatoes, prepared, preserved, or paste	13.6-14.7	13.6-14.7	0	5.4-13.2
Mushrooms, prepared or preserved	$0.071/kg +10%	$0.071kg +10%	0	$0.028/kg+ 4%-0.063/kg+ 9%
Vegetables, frozen				
potatoes	10	0-10	0	0-8
asparagus	17.5	17.5	0	7-15.7
broccoli, cauliflower	17.5	17.5	0	7-15.7
brussels sprouts	17.5	17.5	0	7-15.7
carrots	17.5	17.5	0	7-15.7
spinach	17.5	17.5	0	7-15.7
artichokes, bamboo shoots, cactus leaves, cardoons, chickpeas, cilantro, jicama, leaf chervils, malanga, okra, peas (other than "standard"), tamarillos, tarragons, tomatillos, topedos, verdolagas	17.5	17.5	0	7-15.7
beans (snap or lima), peas, corn	$0.033/kg	0	0	$0-0.013/kg
Vegetables, prepared, preserved				
homogenised vegetables	17.5	0	0	0-7
potatoes	10	0	0	0-4
peas	0	0	0	0
beans, baked	$0.033/kg	0	0	$0-0.013/kg
beans, other	$0.033/kg	0	0	$0-0.013/kg
asparagus	17.5	17.5	0	7-15.7
olives in brine	$0.037-0.119/kg	0-$0.119kg	0	$0.014-0.107/kg
sweet corn	12.5	0	0	0-5
carrots	10	0	0	0-4

pimento	9.5-17.5	0-17.5	0	3.8-15.7
artichokes, bamboo shoots, cactus leaves, cardoons, chickpeas, cilantro, jicama, chervils, malanga, okra, peas (other than "standard"), spinach, tamarillos, tarragons, tomatillos, topedos, verdolagas, water chestnuts	0-17.5	0-17.5	0	0-15.7
Vegetables, in air tight containers: beets, spinach, carrots, horseradish, mixtures, others	10-17.5	0	0	0-7
Fruit, preserved by sugar	3.4-20	0-20	0	0-16
Nuts, preserved by sugar	10	0	0	0-4
Jams and jellies	0-17.5	0-17.5	0	0-15.7
Nuts	0-28	0-28	0	0-22.4
...except almond	$0.408/kg	$0.408/kg	0	$0-0.163/kg
Peanut butter	$0.066/kg	$0.066/kg	0	$0.026-0.059/kg
Pineapples	$0.0055/kg	$0.0055/kg	0	$0-0.002/kg
Citrus Fruit	0-17.5	0-17.5	0	0-15.7
Pears, pulp	18	18	0	7.2-14.4
Pears	18	18	0	7.2-14.4
Apricots, pulp	12.5	0	0	5-10
Apricots	3.5	3.5	0	0-14
Cherries, pulp	$0.154/kg +10%	$0.154/kg +10%	0	$0-0.061/kg+ 4%
Cherries	$0.154/kg +10%	$0.154/kg +10%	0	$0-0.061/kg+ 4%
Peaches, pulp	20	20	0	8-13.5
Peaches	20	20	0	8-13.5
Strawberries, pulp	14	14	0	5.6-11.2
Strawberries	14	14	0	5.6-11.2
Palm hearts, in air tight containers	3.4	0	0	0-1.3
Palm hearts	3.4	0	0	0-1.3
Mixtures (fruit)	7-17.5	7-17.5	0	2.8-14
Apples, pulp	$0.011/kg	$0.011/kg	0	$0-0.004/kg
Apples, applesauce	$0.011/kg	$0.011/kg	0	$0-0.004/kg
Banana chips	3	0	0	0-1.2
Berry pulp, various	3.5-7	0-7	0	0-2.8
Juice, citrus	$0.026-0.0925/ litre	0-$0.0925/ litre	0	$0-0.086/ litre

Juice, pineapple	$0.013-0.053/ litre	$0.013-0.053/ litre	0	$0.005-0.047/litre
Juice, tomato	$0.003/litre	0	0	$0-0.001/ litre
Juice, grape	$0.066/litre	$0.066/litre	0	$0.026-0.059/ litre
Juice, grape (for wine-making)	$0.066/litre	$0.066/litre	0	$0.026-0.059/ litre
Juice, apple	0	0	0	0
Juice, passion fruit	$0.008/litre	0	0	$0-0.003/ litre
Juice, prune	$0.01/litre	$0.01/litre	0	$0.004-0.008/litre
Juice, vegetable	$0.003/litre	0	0	$0-0.001/ litre
Spices	$0-0.165/kg	$0-0.11/kg	0	$0-0.099/kg
Soya sauce	3	0	0	0-1.2
Tomato ketchup	7.5	0	0	0-3
Mixed condiments and seasonings	7.5	0	0	3
Sauces based on fish products	7	0	0	0-2.8

There are quotas on certain food products. For more information on whether there is a quota on your product, please contact US Customs at the address found in Section III of this guide.

Standards

The Food and Drug Administration (FDA) regulates the importation of foodstuffs into the US. Imported foods are subject to inspection by the FDA at time of entry into the US.

Food that is unsafe, filthy, or produced under unsanitary conditions will not be permitted entry into the US. Criteria and definitions as to the determination of whether a food meets these sanitary standards, ranging from buildings, personnel, plant and equipment maintenance, cleanliness, and production and process controls are found in the Regulations, as well as from the FDA.

Premarket approval is required for food additives, which involves a review of the additive's safety for its intended use. Information concerning food additives is found in the Regulations, and from the FDA.

Labelling

Labelling, according to the US Fair Packaging and Labelling Act, must be "honest and informative". There are five pieces of information required on the packaging of a food product:

- common or usual name;
- net quantity in the US measurement system (avoirdupois measure, fluid measure - US fluid ounces, pints, quarts, gallons-, or numerical count);
- name and place of business or distributor;
- list of ingredients, in descending order of predominance by weight; and
- country of origin (requirement of US customs, not FDA).

Hermetically sealed containers of low-acid food must be marked with a code which identifies the establishment where the product is packed, what product is contained, the year and day of packing, and time of day when packed.

Location, size, and spacing of lettering are important for products marketed in the retail market; information may be found from the FDA.

There may also be state or local rules that may affect the product or packaging; please check with Department of Agriculture authorities in relevant states, or your country's local representative therein, for details.

It is recommended that the importer obtain an informal comment on its product's conformity to labelling requirements from the FDA. If goods are found in violation of the law, the products may be detained or destroyed.

Most major retail grocers require that products have a Universal Product Code (UPC) symbol. It is therefore recommended that manufacturers obtain UPC numbers for their company and products before exporting to the US. Contact the Uniform Code Council, under Section III of this guide, for more details.

Packaging

According to the US Fair Packaging and Labelling Act, food must be prepared, packaged and held under sanitary conditions, and it must be safe, clean and wholesome.

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.

Producers of thermally processed low-acid canned foods packaged in hermetically sealed containers, or acidified foods, are required to register each processing plant with the FDA. Each process must be submitted to FDA and accepted for filing before the product can be distributed in interstate commerce. A low acid food is defined as one with a pH greater than 4.6 and water activity greater than 0.85. The only exceptions are tomato products with pH less than 4.7. Acidified foods are those to which acid or acid food is added, so that the product then has a pH of 4.6 or less.

Packaging is also an important way of marketing the product: it may enhance the ways in which consumers think of the product, increase the product's viability, and reinforce the product's image, as examples.

Marketing and Distribution

The food distribution system is not concentrated: regional grocery operations still account for a significant percentage of sales in regional markets. Wholesale retail clubs are gaining power. Normally, grocery products are sold, promoted and serviced by food brokers. With their knowledge of the territory and companies, and their ability to authorise deals and offer a high level of service to the buyer, brokers are regarded by purchasers as more creditable than a direct sales force.

The retail grocery system is the largest market and the most difficult to penetrate. As a potentially costly expense, most chain supermarkets charge a fee for a product to receive shelf space ("slotting allowances"), which may range from $2 to $30,000 per stock keeping unit, as well as charging for advertising and promotion. Smaller chains (10 stores or less) and single store independent retailers may not apply some of these costs. The foodservice sector also uses food brokers, who supply foodservice distributors, in turn delivering to the individual foodservice establishments. It is also possible for larger foodservice distributors to be supplied directly by the manufacturer. This sector does not require slotting allowances, advertising allowances, or brand identity. However, consistent quality is demanded, and pricing is the most important competitive factor.

Speciality/gourmet, gift boutiques and health food stores do not usually require entrance fees, but are very selective. Products must be unique or meet certain criteria, and quantities purchased are usually small.

The size of the import market into the United States for processed foods is approximately US $2.5 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); and
- 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, or an article incapable of being marked. The manufacturer should check with US Customs to verify which situation applies to his product.

The FDA is notified of an entry of a regulated food through:

- Importer's Entry Notice (FDA Form FD 700 set) or Land Port Entry Notice (FDA Form FD 701);
- US Customs Form 7501 "Summary Sheet for Consumption Entry";
- copy of commercial invoice; and
- surety to cover potential duties, taxes and penalties.

In order to speed up the import process, the processor may wish to have a private laboratory examine samples of foods to be imported and certify the analysis of the processor, to show that the results are within the guidelines for levels of contaminants and defects in food for human use.

Low-acid or acidified products require the manufacturing facility to be registered and the manufacturing process (FCE number) to be filed with the FDA .

