

USTR Proposal

The Office of the United States Trade Representative (USTR) has published notice seeking proposals on liberalizing the NAFTA rules of origin and harmonizing the most favored nation (MFN) tariff rates of the United States, Canada, and Mexico. 68 Fed. Reg. 69,430 (Dec. 12, 2003). Proposals must be submitted to the USTR by February 6, 2004.

Under the NAFTA, duty free treatment for trade in goods between the countries is provided only to products that qualify under the established rules of origin. The NAFTA, however, allows the parties to change the rules of origin on specific products if all NAFTA countries agree to such changes. For example, since implementation of the NAFTA in 1994, the chemical and petroleum industries have successfully changed the NAFTA origin rules to allow duty free, NAFTA origin treatment to products produced using more foreign sourced materials and having less processing in the NAFTA territories. Changes to NAFTA rules of origin may also include liberalizing drawback restrictions and expanding inventory management use.

In addition, the NAFTA allows the parties to harmonize and reduce MFN duties (i.e., duties assessed by each country on goods imported from all WTO countries not entitled to NAFTA benefits). For example, in 1997, the NAFTA countries agreed to reduce all duties on computer and semi-conductor equipment to zero. Importantly, to change the rules of origin or MFN tariff rates on specific products,

the proposal must have broad industry support.

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