



t's 3 p.m. Friday; the temperature hovers around 35°C. Trailers line the highway from Laredo, Texas to Nuevo Laredo, Mexico. Frequently the line of traffic is four to five kilometres long and halted: some truck drivers stand outside their cabs shooting the breeze with their fellow drivers, others read or doze in their air-conditioned cabs.

Laredo is the busiest land route into Mexico. A steady stream of traffic flows in, Monday through Friday, 12 hours a day. Only the volume varies – some days, 2000 vehicles rumble across the bridge over the Rio Grande.

As they move closer to the border, truckers watch the flashing traffic light in the distance. Drivers know that a red light signals automatic inspection by Mexican customs.

"It's like playing the lottery. You never know when it's going to be your turn ... one out of ten vehicles is routinely stopped and thoroughly inspected," states Julio Lasky, Director of Livingston Trade Services, Mexico, a division of Livingston Group Inc., headquartered in Toronto, Ontario.

Helping products move across international boundaries is Livingston Group Inc.'s stock in trade. "Every day we help customers by providing superior quality and value in servicing their trade and logistics requirements," emphasizes Lasky. With a staff of over 2500 people in Canada and the United States, the company provides a full range of services designed to facilitate the distribution, transportation and cross-border movement of products.

The tangible component of trade is merchandise, but it is services like those provided by Livingston that move those goods across borders. And it's services that are increasingly driving the new North American market.

SERVICING NORTH AMERICA

Nuala Beck, author of *Shifting Gears*, sees services – not manufacturing – as the driving force behind the new economy of the 1990s and beyond. Companies in the services industry provide a wide range of services, an increasing number of which are knowledge-based and

What is "North American"?

Just as Canadian companies were beginning to understand and be somewhat comfortable with the FTA rules, along came the NAFTA. This agreement established new guidelines to determine which products "made in North America" qualify for duty-free status – new guidelines that shippers need to understand.

The NAFTA, which came into force in January 1994, will eliminate tariffs on all North American-produced goods within 15 years. In fact, the vast majority of tariffs will be gone in 10 years. "By introducing a gradual process similar to the FTA, it allows the economies and industries within Canada, the U.S. and Mexico to make the necessary internal adjustments," says Julio Lasky, Director of Livingston Trade Services, Mexico.

So how does a seasoned or novice shipper determine whether a product qualifies as North American under the NAFTA? Every product must be qualified under the new rules of origin, not under the old FTA rules. When shipping a watch, for example, the origin of every detail – from the paint on the face to the inner

workings to the watchband – must be documented.

A product that is 100 percent grown, mined and/or produced in a NAFTA country obviously qualifies as North American. It can also qualify if it has a different Harmonized System tariff

classification than the parts of which it is made, which means it has been substantially transformed in North America.

For most products, components made in a NAFTA country must comprise 60 percent of the product's retail price or 50 percent of its manufacturing cost. Special rules apply to textiles and automobiles.

"It is our role to help our customers navigate the change in rules and regulations," explains Lasky. Livingston has a NAFTA-specific expert software package called ORIGIN™ to help rapidly determine whether a particular product meets the NAFTA rules of origin and to provide a determination on the product's compliance under the NAFTA. It will also identify any non-qualifying components if the product does not comply. Also comprising the entire legal text and annexes of the NAFTA, ORIGIN™ is just one of a series of technology-based expert-system software products Livingston is developing to match the changing needs of international trade.



Julio Lasky, Livingston Trade Services, Mexico

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