Trade Associations

American Spice Trade Association
Englewood Cliffs, New Jersey Tel. (201) 568-2163
Fax (201) 568-7318

Association for Dressings and Sauces, and
International Jelly and Preserve Association
Atlanta, Georgia Tel. (404) 252-3663
Fax (404) 252-0774

Dairy & Food Industries Supply Association
Rockville, Maryland Tel. (301) 984-1444

National Association of Convenience Stores
Alexandria, Virginia Tel. (703) 684-3600
Fax (703) 836-4564

National Association of Fresh Produce Processors
Alexandria, Virginia Tel. (703) 836-7745
Fax (703) 836-2865

National Association for the Speciality Food Trade
New York Tel. (212) 921-1690
Fax (212) 921-1898

National Food Brokers Association
Reston, Virginia Tel. (703) 758-7790

National Food Distributors Association
Chicago Tel. (312) 644-6610
Fax (312) 321-6869

National Food Processors Association
Washington Tel. (202) 639-5900
Fax (202) 639-5932

National Juice Products Association
Tampa, Florida Tel. (813) 273-6572
Fax (813) 273-4396

Produce Marketing Association
Newark, Delaware Tel. (302) 738-7100
Fax (302) 731-2409

Trade Fairs

Annual Convention & Exposition of the United Fresh Fruit & Vegetable Association
February
Various US locations

Food Pack of the Americas
January
Miami

Gourmet Products Show
April
Las Vegas

International Expo for Food Processors
Eastern-Western US rotation

MEGA Show
November
Chicago

National Association of Convenience Stores
October
Various US locations

National Association of Fresh Produce Processors Convention
March
Albuquerque, New Mexico

National Food Brokers Association Convention & Marketplace Expo
December
San Francisco-New Orleans-Chicago rotation

National Frozen Food Association Convention & Marketplace Expo
December
San Francisco-New Orleans-Chicago rotation

Produce Marketing Association Convention & Expo
October
Various US locations

Refrigerated Foods Association Convention
Odd Years
Atlanta, Georgia

SOURCES OF INFORMATION ABOUT THIS SECTOR

"Canadian Exporters' Handbook on Doing Business in the US Food and Seafood Market", Department of Foreign Affairs and International Trade, 1992.

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

"Industry Profile: Fruit and Vegetable Processing", Industry Canada, 1990.

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

CHAPTER 17

READY MADE GARMENTS

CHAPTER 17 - READY MADE GARMENTS

INTRODUCTION

The garment industry has new opportunities to expand sales and increase production under NAFTA. The three countries' manufacturers can make use of economies of scale and take advantage of complementary resources to enhance export potential. However, there might also be a need for adjustment and rationalisation of some firms.

Canada's apparel industry consists of 2,000 mostly small firms, most of which are located in the provinces of Quebec and Ontario. The Canadian apparel industry has gone through restructuring, and has had difficulty competing with imports from low-wage countries. However, it has met with some success in manufacturing moderate- to better-quality apparel products, especially for small runs and special requirements of private label programs. However, the future is likely to see an increase in low-cost imports.

The Mexican garment industry consists of 11,000 firms. There are two segments in this industry; one manufactures clothing mainly for the Mexican market, and is composed of many small, inefficient firms. The other segment makes higher quality apparel, mainly for export, in more efficient plants. These plants, often maquiladoras, are located mainly along the border with the United States.

There is great international competition, primarily from Asia, in Mexico's apparel sector. As incomes rise in Mexico, so should demand in this segment of the economy.

The US participates in the Multifibre Arrangement, which allows for the imposition of quotas on imports of textile products when these threaten to disrupt domestic markets. This industry is the principal customer for the raw wool supply in the US. The apparel industry in the US is highly competitive due to the large number of producers and the high level of imported products, especially those from low-wage countries. Forty percent of the volume of apparel purchased in the US is of foreign origin.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Apparel, knitted or crocheted	24.3 (BPT = 18 for some)	X	7.5-20
Apparel, not knitted or crocheted	19.6-28.8 (BPT = 18-20.3 for some)	X, 0-10	6-24

X - same as MFN tariff

The importation of clothing to Canada is controlled by a series of quotas and import licenses. An import permit is needed for every shipment of items of clothing and textiles that appear on the Import Control List. Therefore, first determine whether or not the item requires a permit, then, whether it is subject to quota control. There are quota controls from many countries for most products on the Import Control List. Trade agreements allocate the quotas to the country's respective manufacturers and suppliers. Please refer to the section on documentation requirements below for more details.

Standards

There are standards for labelling (outlined in the labelling section, below) and fibre content determination. The amount of textile fibre present in a textile fibre article must be determined according to the test methods contained in the National Standard of Canada, Textile Test Methods. More information about the test methods may be obtained from the Canadian General Standards Board (CGSB), in the addresses section of this guide.

There are also voluntary requirements for care labelling. The National Standard lists recommended test methods to assess appearance changes; these tests must be performed in accordance with the National Standard of Canada - Textile Test Methods. A copy of this Standard may also be obtained from the CGSB.

Manufacturers are not required to make garments that conform to specific size codes; however, where a size has been identified, it must be accurate. Information on size designations should consult the CGSB.

Products made in whole or in part of textile fibres must meet a basic minimum flammability standard as set out in the Standard Method of Test for Flammability of

Clothing Textiles, according to the Hazardous Products Act. In addition, there exists a basic, minimum flammability standard for carpets and rugs. Products which do not meet the established requirements cannot be sold, advertised or imported into Canada. Information on the Hazardous Products Act may be obtained from the Chemical Hazards Division at Health Canada, listed in Section III of this guide.

Labelling

Importers should pay strict attention to labelling requirements on garments imported into Canada: delays or service charges result when labels are not properly located, not correctly affixed to the garments, or do not provide the required information. The shipment is refused release until the importer's shipment complies.

Industry Canada's Textile Labelling Act and Textile Labelling and Advertising Regulations provide basic labelling requirements for consumer textile articles sold in Canada. The Act prohibits a dealer from selling, advertising, or importing into Canada, consumer textile articles unless they are labelled with fibre content and dealer identification in accordance with the Act and Regulations, and from making misleading representations relating to textile fibre products.

The basic requirements are that the label have:

- fibre content information expressed in percentages by mass
  - each fibre present in an amount of at least 5 % of the product must be shown by its generic name, in order of predominance and stated as a percentage of the total fibre mass of the article; those making up less than 5 % may be identified as "other fibre(s)"
  - if article has more than one section, percentage to be shown for each section (including linings, interlinings, paddings or fillings)
  - if reused or reprocessed fibres are used, these must be listed as such
  - if mixed or unknown or miscellaneous fibres are used, these must be listed assuch
  - when only one fibre is contained, the words "all" or "pure" may be used instead of 100%;

- dealer identity information
  - name and address, or, for a dealer in Canada, their identification number ("CA Number) obtained by applying to Industry Canada.

Fibre content information must be in English and French, except in areas where only one official language is used in consumer purchases. Dealer identification and country of origin

(when required) only need to be in one of the official languages. The province of Quebec has additional requirements concerning all products marketed therein, which should be obtained from the Office de la Langue Francaise, found under Section III of this guide.

Provision for care information is not mandatory, but where provided, Industry Canada verifies that the care information provided on the label is accurate and presented in the correct manner, responds to any complaints received, and may take actions as a result of misuse of symbols. The Canadian Care Labelling Program relates to the properties of colourfastness, dimensional stability, effect of bleach, and maximum safe ironing temperature. The method of care applies to the entire article, including components.

The program is based on five symbols in the three "traffic light" colours; words in both English and French may be used to give special instructions not covered by the appropriate symbol. The five symbols, in order in which they are to be used, are the wash tub (washing), triangle (bleaching), square (drying), iron (pressing), and circle (dry-cleaning). The colours to be used are red (stop), amber (be careful), and green (go ahead). A red crossed-out symbol may only be used when the manufacturer can provide proof that the treatment it represents would damage the textile article. These symbols and their variations are outlined in section 8 of the National Standard of Canada - Care Labelling of Textiles, which may be obtained at the CGSB.

There are certain articles of clothing that are required to be marked with country of origin at the time of importation. The items included are:

- women's undergarments;
- knitted garments;
- raincoats and plastic rainwear; and
- wearing apparel made wholly or substantially of natural or synthetic textile fibres.

The goods are to be marked (or stamped, branded, labelled) as to indicate the country of origin in either English or French, and should be as permanent as the nature of goods permit, in a conspicuous place on the garment.

Information to be included is the name of the country of origin (i.e. country where goods substantially manufactured), or name of manufacturer with name of city and province/state, or the name of an internationally-known city preceded by the words "Made in", "Produced in", "Printed in", or similar words. For more information on marking requirements, contact Revenue Canada, Customs and Excise, Commercial, Verification and Enforcement, under Section III of this guide.

Packaging

When a consumer textile article is sold in a wrapper, package or container and the label attached to the article is clearly visible, there is no other labelling necessary. If the label is not visible, the information required to be show must be repeated on the package in the manner outlined above.

For all other 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. 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 Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

The influence of fashion on consumer purchases is rising, although the price of apparel remains an important consideration. Since adult consumers are becoming increasingly price-sensitive and knowledgeable about the clothing they buy, they are deciding to purchase more carefully based on product value. Canadian manufacturers compete on quality, style and price, especially in the medium to higher price ranges.

The market is dominated by a limited number of large department stores and chain stores (which usually focus on particular product lines) that are also significant importers. Discount stores are rising in popularity at the expense of the large department stores. There are too many retailers for the amount of product; consequently, this means that relationship between supplier and retailer should become more competitive. Large Canadian retailers prefer to buy directly from foreign producers and manufacturers. Smaller retailers do not usually have volumes which would justify buying direct.

The latest available data suggests that the import market for apparel into Canada is US $1.7 billion.

Marketing factors are similar to those mentioned for the United States, later in this chapter.

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 Custom 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 knitted garments and other apparel 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.

