

7. THE NORTH AMERICAN FREE TRADE AGREEMENT RULES OF ORIGIN

NAFTA RULES OF ORIGIN

A good can qualify for preferential tariff treatment within the North American free trade area in any one of four ways:

1. the good is wholly obtained within the free trade area. This means that it is mined, fished, grown, or otherwise produced in one of the NAFTA countries;
2. the good contains non-originating materials and:
 - a) the production of the good caused the non-originating materials to undergo a tariff classification change as set out in Annex 401; and/or
 - b) the good has enough territorial value to pass one of two regional content tests; and/or
 - c) the specific requirement for that good set out in the rules has been met;
3. the good contains non-originating parts that have not undergone a tariff category change, but the good meets one of two regional content tests; and
4. the good is made from materials that in their own right are classified as originating, even though they may include materials from non-NAFTA sources.

There are additional rules that affect certain agricultural products subject to quantitative restrictions in the importing country.

The North American Free Trade Agreement (NAFTA) rules of origin are used by customs officials to determine whether a product should be accorded preferential tariff treatment under the Trade Agreement. To receive preferential treatment, goods must include a predetermined level of value-added that has been applied within North America. To demonstrate that a product qualifies, the exporter must complete and sign a certificate of origin for each product. This certificate is discussed in section 6 of this publication.

PURPOSE

The North American Free Trade Agreement (NAFTA) rules of origin serve three main objectives:

- to provide clear rules that give certainty and predictability to producers, exporters and importers;
- to avoid imposing unnecessary burdens on exporters or importers claiming benefits under the NAFTA; and
- to ensure that the NAFTA benefits are accorded only to goods that originate in the NAFTA countries.

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. 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.

EXPORTER OBLIGATIONS

The exporter must prepare and sign a certificate of origin that certifies the North American content of the product. If the exporter is the producer of the good, this obligation is met by identifying the materials used in its manufacture and applying the rules of origin in the North American Free Trade Agreement (NAFTA) Annex 401. If the exporter is not the producer, the exporter may sign the certificate based on direct knowledge of the good, the producer's written statement, or a signed certificate completed by the producer.