

It has been reported that at least one company has been formed to aid other companies wishing to relocate entirely outside of Canada. **Bottom Line Technologies** advertises that it advises on what it calls "the highly skilled, low-cost labour reservoir" of Mexico and promises to oversee "the secret transfer of entire plant operations to Mexico".

3.4.3 Rules of Origin:

Since maquiladora goods enter the United States effectively tariff free, there has been concern that goods produced in the maquiladora will be able to enter Canada duty free.

Recent directives from the U.S. Commerce Department make clear that the United States intends not to grant U.S. status to goods which are further processed in a third country before being shipped to their final destination. It says:

in particular, goods produced by either U.S.- or Canadian-owned maquiladora operations in Mexico or other countries do not qualify, regardless of the value of the U.S. and/or Canadian content.⁸⁹

However, the same directive describes several situations in which goods that are returned to the United States for further processing or incorporation into other products might be deemed of U.S. national origin and accordingly be able to enter Canada duty free under the FTA.

Under Article 3 of the FTA, acquiring or reacquiring domestic origin can occur in one of three ways:

- accessories, spare parts, or tools that are delivered as standard equipment with any equipment, machinery, apparatus or vehicle are deemed to be of the same national origin;
- goods which are materially transformed in the United States or Canada can qualify. However, the change of tariff classification must not have been devised to circumvent the rules, such as simply diluting, finishing, packaging or combining goods;
- some goods must also contain at least 50 per cent (and in some cases, 70 per cent) value-added in Canada or the United States to qualify.

Under these rules, it may be possible for component parts built or assembled in Mexico to be returned to the United States, and transformed sufficiently to change their classification and be deemed of domestic origin if subsequently exported to Canada from the United States.

⁸⁹ UNITED STATES *Department of Commerce* 1989 Guide to Exporting Procedures page 11.