As noted in the Tariffs section above, the importation of clothing into Canada is controlled by quotas and import licenses. Those companies exporting their garments to Canada must obtain an import permit from the Textiles & Clothing Trade Policy Division, Department of Foreign Affairs and International Trade for every shipment of items of clothing and textiles that appear on the Import Control List. Delays ensue when import permits are not obtained prior to shipment's arrival, are not valid because of the expiry date, do not contain all of the required information, or do not cover the shipment. The following are the items on the control list which require an import permit:

coats, jackets and rainwear
male casual and fine wear
trousers, overalls and shorts
woven shirts, blouses and similar articles

underwear

winter outerwear
female casual and fine wear
tailored collar shirts, men/boys
knitted/crochet shirts and blouses, t-shirts, sweatshirts, similar articles and athletic wear
sleepwear and bathrobes

jerseys, pullovers, cardigans and sweaters
foundation garments
other coated garments
other garments
swimwear
babies garments
smocks and shop coats
miscellaneous textile articles

There are quota controls from a large number of countries for most products on the Import Control List. The Commonwealth countries included are: Bangladesh, Hong Kong, India, Jamaica, Lesotho, Malaysia, Mauritius, Singapore, Sri Lanka, and Swaziland. Exporters from these countries should contact their country's export authorities or the Department of Foreign Affairs and International Trade, Textiles Export & Import Controls Bureau, listed in Section III of this guide.

If the exporter is in one of the above countries that has a quota, the supplier must hold a quota (also called certificate of origin, export certificate, and so on, depending on the country of origin) from his government to ship that product to Canada. The supplier obtains an export license from the country authorities covering the shipment. This document proves that the quantity involved has been deducted from the quota. The supplier must send the original export license to the Canadian importer who must have it in his possession in order to obtain the necessary import permit from the Department of Foreign Affairs and International Trade to clear the shipment through Customs, or the shipment will not be allowed into Canada.

All importers require a company file number from the Textiles & Clothing Trade Policy Division, Export & Import Controls Bureau, Department of Foreign Affairs and International Trade. This number registers the importer's company and is necessary in order to obtain an import permit.

Trade Associations

Canadian Apparel Manufacturers Institute (CAMI)
Ottawa, Ontario

Canadian Shirts Manufacturers Association
Montreal, Quebec

Children's Apparel Manufacturers' Association
Montreal, Quebec

Men's Clothing Manufacturers Association
Montreal, Quebec

Quebec Outerwear Knitters Association
Montreal, Quebec

Trade Fairs

Mode Accessories International Exposition
January, September
Toronto

Outerwear Expo
March
Montreal

MEXICO

Tariffs (%)

Items:	General	US/Canada
Apparel, knitted or crocheted	20	A/B/C/1/2
Apparel, not knitted or crocheted	20	A/B/C/1/2

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

Standards

There are voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume I, Classification A. A sampling of the range of standards applicable to this sector include size designation of garments, wool content determination tests, colour fastness determination methods, tolerance methods for knitted clothes, shrinkage determination methods, fire resistance determination for textile products, graphical symbolism for care of piece goods and clothing, and other standards. 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

According to Mexico's Ley de Proteccion al Consumidor (consumer protection law), apparel must meet specific labelling requirements, which are enforced at the border. But, they do not have to be accompanied by a certificate of compliance. For these products, labels must be affixed to the product and not just to the packaging.

The minimum labelling requirements for garments are:

- name of exporter;
- materials (general or specific definition and, if applicable, finishing);
- country of origin;
- name and address of importer; and

- Federal Taxpayer Number of the importer and/or registration number of the chamber of commerce to which he/she belongs.

Please consult SECOFI for more details regarding specific labelling requirements for Mexico.

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

In Mexico, price is an important consideration in Mexican apparel buying decisions. This becomes less important as incomes rise; middle and upper income Mexicans consider style and quality more in their purchasing decisions.

Rising income in Mexico is evidenced by the growth of the retail sector. The growth in department and speciality stores in Mexico means that there are more speciality clothing stores in which to sell and purchase garments.

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) with at least four copies;
- bills of lading; one original for importer and one for customs broker.

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;
- freight and insurance charges;

- price and total value of shipment;
- 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.

Trade Associations

Camara Nacional de la Industria del Vestido
(Garment industry national chamber)
Mexico City Tel. (5) 588-7822, 588-7664
Fax (5) 578-6210

Trade Fairs

Encuentro con la Moda
October
Guadalajara

Exhimoda Primavera-Verano/Otono-Invierno
January/July
Guadalajara

Expo Fashion
May/October
Mexico City

Expotela
February/March
Mexico City

Sede de la Moda
August
Mexico City

Semana Internacional de la Moda
January/June
Monterrey

UNITED STATES

Tariffs (%)

Items:	General	GSP	CBI	Canada/Mexico
Apparel, knitted or crocheted	4-34.6	0-34.6	0-34.6	0-20
Apparel, not knitted or crocheted	0-30.4	0-30.4	0-30.4	0-20

There are import controls on certain garments, including those made of wool. Information concerning specific import controls in effect may be obtained from US Customs.

The Caribbean Basin Initiative Special Access Program applies for certain products which are made of US formed and cut fabric and accompanied by a properly certified form ITA-370P.

Standards

A garment may not be imported into the US if it fails to conform to an applicable flammability standard issued under the Flammable Fabrics Act, administered by the Consumer Product Safety Commission (CPSC). The standard also specifies the test procedures for textile fabrics. Please contact the CPSC, under Section III of this guide, for more information.

The US Department of Agriculture sets out official grades for wool, set out in their regulations.

Labelling

The Textile Fibre Products Identification Act specifies the following labelling required for garments:

- generic names and percentages by weight of fibres present in the product, in amounts of more than 5 % in order of predominance by weight, with any percentage of fibre(s) required to be designated as "other fibre(s)" (those fibres with 5 % or less) appearing last;
- name of manufacturer or name or registered identification issued by the Federal Trade Commission (FTC) of persons marketing or handling the product;
- name of country where processed or manufactured.

Products containing woollen fibre must be labelled according to the Wool Products Labelling Act (administered by the FTC) as follows:

- the percentage of the total fibre weight of the wool product, not exceeding 5 % of the total fibre weight of wool, recycled wool, and each fibre other than wool if such fibre is 5 % or more, and the aggregate of all other fibres;
- the maximum percent of total weight of the wool product, of any nonfibrous loading, filling, or other such matter; and
- the name of the manufacturer or person marketing (importer) the product in the US; if the importer has a registered identification number from the FTC, that number may be used instead.

The FTC also requires manufacturers and importers to attach care instructions to garments; these do not have to be attached when they enter the US, but must be attached before sold in the US. The label, which must remain legible throughout the useful life of the product, must have either a washing or a dry-cleaning instruction (if both can be done, only one of these instructions is necessary). Labels must be fastened so they can be easily found. If labels cannot be readily seen because of packaging, additional care information must appear on the outside of the package or on a hang tag fastened on the product. Care symbols may be used, but only in addition to words. Washing instructions include:

- indicating whether the product is hand or machine washable;
- water temperature setting if use of hot water will harm the product;
- mentioning which type of bleach harms the product, if any;
- whether the product should be dried by machine or another method -- indicate temperature setting if high temperature will harm the product;
- ironing information, if ironing needed on regular basis - indicate temperature setting if high temperature will harm the product; and
- warnings, if a certain washing procedure will harm product, or if care procedure on one product could cause harm to another product being washed with it.

Dry-cleaning instructions include:

- specifying which solvents are safe to use, if other solvents would harm the product;
- warnings about any part of the dry-cleaning process that would harm the product, if any.

Provisions of both Acts, and more information on textiles labelling, may be obtained from the FTC, under Section III of this guide.

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.

Care labels must appear on the outside of the package or on a hang tag on the product, if labels cannot be easily seen because of packaging.

Marketing and Distribution

The size of the import market into the United States for apparel is approximately US $31.2 billion.

Although there are many suppliers and international competitors in the US garments market, there are opportunities for niche suppliers and new buying arrangements. Key success factors for manufacturers in this market are reliability, quality, competitive pricing, and timely delivery for the US consumer as well as the importer or buyer.

US importers and buyers are demanding, there is little room for delay or error. These importers and buyers look for reliable, creditable sources of supply.

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); and
- 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.

As mentioned above, garments must be marked with their country of origin.

Manufacturers subject to quotas should consult with US Customs for any required documentation for importation of their product.

For the Caribbean Basin Initiative Special Access Program, mentioned in the tariff section above, products must be accompanied by a properly certified form ITA-370P.

Trade Associations

American Apparel Manufacturers Association
Arlington, Virginia Tel. (703) 524-1864
Fax (703) 522-6741

American Textile Manufacturers Institute
Washington Tel. (202) 862-0500
Fax (202) 862-0570

Apparel Retailers of America
Washington Tel. (202) 347-1932

The Fashion Association
New York Tel. (212) 683-5665
Fax (212) 545-1709

Knitwear Division - American Apparel Manufacturers Association
New Jersey Tel. (201) 966-6265
Fax (201) 966-5436

National Knitwear & Sportswear Association
New York Tel. (212) 683-7520
Fax (212) 532-0766

Sporting Goods Manufacturers Association
North Palm Beach, Florida Tel. (407) 842-4100
Fax (407) 863-8984

US Association of Importers of Textiles & Apparel
New York Tel. (212) 463-0089
Fax (212) 463-0583

Wool Bureau
New York Tel. (212) 986-6222
Fax (212) 557-5985

Wool Manufacturers Council
Boston Tel. (617) 542-8220
Fax (617) 542-2199
Woolknit Associates
New York Tel. (212) 683-7785

Trade Fairs

Fashion Accessories Expo
January, May, August - New York
February, August - Las Vegas

International Fashion Boutique Show
January, June, August, October
New York

International Fashion Fabric Exhibition
March, October
New York

International Jeanswear & Sportswear Show
March, September
Miami

International Kids Fashion Show
January, March, August, October
New York

Magic International
February, August
Las Vegas

New York Premier Collections
February, September
New York

The Supershow
February
Atlanta, Georgia

Yarn Fair International
(sponsored by National Knitwear & Sportswear Association)
Various US locations

SOURCES OF INFORMATION ABOUT THIS SECTOR

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

"Industry Profile: Apparel", Industry Canada, 1990.

