

RULES OF ORIGIN

To qualify for preferential tariff treatment within the North American free trade area, goods must:

- be wholly obtained within the free trade area or produced entirely from such materials; or,
- if the good includes inputs sourced from outside North America, the final product must undergo a change of tariff classification (as specified in NAFTA); or,
- meet one of two North American value-added calculations (for certain goods in specific circumstances).

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Rules of origin allow customs officials to determine whether a product should be accorded preferential tariff treatment under the trade agreement. To receive preferential tariff treatment under NAFTA, goods must include a predetermined level of economic activity that has been applied within North America.

Specifically, the rules of origin set out in NAFTA serve three main objectives:

1. to provide clear rules that give certainty and predictability to producers, exporters and importers, and address the problems experienced under the FTA rules of origin;
2. to avoid imposing unnecessary burdens on exporters or importers claiming benefits under NAFTA; and,
3. to ensure that NAFTA benefits are accorded only to goods that originate in NAFTA countries and not to goods that are made elsewhere and/or that undergo only minor processing in North America.

In addition to these objectives, the three NAFTA signatories have committed themselves to improving the procedures used to apply the rules of origin and to avoid, or quickly settle, disputes arising because of them. Finally, the Agreement also includes a commitment from all three countries to develop a common set of regulations regarding rules of origin. This will improve the certainty and confidence with which exporters in Canada, the United States and Mexico go about their business in the North American free trade area.

If NAFTA is ratified, these rules and procedures will replace those in the FTA. The most important are set out below.

CERTIFICATE OF ORIGIN

Under NAFTA, every exporter will have to complete and sign a Certificate of Origin for any good that involves preferential tariff treatment. If the exporter is not the producer of the good, the exporter may sign the certificate based on: his/her knowledge of the good, the producer's written statement that the good qualifies as an originating good, or a completed and signed Certificate provided by the producer. The producer does not have to provide a Certificate of Origin to the exporter. Each customs administration will accept a Certificate of Origin for a period of four years after the date of signature.

EXCEPTIONS: A Certificate of Origin is not required for a good whose value is less than U.S. \$1,000 although an invoice may be required certifying that the good qualifies as an originating good.

EXPORTER OBLIGATIONS: If an exporter is given a Certificate of Origin from another exporter or producer then the Certificate must be provided to the customs administration on request. If an exporter has reason to believe that a Certificate does not contain accurate information, then the exporter must notify all persons who have received the Certificate.

