

NAFTA Rules of Origin

What is the purpose of rules of origin?

We need rules of origin to provide objective criteria for determining whether or not goods are eligible for the benefits that NAFTA provides.

Sometimes it's obvious whether or not a product originates in a particular country. For instance, if paper is made in Canada from Canadian trees, the paper obviously originates in Canada. However, if envelopes are folded in Canada from paper made in Brazil, the country of origin is questionable. The NAFTA rules of origin provide a precise answer to such questions.

On page 7 of this publication, we provide a step-by-step guide that explains how to determine whether or not a good originates in a NAFTA country.

How do goods qualify as originating?

To be considered an **originating good**, the good has to meet one of the five requirements set out in the NAFTA rules of origin.

These five ways to qualify as originating under the rules of origin are as follows:

- a good is considered originating if that good is **wholly obtained or produced** in a NAFTA country (including those goods that are entirely grown, fished, or mined in a member country – it does not include goods purchased in a NAFTA country that were imported from a non-NAFTA country);
- a good is considered originating if that good is made up entirely of **components and materials** that qualify in their own right as goods that originate in a NAFTA country;
- a good is considered originating if that good meets the requirements of a **specific rule of origin** for that product, as listed in NAFTA Annex 401;

- a good is considered originating if that good qualifies under NAFTA **article 401(d)**, which only applies to a few cases; and
- a good is considered originating if it is automatic data processing equipment or parts qualifying under the provisions of Annex 308.1.

Of these five qualifications, the most common is the third, which applies to a good that includes any non-originating materials in its production.

What are non-originating materials?

The non-originating materials used to produce the good are those materials or components that would not qualify as originating under the NAFTA rules of origin.

Non-originating materials are:

- materials or components you import from a non-NAFTA country; or
- materials produced in a NAFTA country but, because of the high level of off-shore input used to produce them, do not meet the rule of origin.

Note

You have to treat any material of unknown or unconfirmed origin as a non-originating material.

How Do the Specific Rules of Origin Work?

NAFTA provides a specific rule of origin for every type of good that incorporates non-originating materials. In many cases, two different rules may apply to a good, and the good may qualify under either rule.