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

CHAPTER 18

SEAFOOD (PRAWNS AND SHRIMPS)

CHAPTER 18 - SEAFOOD (PRAWNS AND SHRIMPS)

INTRODUCTION

Under NAFTA, tariffs on fish and fish products between the three member countries will be eliminated under the various phase-out categories established under the Agreement. This should encourage enhanced trade between the NAFTA countries.

The Canadian fishing industry comprises over 700 companies engaged in the processing and marketing of wild and farmed fish species and associated by-products. Canada is ranked fifth among the top exporting countries for fish, and is above the world average for consumption of seafood. Demand for seafood products will continue to depend on changing tastes, health considerations, income growth, the price of alternative protein sources, and the marketing skills of the industry. The industry is confined to the species indigenous to the temperate zone.

The middle class in Mexico is growing rapidly, and this may signify a growing market for good quality seafood. Local production covers the majority of domestic demand. The local canning industry is still concentrated in the processing of tuna and sardine; other species, such as shrimp, are mostly imported. Shrimp capture has reached a peak along the Pacific coast, but the Gulf and Caribbean regions still have a growth potential, depending mostly on the availability of resources to repair, modernise and increase the industry's existing fleet. Shrimp production represents 5 % of domestic production in terms of volume, but is a major export product.

US consumers are increasingly receptive to a wider range of seafood products. There are many opportunities in the new and expanded markets of the major US cities if firms can assure a consistent supply. The United States is the world's second largest importer of fish and fish products. Promotional efforts are under way in the United States to increase the per capita consumption of fish in the next five years. The expected increased demand could provide opportunities for aggressive marketers of fish and fish products.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Shrimps and prawns	0	X	0

X - same as MFN tariff

Standards

The control and inspection of fish is regulated under The Fish Inspection Act and The Fish Inspection Regulations, Inspection Services Branch, Department of Fisheries and Oceans.

Importers require an Import License and are required to notify the Department prior to importation of a product or within 48 hours following importation. When an imported product fails to comply with the Fish Inspection Regulations, all subsequent importations of this product from the same producer will be subject to mandatory inspection until four consecutive importations of this product comply.

Fish imported into Canada must not be "unwholesome" (has bacteria of public health significance or substances toxic or aesthetically offensive), "tainted" (rancid or abnormal odour or flavour) or "decomposed" (spoilage).

Only additives and ingredients specified under Marine & Fresh Water Animal Products and the Canadian Food and Drug Regulations may be used in the preparation of fish products. It is the importer's responsibility to determine which of these are permitted in Canada.

Fish products must not exceed established limits for environmental contaminants such as mercury (0.5 ppm), polychlorinated biphenyls (2 ppm) and DDT and derivatives (5 ppm).

Shrimp cocktail for sale in Canada must be prepared from sound, cooked, peeled shrimp meant and must contain not less than 36.5 % shrimp meat by weight on package.

The importer is encouraged to contact the Inspection Services Branch, Department of Fisheries and Oceans, listed under Section III of this guide, for further details.

Labelling

General labelling requirements include:

- common name of product shown on main panel of label;
- weight designation shown in metric units on main panel;
- descriptive terms, such as "deveined", "large", etc., or terms describing special processes mandatory on labels for canned fish products;
- list of all ingredients and their proportion, as well as list of additives mandatory, when applicable;
- name and address of packer or distributor, and country of origin;
- mandatory information in English and French; and
- non-allowance of marking quality designations on any container, wrapper or label for fish, unless specific standards of quality have been defined by the regulations and the fish product is in compliance with this standard.

All importers are recommended to submit formulation and sample labels prior to their initial use in respect of fish shipments to Canada, to the Department of Fisheries and Ocean's Inspection Office.

The province of Quebec has additional requirements concerning all products marketed therein, which should be obtained from the Office de la Langue Francaise, found under Section III of this guide.

Packaging

All fish imported for consumption in Canada must be packed in new, clean, sound containers. Shipping containers must be clearly stamped to identify the packer and date of packing, as well as the country of origin. For canned fish, the importer must provide a list indicating the establishment and number of containers for each production code, name of establishment, and date of processing. For more information, contact the Department of Fisheries and Oceans.

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. 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 Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

Demand for seafood products will continue to depend on changing tastes, health considerations, income growth, the price of alternative protein sources, and the marketing skills of seafood companies. Convenience foods are in great demand in Canada, and companies should be aware of this trend. Also, opportunities for increased penetration of the food protein market have also arisen from public perception of fish as a healthier food than some alternative choices.

The latest available data suggests that the total import market for fish products (including prawns and shrimps) into Canada is US $585 million.

Distribution channels are similar to those for fruits and vegetables (see Chapter 8). Additionally, there are numerous fish wholesalers and retailers in large urban centres and costal areas.

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 Custom 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.

Importers are required to obtain an Import License, issued by the Department of Fisheries and Oceans, prior to importing fish products. It expires on December 31 of the year for which it is issued.

Importers are required to notify the Department of Fisheries and Oceans in writing, prior to importation of a product or within 48 hours following importation, stating the type and quantity, the name of the producer and the country of origin for each product contained within a shipment. There is an inspection services fee for each shipment, other than a shipment of fresh fish or less than 25 kg.

If an imported product fails to comply with the Fish Inspection Regulations, all subsequent importations will be subject to mandatory inspection until four consecutive shipments comply.

Trade Associations

Canadian Federation of Independent Grocers
Don Mills, Ontario Tel. (416) 449-1976
Fax (416) 449-7188

Canadian Restaurant & Foodservice Assoc.
Toronto, Ontario Tel. (416) 923-8416
Fax (416) 923-1450

Fisheries Council of Canada
Ottawa, Ontario Tel. (613) 238-7751
Fax (613) 238-3542

Trade Fairs

Hostex
(food services and accommodation industries)
October
Toronto

Salon Rendez-Vous
(food services/hospitality industries)
February
Montreal

MEXICO

Tariffs (%)

Items:	General	US/Canada
Shrimps and prawns	20	C

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

Standards

Seafood requires a health certificate to be allowed entry into Mexico. These products need a health certificate, a "Certificate of Hygiene and Origin", which may be issued in the country of origin by the government body which deals with fisheries. However, always confirm whether or not your country's certification is recognised by the Mexican authorities. All documents have to be in Spanish, or translated into Spanish, or accompanied by a Spanish translation. The certificate must be an original document; no photocopies or faxes are accepted as substitutes.

There are also voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume II, Classification F. A sampling of the range of standards applicable to this sector include test methods, determination of sediments, net weight determination test methods, additives, and other standards. 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

According to Mexico's Ley de Proteccion al Consumidor (consumer protection law), all information contained on a 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 the official Mexican standard;
- warnings or precautions in the case of dangerous products; and
- instructions for use, handling, and/or preservation of the product.

Along with the above generic labelling requirements, additional requirements have been established for food products by the Department of Health ("Secretaria de Salud"). Food labels must include the following:

- product description;
- date of expiration (if applicable) - listed in order of day/month/year;
- list of ingredients;
- lot number;
- special instructions for preservation; and
- nutritional content (if nutritional quality is claimed).

Outside packages or wrappers must contain all of the required information, or must allow for the visibility of inside labels.

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 coastal cities consume the greatest proportion of Mexico's fish production. The largest volume of fish consumed is fresh seafood. There is low possibility of supplying markets located within distance of the largest population centres, since refrigerated trucks and facilities are scarce. Domestic supply is therefore concentrated in the country's four largest cities: Mexico, Guadalajara, Monterrey, and Puebla. There is usually one large distribution centre in each large city, which controls most of the volume sold. There is an oligopolistic concentration of the wholesale market that also controls most of the retail. Refrigeration chambers, cold nets and the gathering and distribution centres are also concentrated in these cities.

Mexico has about 60,000 restaurants serving 3 million people daily. Moreover, large companies in the Mexico City area offer free or subsidised meals to about 3 million

workers in their cafeterias each day. This represents a significant but price sensitive market.

Many niche market opportunities exist for companies willing to customise their seafood products to suit Mexican tastes.

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), with the original and several copies;
- packing list (if more than one package shipped), including at least four copies;
- bills of lading, with one original for the importer and one for the customs broker; and
- special certificates (see under Standards, above).

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;
- freight and insurance charges;
- price and total value of shipment;
- 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 must 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.

Along with the Certificate of Hygiene and Origin required for importation of seafood, exporters also need a general certificate of origin. The certificate can either be that which is issued to NAFTA countries, WTO countries, or to any other country not encompassed elsewhere. However, the non-NAFTA, non-WTO certificate may mean that the exporter pays a higher rate of duties. This certificate is also issued to those exporters who fail to submit a certificate of origin upon entrance of their product into Mexico. Therefore, if a member of NAFTA or WTO, it is to the exporter's advantage to submit a certificate of origin to Mexican authorities upon arrival.

As mentioned above, all documentation which is submitted with the shipment must be in Spanish, and in original form.

Trade Associations

Camara Nacional de la Industria de la Pesca
(Fishing industry national chamber)
Mexico City Tel. (5) 566-9411
Fax (5) 546-0828

Camara Nacional de la Industria de Restaurantes y Alimentos Condimentados
(Food processors industry of Jalisco chamber)
Mexico City Tel. (5) 604-0418
Fax (5) 604-4086

Trade Fairs

PESCA
June
Veracruz

UNITED STATES

Tariffs (%)

Items:	General	GSP	CBI	Canada/Mexico
Shrimps and prawns	0	0	0	0

Standards

The FDA regulates the importation of foodstuffs into the US. Imported foods are subject to inspection by the FDA at time of entry into the US, which may consist of visual inspection and examination by chemical and microbiological methods.

Seafood must be safe, clean and wholesome, and must be prepared, packed and held at all times under sanitary conditions. Criteria and definitions as to the determination of whether a food meets these sanitary conditions, ranging from buildings, personnel, plant and equipment maintenance, cleanliness, and production and process controls are found in the Regulations, as well as from the FDA.

In addition to these general requirements, there are rules that are product or process specific, or pertain to additives. As an example, shrimp sulphite residues in the range of 60-100 ppm are in accordance with current good manufacturing practice; shrimp exceeding this level will be considered adulterated, and could be destroyed or re-exported, or brought into compliance.

The Regulations also specify acceptable methods of preparation for canned wet pack shrimp, frozen raw breaded shrimp, and frozen raw lightly breaded shrimp.

The FDA intends to mandate the requirement that the seafood industry adopt the Hazard Analysis Critical Control Point (HACCP) system of safety controls, to assure safe processing, packaging, storage, and distribution of fish and fish products. The FDA would evaluate the company's system as part of its mandatory inspection program, by reviewing the monitoring records generated by the firms. The food processor would develop and implement a plan that would:

- identify likely hazards that could affect his products;
- identify controls in the process necessary to keep hazards from occurring;
- identify "critical limits" or operating parameters for each critical control point, such as the proper temperature for a freezer;

- monitor performance of controls; and
- establish record keeping procedures of monitoring as a routine practice.

Labelling

Labelling, according to the US Fair Packaging and Labelling Act, must be "honest and informative". When packaged, there are five pieces of information required on the food product:

- common or usual name;
- net quantity in the US measurement system (avoirdupois measure, fluid measure - US fluid ounces, pints, quarts, gallons-, or numerical count);
- name and place of business or distributor;
- list of ingredients, in descending order of predominance by weight; and
- country of origin (fresh products do not need to be marked; however, the outermost containers in which these articles ordinarily reach the ultimate purchaser in the United States must be marked in English with the country of origin): this is a requirement of US customs, not the FDA.

In addition, packaged shrimp treated with sulphites must have labelling that declares the presence of these substances as preservatives. Canned wet pack shrimp, frozen raw breaded shrimp, and frozen raw lightly breaded shrimp have specific labelling permitted, for example, the word "prawns" may only appear on the label in parentheses immediately after the word "shrimp" if the shrimp are large or extra large size (size designations found in Regulations). Please consult the Regulations or the FDA for more information.

Location, size, and spacing of lettering are important for products marketed in the retail market; information may be obtained from the FDA.

There may also be state or local rules that may affect the product or packaging; please check with Department of Agriculture authorities in relevant states, or your country's local representative therein, for details.

It is recommended that the importer obtain an informal comment on its product's conformity to labelling requirements from the FDA. If goods are found in violation of the law, the products may be detained or destroyed.

Most major retail grocers require that products have a Universal Product Code (UPC) symbol. It is therefore recommended that manufacturers obtain UPC numbers for their company and products before exporting to the US Contact the Uniform Code Council, under Section III of this guide, for more details.

Packaging

According to the US Fair Packaging and Labelling Act, food must be prepared, packaged and held under sanitary conditions. The food itself must be safe, clean and wholesome.

Canned wet pack shrimp must be packaged in accordance with FDA Regulations, which mean that the shrimp must be:

- prepared in sufficient water or other medium to fill the interstices; the cut-out weight of shrimp taken from each container is not less than 60 % of the weight of the water required to fill the container;
- free of heads, and to the extent practicable, free of shells, legs, and antennae;
- packed with optional ingredients (when applicable) as listed in the Regulations.

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.

Marketing and Distribution

The size of the import market into the United States for prawns and shrimps is approximately US $2 billion.

There are opportunities in the new and expanded seafood markets of the major US cities if firms can assure a consistent supply. Small and medium sized firms may be able to take advantage of markets in cities that offer "city niche" customers or ethnic markets. Sales may expand at the level of the individual supermarket chains through speciality seafood counters.

Direct sales at the wholesale level by food service outlets and by retail outlets were valued at over $20 million in 1992.

Domestic promotional efforts to increase consumption are expected to increase demand in the next five years. However, consumers are still sensitive to the higher cost of seafood when compared with other animal protein such as chicken.

The food distribution system is not concentrated: regional grocery operations still account for a significant percentage of sales in regional markets. Wholesale retail clubs are gaining power. The seafood sector is often serviced by speciality distributors, performing both the functions of the broker and the wholesaler or distributor. With the exception of the

larger national chains that have their own warehouse and distribution systems, retail grocers buy from privately or co-operatively owned warehouses or distributors.

The retail grocery system is the largest market and the most difficult to penetrate. As a potentially costly expense, most chain supermarkets charge a fee for a product to receive shelf space ("slotting allowances"), which may range from $2 to $30,000 per stock keeping unit, as well as charging for advertising and promotion. Smaller chains (10 stores or less) and single store independent retailers may not apply these costs. The foodservice sector also uses food brokers, who supply foodservice distributors, in turn delivering to the individual foodservice establishments. It is also possible for larger foodservice distributors to be supplied directly by the manufacturer. This sector does not require slotting allowances, advertising allowances, or brand identity. However, they demand consistent quality, and pricing is the most important competitive factor.

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); and
- 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.

As stated above, containers of fish products must be marked with country of origin.

The FDA is notified of an entry of a regulated food through:

- an Importer's Entry Notice (FDA Form FD 700 set) or Land Port Entry Notice (FDA Form FD 701);
- a US Customs Form 7501 "Summary Sheet for Consumption Entry";
- a copy of the commercial invoice; and
- surety to cover potential duties, taxes and penalties.

In order to speed up the import process, the processor may wish to have a private laboratory examine samples of foods to be imported and certify the analysis of the

processor, to show that the results are within the guidelines for levels of contaminants and defects in food for human use.

Trade Associations

American Seafood Distributors Association
Rosslyn, Virginia Tel. (703) 524-8880
Fax (703) 524-4619

American Shrimp Processors Association
New Orleans Tel. (504) 368-1571

Association of Seafood Importers
Port Washington, New York Tel. (516) 621-5900
Fax (516) 621-8318

National Food Distributors' Association
Chicago Tel. (312) 644-6610
Fax (312) 321-6869

National Shrimp Processors Association
Atlanta Tel. (404) 577-5100
Fax (404) 527-4790

Trade Fairs

International Boston Seafood Show
March
Boston

SOURCES OF INFORMATION ON THIS SECTOR

"Canadian Exporters' Handbook on Doing Business in the US Food and Seafood Market", Department of Foreign Affairs and International Trade, 1992.

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

"Guide to Canadian Regulatory Requirements and Examination Procedures for Imported Fish", Inspection Services, Department of Fisheries and Oceans, Canada, 1991.

"Industry Profile: Seafood and Marine Products - Overview", Industry Canada, 1991.

"Market Study on the Mexican Market and Distribution System for Fish and Fish Products", Department of Foreign Affairs and International Trade, 1991.

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

"NAFTA and the Fish and Fish Products Sector", Industry Canada, 1994.

"1995 Tradeshow Week Data Book", Tradeshow Week: New Jersey, 1994.

CHAPTER 19

SCIENTIFIC AND SURGICAL INSTRUMENTS

CHAPTER 19 - SCIENTIFIC AND SURGICAL INSTRUMENTS

INTRODUCTION

Under NAFTA, tariffs on health care products being traded between Canada, Mexico and the US will be eliminated under the various tariff reduction phase-out categories established. This should result in increased trade in this sector among the three member countries.

Over two-thirds of the Canadian instrumentation market is served by importers. Most Canadian producers specialise in only a few of the many possible types of instrumentation. The large number of small firms has resulted in a fragmented industry without clear market leaders; adapting and innovating are thus important success factors. Canadian-produced instrumentation is designed to fill niche markets. Performance is the most important purchasing factor, while price is secondary. The demand for conventional scientific instruments will continue to decline, but the need for computer-based scientific instruments and sensor systems will increase.

Canada's universal medicare system has helped support the development of an active health care products sector with strong capabilities in certain product areas. Firms in this sector are high value-added producers and many are major users of high technology inputs. The large research and development expenditures and scale of operations required for efficient production of surgical instruments means that Canadian-owned and operated production is generally small. The surgical instruments market in Canada is almost totally served by imports. Demand is expected to remain strong for disposable medical products, due largely to Canada's ageing population.

Canadian surgical instruments practices are comparable to those in the United States. Research and development techniques, clinical testing, standards and regulations, and marketing practices are similar. One difference is that the use of expensive sophisticated equipment is rationalised between hospitals, so that not every hospital has a complete range of new equipment. Further, the Canadian industry tends to be more conservative in adopting new medical technologies, slowing the commercial introduction of this equipment.

Mexico is currently updating its mandatory standards, improving enforcement and expanding conformity assessment, which means that it is expanding the number of government-accredited laboratories to test products for the Mexican market. There is strong demand in Mexico for further accreditation, creating an expanded market for laboratory and testing instruments. Mexican industry associations and chambers of

commerce also recognise change in quality standards, and this is expected to result in increased purchases of instruments.

The Mexican market for surgical instruments and supplies has increased very rapidly in the past few years, with an average 27 % annual rate. This increase may be due to the Mexican government's 1989-94 National Development Plan to provide health services to a wider population and to liberalise trade. Much of the surgical instruments used in Mexico is technologically outdated and needs to be replaced. Imports of surgical instruments are expected to continue to grow as end users increasingly buy technologically advanced and sophisticated equipment. There is little production of sophisticated surgical instruments in Mexico.

The US instrumentation industry is a diverse and technologically dynamic industry. Total shipments by these manufacturers accounted for 47.5% of world production in 1992. As cost-containment pressures dictate reliance on less-invasive surgical procedures, demand should rise most rapidly for devices used in minimally invasive surgery. As well, products used in treatment of cardiovascular disorders are in high demand. Heightened environmental concerns and the rapidly rising cost of medical waste disposal, combined with broader cost-containment pressures, have also sparked a resurgence in demand for reusable medical and surgical supplies.

An ageing population will continue to be the primary influence upon demand for surgical appliances and supplies. Cost-cutting pressures faced by hospitals and nursing homes will favour products which afford long-term care patients the opportunity for greater mobility and capacity for self-care.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Optical	0-11.1	0-8	0-3.6
Lenses, prisms, mirrors	0-10.1	0-7.5	0-3.3
Spectacles, goggles, binoculars	0-9.2	0-6.5	0-3.9
Surveying, hydrographic, oceanographic, hydrological, meteorological, geophysical	0-9.6	0-6.5	0-3
Balances	9.2	0-6.5	0-3
Drawing, mathematical	0-12.2	0-8.5	0-3.9
Medical, surgical, dental	0	0	0
Therapy	0-10.9	0-9	0-4
Orthopaedic	0-14	0-10	0-6
X-ray, radiation	0	0	0
Materials testing	0-9.3	0-6.5	0-3
Thermometers, hydrometers, barometers, pyrometers, hygrometers, psychrometers	0-9.3	0-6.5	0-3.9
Liquid, gas measuring, checking	0-9	0-6.5	0-3.9
Physical, chemical analysis	0-9	0-6.5	0-2.2

Standards

In Canada all medical devices are subject to the requirements of Sections 3 and 19-21 of the Food and Drugs Act and Parts I-IV of the Medical Devices Regulations. It is the responsibility of the manufacturer to ensure that these requirements are met. In addition, for devices listed in Part V of the Regulations, including implanted devices, a Notice of Compliance must be obtained before such new devices are sold in Canada.

Section 14 of the Medical Devices Regulations requires the testing of all medical devices before they are offered for sale in Canada in order to demonstrate that the claimed benefits and performance characteristics are justified. The evidence of testing should be available in Canada. Please contact the Health Protection Branch, Health Canada, listed under Section III of this guide, for more information concerning the importation of these products.

This group is also regulated by the Canadian Standards Association (CSA). Any equipment that is electrical and/or uses sound or microwaves, rays, lasers, or any other

such transmissions should comply with CSA standards. Please consult with the CSA for your product's specific requirements.

Labelling

According to the Medical Devices Regulations of Canada's Food and Drugs Act, the instrument must have one or more clearly displayed labels with the following information:

- name of device;
- name and address of manufacturer, distributor, or importer;
- lot or serial number, or other means of identification by which the device may be traced;
- model designation, if applicable;
- precise nature of benefits claimed to be obtainable through use of device;
- directions for use (in both English and French if the device is available for sale at a self-service display);
- information as to whether device is sterile;
- expiration date, if applicable; and
- list of contents of the package and number of complete units contained therein.

If packaged in a pressurised disposable metal container, the product must have warning statements and symbols, as itemised in the above regulations and under the Consumer Chemicals and Containers Regulations.

The province of Quebec has additional requirements concerning all products marketed therein, which should be obtained from the Office de la Langue Francaise, found under Section III of this guide.

Packaging

There are no general packaging requirements in the Medical Devices Regulations. However, as with labelling, the manufacturer is encouraged to check for specific product requirements before sale in Canada.

For all 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. 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 Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

Canada's post-recessionary economic expansion is expected to increase expenditures on research and development, and modernisation of plant and equipment. Canadian investment will result in increased purchases of instruments. The market for these instruments in Canada is divided between industrial and institutional/commercial sectors (education, government and independent commercial laboratories).

Public responsibility for health in Canada is shared between the federal and provincial governments. At the federal level, Health Canada has overall responsibility for health care delivery. Each of the 10 provincial governments is charged with the administration of a two-part health care program covering hospitals and medical care.

There is a high degree of foreign ownership in both the distribution and manufacturing of medical equipment. Distributors outnumber manufacturers, who have established their own distribution networks in Canada. Canadian hospitals often share expensive equipment; not every hospital has a complete range of new equipment. Many provincial hospital authorities have established group purchasing arrangements. Provincial hospital associations gather annual requirements from regional hospitals and issue bids for particular products. Hospitals then place orders in accordance within the terms of the established arrangements.

The Canadian market for instruments is strongly influenced by US firms that both manufacture locally for the Canadian market and distribute US-made products. Medical products also can be marketed through Canadian distribution companies. 85% of the growing market for disposable medical and surgical products in Canada is sold to

hospitals and related institutions, 10% is sold to private clinics, and 5% is sold to extended care facilities such as nursing homes.

The latest available data suggests that the import market for surgical instruments into Canada is US $2.3 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 Custom 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.

A Notice of Compliance for implanted devices and others included in Part V of the Regulations must be obtained before such new devices are sold in Canada. It may be obtained by submitting to the Director, Health Protection Branch, Health Canada, evidence of i) effectiveness; ii) safety; and iii) drafts of all labels and package inserts to be used in connection with the device.

Evidence of testing of medical devices must be available in Canada.

A signed Notification form must be submitted to the Director, Medical Devices Bureau, within ten (10) days of first sale in Canada.

Trade Associations

Canadian Laboratory Suppliers Association
Scarborough, Ontario Tel. (416) 756-3295
Medical Devices Canada
Etobicoke, Ontario Tel. (416) 620-1915
Fax. (416) 620-1595

Pan American Implant Association
Montreal, Quebec Tel. (514) 735-1133
Fax (514) 731-0651

Trade Fairs

Canadian Society of Laboratory Technologists
June
Ottawa

Healthcare
November
Winnipeg

HOPITEX-Health Care Show
May
Montreal

Med Tech
November
London, Ontario

Ontario Dental Association Annual Spring Meeting
May
Toronto

Ontario Hospital Association Exhibition
November
Toronto

Royal College of Physicians and Surgeons Meeting
September
Various

World Trade
October
Toronto

MEXICO

Tariffs (%)

Items:	General	US/Canada
Optical	5/10/15	A
Spectacles, goggles, binoculars	10/15	A
Surveying, hydrographic, oceanographic, hydrological, meteorological, geophysical	10/15/20	A
Balances	10	A
Drawing, mathematical	10/15/20	A/C
Medical, surgical, dental	10/15/20	A/B
Therapy	10/15	A
Orthopaedic	10	A
X-ray, radiation	10	A/C
Materials testing	10	A
Thermometers, hydrometers, barometers, pyrometers, hygrometers, psychrometers	10/15/20	A/B/C
Liquid, gas measuring, checking	10/15/20	A/B/C
Physical, chemical analysis	10	A

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

Standards

Instruments are subject to Mexican calibration requirements, as well as electrical, safety and health standards, where appropriate.

There are voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume I, Classification BB. A sampling of the range of standards applicable to this sector include sterility test methods, specifications for products, and other standards. Some instruments may also be subject to a standards certification requirement by the Direccion General de Normas at SECOFI before it is eligible to be imported into Mexico. There are other requirements to be met on the importation of scientific and surgical instruments, as required by the Mexican Department of Health's Directorate for the Control of Health Inputs ("Direccion General de Control

de Insumos para la Salud"). 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 mandatory and voluntary standards applicable to his product.

Labelling

There are special labelling regulations on medical equipment and supplies. For more information contact the Department of Health, found under Section III of this guide.

According to Mexico's Ley de Proteccion 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 the 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 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

Mexico's updating of standards, improving enforcement and expanding conformity assessment, will result in expanding the number of government-accredited laboratories to test products for the Mexican market. There is strong demand in Mexico for further accreditation, creating an expanded market for laboratory and testing equipment. The private sector's associations also recognise change in quality standards, and this is expected to result in increased purchases of instruments. Major end-users of instruments are the medical, pharmaceutical, and food-processing industries, as well as research centres.

The largest purchasers of medical equipment are the Ministry of Health, the Mexican Social Institute, and a number of other Mexican Government decentralised agencies. Public-sector hospitals, providing 80 % of medical services in Mexico, are the most important procurers for the medical equipment industry. The most important competitive factors affecting medical equipment sales in Mexico are leading edge technology, quality, price, financing, availability of spare parts, technical support and servicing.

When selling in Mexico, it is important that companies become familiar with local procedures. Export company representatives should visit Mexico to select a local agent or distributor familiar with methods of conducting business in Mexico. Invariably, a local resident is required when selling to Mexican government health agencies.

Documentation

Specific documentation requirements for instruments should be obtained from the Department of Health or a customs broker knowledgeable in this area.

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) with original and several copies;
- packing list (if more than one package shipped) with at least four copies;
- bills of lading, with one original for importer and one for customs broker; and
- special certificates (see under Standards, above).

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;
- freight and insurance charges;
- price and total value of shipment;
- 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.

Trade Associations

Asociacion Mexicana de Hospitales
(Mexican hospitals association)
Mexico City Tel. (5) 574-0135/0128
Fax. (5) 574-0135

Trade Fairs

Medi-Lab
Summer (biennial)
Mexico City

Medical Congress
October/November
Monterrey

UNITED STATES

Tariffs (%)

Items:	General	GSP	CBI	Canada/Mexico
Optical	5.6-10	0	0	0-4
Lenses, prisms, mirrors	5.6-8	0	0	0-3.2
Spectacles, goggles, binoculars	0-9	0	0	0-3.6
Surveying, hydrographic, oceanographic, hydrological, meteorological, geophysical	4.9-6	0	0	0-2.4
Balances	4.9-6.6	0	0	0-2.6
Drawing, mathematical	4.9-5.8	0	0	0-2.3
Medical, surgical, dental	3.4-10	0	0	0-4
Therapy	3.7-7.9	0	0	0-3.1
Orthopaedic	3.9-9	0	0	0-3.6
X-ray, radiation	2.1-4	0	0	0-1.6
Materials testing	4.8	0	0	0-1.9
Thermometers, hydrometers, barometers, pyrometers, hygrometers, psychrometers	2.8-17	0	0	0-6.8
Liquid, gas measuring, checking	4.7-9	0	0	0
Physical, chemical analysis	3.4-10	0	0	0-4

Standards

The Food and Drug Administration (FDA) is the standards body for this sector in the United States; regulations applicable to the medical device are dictated by the class by which the device is classified, Class I, II, or III. Class I devices require the lowest level of regulation, including company registration, device listing, premarket notification, and good manufacturing practices (some devices do not require the latter two). Class II devices, have in addition to Class I requirements, special controls requirements for example, labelling, mandatory performance standards, or others). Class III devices, along with meeting the above requirements, need an approved premarket approval application. The class of the device must be known in order to see what regulations apply to it. Please refer to the FDA, listed in Section III of this guide, for detailed information.

The company responsible for the device's sale in the United States must register with the FDA, or else the device will be detained. Although foreign firms are not required to

register, they are encouraged to do so, as registering may help place the company in a more opportune position to enter the US market.

The device must be listed by generic category with the FDA before any medical device can be imported into the US. The listing data must be updated when a new device is marketed with a different classification name, the intended use changes, a product is discontinued, a discontinued product is remarketed, or any information on the listing changes. The company must then notify the FDA 90 days prior to the distribution of the device (premarket notification).

The Good Manufacturing Practices (GMP) is a quality assurance program by the US federal government, similar to ISO 9000 but stricter, with regard to after-market sales monitoring. The FDA continuously monitors information concerning problems with medical devices; manufacturers whose medical devices come under scrutiny will be investigated. The FDA inspects the operations and records of foreign manufacturers to determine GMP compliance. The GMP covers quality assurance, personnel, buildings, equipment, components, production and process controls, and packaging and labelling controls.

Some devices (Class III) must obtain Premarket Approval, a scientific screening of all relevant data pertaining to the medical device. The review time is 180 days, after which time there is written notice stating if the device is approved or denied. A detailed report must be submitted to the FDA. The Premarket Approval Manual is available from the FDA and details what must be included in the report.

Distributors or manufacturers are required by law to report to the FDA when they become aware of a device that caused or contributed to death or injury to the user. Filing a report with the FDA in response to this Medical Device Reporting (MDR) regulation is the responsibility of the distributor or professional user.

Your country may have harmonised standards with the FDA; if this is the case, the device then only needs approval from your domestic standards body. To find out whether such harmonisation with your country exists, please contact the international relations staff in the Office of Standards and Regulations at the FDA, listed in Section III of this guide.

The US Federal Communications Commission (FCC) regulates any scientific and medical equipment that emits electromagnetic energy on frequencies within the radio frequency spectrum in order to prevent harmful interference. Its regulations set for conditions under which the equipment may be operated. For more information, please contact the FCC, found in Section III of this guide.

If your product has electrical elements, please also check with Underwriters Laboratories, listed under Section III of this guide, for specific standards applicable.

Labelling

A requirement of US Customs is that articles entering the United states must be marked with their country of origin. Scientific and surgical instruments are to be marked by die-stamping, cast-in-the-mould lettering, etching (acid or electrolytic), engraving, or by means of metal plates which bear the prescribed marking and which are securely attached to the article in a conspicuous place by welding, screws or rivets.

The FDA also monitors labelling of medical devices. They stipulate in the Code of Federal Regulations that:

- the name and pace of business of the manufacturer, packer, or distributor should be on the package if the device is in that form;
- the net quantity of contents be clearly declared;
- the instructions for product usage are clear: the main issue is that the indications for the device are not fraudulent or unreasonable (false or misleading).

There are special requirements for specific medical devices; the manufacturer is strongly advised to check with the FDA concerning his product's full compliance with labelling requirements.

Prescription devices, medical devices having commonly known directions, in vitro diagnostic products, medical devices for processing, repackaging, or manufacturing, and those for use in teaching, law enforcement, research, and analysis are exempt from adequate directions for use. Please verify with the FDA before labelling a product for import into the US.

Those devices for which performance standards have been developed (Class II) would have to meet any label requirements imposed by the performance standard.

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.

Marketing and Distribution

There are significant costs involved in doing business in this sector in the US: establishing a distribution network, warehousing, and insurance costs. Small manufacturers usually rely on agents or distribution networks of wholesale suppliers for US sales. These types of suppliers often sell on consignment and require a considerable volume of inventory to provide prompt delivery. Insurance costs have also risen; the increase is significant in situations where the failure of an instrument could lead to injury or environmental damage, resulting in lawsuits. Distributors often demand a high level of liability and product insurance to be paid in advance for the whole year's potential sales because of the cost involved and the difficulty in pursuing a foreign firm in US courts.

The trend in health care is to provide care at a lower price, due to excessively high per capita costs. This means that:

- medical equipment purchasing decisions are shifting to managed care organisations and other third party buyers;
- hospitals are getting tougher in their buying;
- more independent physicians are leasing their medical equipment, resulting in the marketing of lower cost equipment to this group of buyers.

The criteria used by retailers and wholesalers for making purchasing decisions are, in order: quality, price, service, and availability.

The major buyers of medical products are the group purchasing organisations (making 70% of medical and surgical supply purchases), hospitals, healthcare service systems (managed care and group practices), nursing homes, and home medical equipment suppliers. Since hospitals tend to buy the majority of their supplies from group purchasing organisations, and these usually purchase only from suppliers already used by member hospitals, exporters must initially sell their products to hospitals and the smaller group purchasing organisations in order to build acceptance of the product.

There are four types of distribution channels: direct sales, manufacturers representatives/sales agents, distributors, and strategic distribution alliances. Group purchasing organisations, the biggest customers in the US market, prefer to buy direct from the manufacturer (but usually only deal with companies with US sales over $25 million or are first or second in product market share). End users, such as hospitals, that purchase on their own, are moving towards consolidation of vendors, meaning that the distribution channel selected should be selling various lines/products.

The size of the import market into the United States for scientific instruments is approximately US $7.6 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); and
- 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.

As noted above, these products must be marked with their country of origin.

As mentioned in the Standards section, certain documentation is required from the FDA.

To register a company with the FDA requires a "Initial Registration of Medical Devices Establishment" form, obtained from the FDA along with an information and instruction book.

The listing process requires FDA form FD 2892; only one form is required for each generic category of device. If the manufacturer has chosen a sole initial distributor, he may list the medical device on the manufacturer's behalf, as long as a copy of a letter of authorisation (in English) accompanies the form. If any information on the form changes, the listing data must be updated.

A premarket notification form, obtainable from the FDA, must be submitted for products that are new to the US market, intended uses have been changed, or the product has been modified and safety or effectiveness may be affected. Initial distributors can submit this form for a foreign manufacturer, if the manufacturer has already done so.

The premarket approval process, a necessary step to selling the device in the US requires completion of a report; a detailed manual for its completion is available from the FDA.

If the manufacturer, distributor, or importer knows of a device that caused injury or death of the user, the filing of a report in compliance with the MDR (Medical Device Reporting) regulation is required.

If your company wants to protect the device sold in the United States, it should have a Utility Patent, good for 17 years after issuance. Filing must occur within the first year of

public use or sale. The address for the Patent Trademark Office is listed in the addresses section of this guide.

For further information, or to obtain any of the FDA forms required, please contact this organisation, found under Section III of this guide.

Trade Associations

Association for the Advancement of Medical Instrumentation
Arlington, Virginia Tel. (703) 525-4890
Fax (703) 276-0793

Health Industry Distributors Association
Alexandria, Virginia Tel. (703) 549-4432
Fax (703) 549-6495

Health Industry Manufacturers Association
Washington Tel. (202) 783-8700
Fax (202) 783-8750

Health Industry Representatives Association
Mission, Kansas Tel. (913) 262-4513
Fax (913) 262-0174

Independent Medical Distributors Association
Mission, Kansas Tel. (913) 262-4510
Fax (913) 262-4510

National Association of Medical Equipment Suppliers
Alexandria, Virginia Tel (703) 836-6263

Trade Fairs

All Americas Health
May (biennial)
Tampa, Florida

American Academy of Orthopaedic Surgeons
February
Orlando, Florida

American College of Healthcare Administrators Annual Convocation
May
Various

American College of Surgeons
April/October
Various

American Hospital Association Trade Exposition
August
San Francisco

Clinical Lab Management Association
August
Minneapolis

MEDTRADE/National Home Health Care Expo
November
Atlanta

SOURCES OF INFORMATION ON THIS SECTOR

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

"Industry Profile: Instrumentation", Industry Canada, 1990.

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

"NAFTA and the Health Care Products Sector", Industry Canada, 1994.

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

"The USA Export Marketing and Resource Guide for Canadian Medical Products Manufacturers", Department of Foreign Affairs and International Trade, 1993.

SECTION III

HELPFUL CONTACTS AND INFORMATION

CHAPTER 20

CONTACTS

CANADA

Attn. Commercial, Verification and Enforcement
Revenue Canada
Customs and Excise
Ottawa, Ontario K1A 0L5
Canada
Tel. (613) 993-0534

MEXICO

Secretariat of Budget & Programming
(Secretaria de Programacion y Presupuesto)
Palacio Nacional Patio de Honor, Piso 4
Col. Centro
06740 Mexico, D.F.
Mexico
Tel. (5) 542-8762/8763
Fax (5) 542-1209
Information Department (5) 286-1000/1900

Secretariat of Finance and Public Credit
(Secretaria de Hacienda y Credito Publico)
Direccion General Tecnica de Ingresos
Palacio Nacional
1er. Patio Mariano
Col. Centro
06066 Mexico, D.F.
Mexico
Tel. (5) 518-5420 through 29
Fax. (5) 542-2821

Mexican Customs Brokers Confederation
(Confederacion de Asociaciones de Agentes Aduanales de la Republica Mexicana)
Hamburgo No. 225
Col. Juarez
06600 Mexico, D.F.
Mexico
Tel. (5) 533-0075/0077
Fax. (5) 525-8070

UNITED STATES

US Customs
1301 Constitution Avenue
Washington, DC 20220
USA

CANADA

Inspection Services Branch
Fisheries and Oceans Canada
Station 1100
200 Kent Street
Ottawa, Ontario K1A 0E6
Canada
Tel. (613) 993-2743
Fax. (613) 990-4668

Chemical Hazards Division
Health Canada
Phase 1, Place du Portage
17th Floor
50 Victoria Street
Hull, Quebec K1A 0C9
Canada
Tel. (819) 953-8085

(Re. requirements for upholstered and stuffed articles)
Ministere de l'Industrie, du Commerce et du Tourisme
Direction des services aux entreprises commerciales
Edifice Mercantile
770, rue Sherbrooke ouest, 10ieme etage
Montreal, Quebec H2Z 1X2
Canada
Tel. (418) 691-5984 (Quebec City); (514) 982-3006 (Montreal)

(Re. requirements for upholstered and stuffed articles)
Ministry of Consumer and Commercial Relations
Licensing and Administration Branch
Upholstered and Stuffed Articles
3300 Bloor Street West
The Mutual Group Centre, 4th Floor, West Tower
Etobicoke, Ontario M8X 2X4
Canada
Tel. (416) 234-6088
Fax. (416) 234-6101

(Re. requirements for upholstered and stuffed articles)
Department of Industry
Manitoba Consumers Bureau
114 Garry Street
Winnipeg, Manitoba R3C 1G1
Canada
Tel (204) 945-3800

Standards Information Service
Standards Council of Canada
45 O'Connor Street, Suite 1200
Ottawa, Ontario K1P 6N7
Canada
Tel. (613) 238-3222
Fax. (613) 995-4564

Agricultural Chemicals Section
Chemical Evaluation Division
Health Protection Branch
Bureau of Chemical Safety
Health Canada
Ross Avenue, Tunney's Pasture
Ottawa, Ontario K1A 0L2
Canada
Tel. (613) 957-1825
Fax. (613) 990-1543

Canadian Standards Association
178 Rexdale Boulevard
Rexdale, Ontario M9W 1R3
Canada
Tel. (416) 747-4000

Product Safety Bureau
Health Canada
17th Floor, Zone 6
Place du Portage, Phase 1
50 Victoria Street
Hull, Quebec K1A 0C9
Canada
Tel. (613)957-2991

Health Protection Branch
Industrial Compliance and Health Standards
Health Canada
700 Industrial Avenue, Door #5
Ottawa, Ontario K1A 0L2
Canada
Tel: (613) 954 6807

Pest Management Regulatory Agency
Health Canada
Brook Claxton Building
13th Floor
Tunney's Pasture
Ottawa, Ontario K1A 0K9
Canada
Tel: (613) 957-2991

MEXICO

Centro Impulsor de la Construccion y la Habitacion (CIHAC)
Av. Minerva No. 16
Col. Credito Constructor
03940 Mexico, D.F.
Mexico
Tel. (5) 661-0844, 662-5085
Fax (5) 661-0600

Department of Health
(Secretaria de Salud)
Direccion General de Controle Sanitario de Bienes y Servicios
(Directorate for the Control of Health Inputs)
Lieja No. 7, Piso 1
Col. Juarez
06600 Mexico, D.F.
Mexico
Tel. (5) 553-7670/7940
Fax. (5) 286-5497

Department of Agriculture and Hydraulic Resources
(Secretaria de Agricultura y Recursos Hidraulicos)
Directorate General for Vegetable Sanitation
(Direccion General de Sanidad Vegetal)
Dr. Perez Valenzuela No. 127, Piso 2
Col. Coyoacan
04110 Mexico, D.F.
Mexico
Tel. (5) 554-0512
Fax. (5) 554-0529

Direccion General de Normas
Av. Puente de Tecamachalco No. 6, 3° Piso
Col. Lomas de Tecamachalco
C.P. 53950
Naucalpan, Estado de Mexico
Mexico
Tel. (5) 729-9480 ext. 4134
Fax. (5) 729-9484

UNITED STATES

Division of Small Manufacturers Assistance
Center for Devices and Radiological Health
Food and Drug Administration
5600 Fishers Lane
Rockville, Maryland 20857
USA
Tel. (301) 638-2041
Fax (301) 443-7513

American Society of Testing and Materials
1916 Race Street
Philadelphia, Pennsylvania 19103-1187
USA
Tel. (215) 299-5585
Fax. (215) 977-9679

International Relations and External Affairs
Office of Standards and Regulations
Food and Drug Administration
5600 Fishers Lane
Rockville, Maryland 20857
USA
Tel. (301) 443-3426
Fax (301) 443-4196

Department of Health & Human Services
Public Heath Services
Food and Drug Administration
200 C Street, S.W.
Washington, DC 20204
USA
Tel. (202) 418-3177
Fax (202) 418-3196

US Department of Agriculture
Agricultural Marketing Service
Fruit and Vegetable Division
Marketing Order Administration Branch
PO Box 96456
Washington, D.C. 20090-6456
USA
Tel. (202) 720-2491
Fax (202) 720-5698

US Department of Agriculture
Food Safety and Inspection Service
Import Inspection Division
Franklin Court
1099 14th Street, N.W.
Washington, D.C. 20005
USA
Tel. (202) 501-7515

US Department of Agriculture
Animal and Plant Health Inspection Service (APHIS)
USDA-APHIS-VS
Hyattsville, Maryland 20782
USA
Tel. (301) 436-7885

National Marine Fisheries Service
National Oceanic and Atmospheric Administration
1315 East-West Highway
Silver Spring, Maryland 20910
USA
Tel. (301) 713-2379

Consumer Product Safety Commission
Office of Compliance
Washington, D.C. 20207
USA
Tel. (301) 504-0400

Environmental Protection Agency
TSCA Assistance Information Service
Tel. (202) 554-1404

Standards Code and Information Program
Office of Standards Services
National Institute of Standards and Technology
TRF Building, Room A-163
Gaithersburg, MD 20899
USA
Tel. (301) 975-4040
Fax. (301) 926-1559

Underwriters Laboratories
1285 Walt Whitman Road
Melville
Long Island, New York 11746
USA
Tel. (516) 271-6200

CANADA

Communications Branch
Office de la Langue Francaise
(French Language Office)
Government of Quebec
800 Place Victoria
Montreal, Quebec H4Z 1G8
Canada
Tel. (514) 873-6565

Merchandise Standards Division
Consumer Products
Industry Canada
50 Victoria Street
Place du Portage
16th Floor
Hull, Quebec K1A 0C9
Canada
Tel. (819) 904-2814

Canadian General Standards Board
Sales Unit
Ottawa, Ontario K1A 1G6
Canada
Tel. (819) 941-8703, 941-8704
Fax. (819) 941-8705

Food Production and Inspection Branch
Dairy, Fruit and Vegetable Division
Agriculture and Agri-Food Canada
59 Camelot
Nepean, Ontario K1A 0Y9
Canada
Tel. (613) 952-8000

Attn. Fertilizers
Agriculture and Agri-Food Canada
Plant Industry Directorate
59 Camelot, 3rd Floor East
Nepean, Ontario K1A 0Y9
Canada
Tel. (613) 952-8000

Commercial, Verification & Enforcement
Revenue Canada (Under Tariffs, above).

UNITED STATES

Uniform Code Council
8163 Old Yankee Rd., Suite J
Dayton, Ohio 45458
USA
Tel. (513) 435-3870

Food and Drug Administration
Office of Food Labeling (HFS-156)
200 C Street, N.W.
Washington, D.C. 20204
USA
Tel. (202) 205-5233

Food and Drug Administration
Office of Seafood
200 C Street, N.W.
Washington, D.C. 20204
USA
Tel. (202) 418-3150

Federal Trade Commission
Bureau of Consumer Protection
Washington, D.C. 20580
USA
Tel. (202) 326-3029

Federal Trade Commission
Division of Enforcement
Washington, D.C. 20580
USA
Tel. (202) 326-2996

Office of Hazardous Materials
US Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590-0001
USA
Tel. (202) 366-4488

DOCUMENTATION

CANADA

Textiles & Clothing Trade Policy Division
Export & Import Controls Bureau
Department of Foreign Affairs and International Trade
P.O. Box 481, Station A
Ottawa, Ontario K1N 9K6
Canada
Tel. (613) 996-3711
Fax. (613) 995-5137

Tariff Programs
Revenue Canada (Customs and Excise)
MacKenzie Avenue
Ottawa, Ontario K1A 0L5
Canada
Tel. (613) 954-7048
Fax. (613) 990-8853

MEXICO

Secretariat for Commerce and Industrial Promotion
(Secretaria de Comercio y Fomento Industrial - SECOFI)
Direccion General de Servicios al Comercio Exterior
Alfonso Reyes No. 30 Piso 10
Col. Hipodromo de la Condesa
06170 Mexico, D.F.
Mexico
Tel. (5) 286-1757
Fax. (5) 286-1543

UNITED STATES

Patent & Trademark Office
Washington, D.C. 20231
USA
Tel. (703) 308-4357

Commissioner of Customs
Washington, DC 20229
USA
Tel. (202) 927-1662

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Marlborough House, Pall Mall, London SW1Y 5HX