



## NAFTA

### NORTH AMERICAN FREE TRADE AGREEMENT

The North American Free Trade Agreement (NAFTA) was implemented in 1994 and established a free trade area between Canada, Mexico and the United States. At its 10<sup>th</sup> anniversary, U.S. exports to NAFTA partners had risen 88%. U.S. exports to Mexico were up 134%, while U.S. exports to Canada increased 66%. In 2009, the United States exported nearly \$334 billion in goods to Mexico and Canada. Cross-border service exports were estimated at \$70 billion in 2008.

#### Virginia's Top Exports to NAFTA Partners in 2009:

- *Industrial machinery*
- *Vehicles*
- *Paper and paperboard*
- *Electrical machinery*
- *Plastic products*
- *Mineral fuels, i.e., coal*

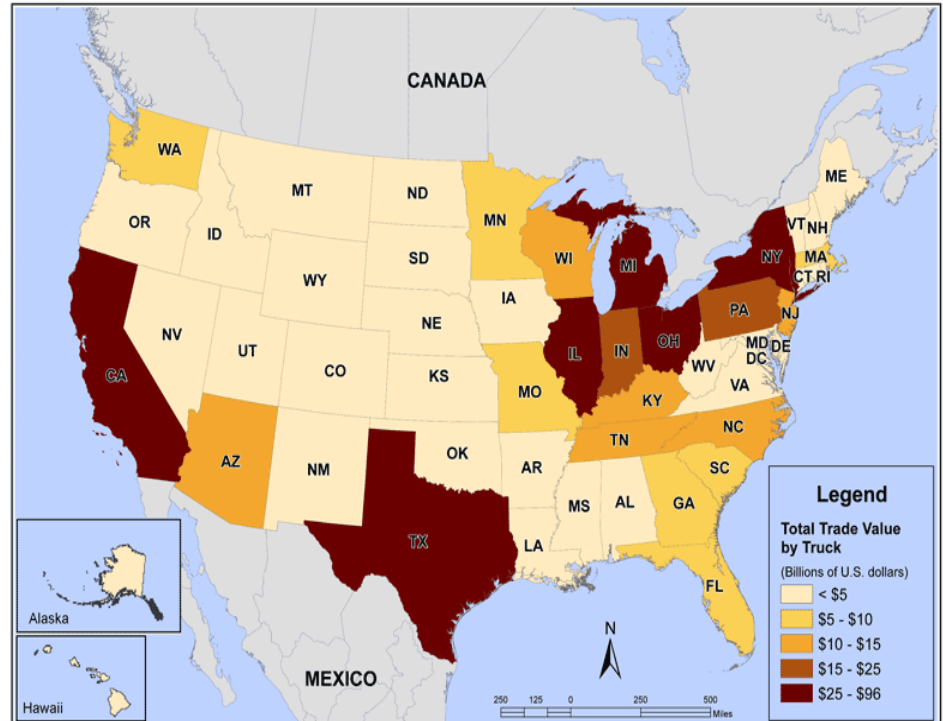
Virginia's exports to the NAFTA region in 2009 were valued at \$3.02 billion. This figure represented over 20% of Virginia's total worldwide exports that year, which were valued at \$15.05 billion.

Exports via Virginia to Canada in 2009 were valued at \$2.27 billion, making Canada Virginia's largest export market, with a 15% share of total Virginia exports. Exports via Virginia to Mexico in 2009 were valued at \$751.6 million, rising 10%, while shipments to other countries diminished.

Moving from tenth to Virginia's fifth largest export market in 2009, Mexico received large increases of vehicles, paper/paperboard, pharmaceuticals, tobacco, and photographic chemicals.

#### NAFTA Rules of Origin

Only goods that qualify under the NAFTA Rules of Origin can obtain NAFTA tariff preference (reduced or eliminated tariffs). The NAFTA Rules of Origin take into account where the goods are produced, what materials are used to produce them, and where those materials originate. The purpose is to ensure that North American goods traded among the three NAFTA partner countries receive preferential tariff treatment. Products of other countries merely being transshipped through, or undergoing only minor operations in, North America are not eligible for NAFTA benefits, whereas a product undergoing a major transformation in a manufacturing process in the U.S. may qualify.



#### Total Trade Value by Truck Between U.S. States and NAFTA Partners, 2007

Approximately 90% of export shipments via Virginia to the NAFTA region are completed by land-based transportation (rail and truck).

(Bureau of Transportation Statistics)



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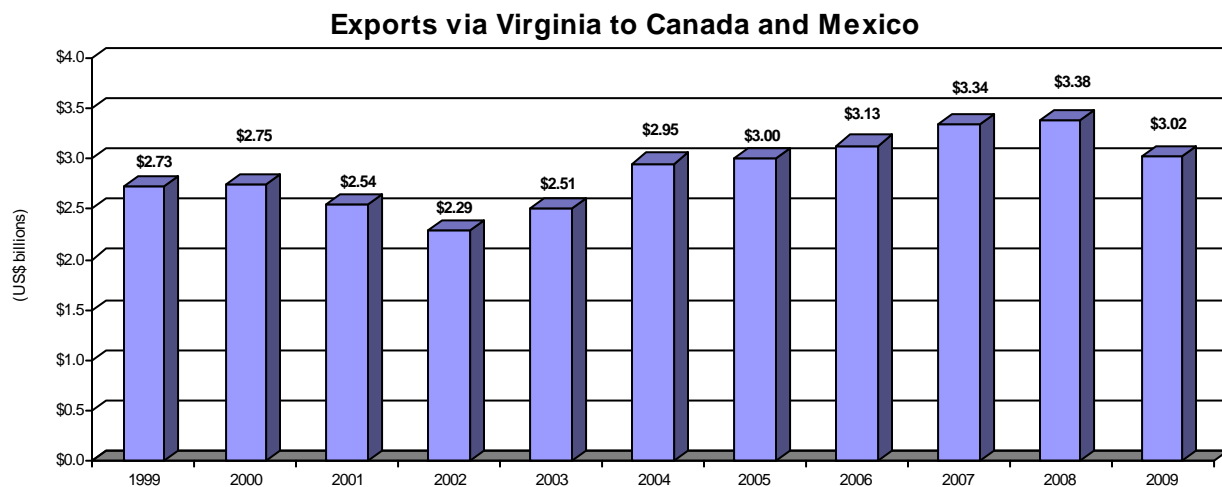
For example, a block of aluminum brought into the U.S. by a manufacturer that “transforms” that product into an extruded part for a street light would qualify under NAFTA Preference B (see listings of preference criteria below).

Exporters need to fill out a NAFTA Certificate of Origin (after confirming their goods qualify for the NAFTA Rules of Origin) and provide this certificate to their importer in order for the importer to claim NAFTA tariff preference. There are many resources available to help exporters understand the process of qualifying their products, as well as how to fill out the NAFTA certificate. For a sample Certificate of Origin form and to determine if your product qualifies for preferential tariff treatment under NAFTA’s Rules of Origin provisions, see the “Additional Resources” section at the end of this document.

NAFTA sets out four (A, B, C, and D) "origin criteria," meaning that there are four ways in which goods generally meet the NAFTA Rules of Origin and therefore qualify for NAFTA tariff preference.

- A. Goods "wholly produced or obtained" in the NAFTA region, i.e., they contain no non-NAFTA material.
- B. Goods containing non-originating inputs, but meeting the Annex 401 origin rules, which stipulate that a good meets the Rules of Origin requirement if it undergoes a significant transformation in one of the NAFTA countries.
- C. Goods produced in the NAFTA region wholly from originating materials, i.e. produced from materials which may contain non-NAFTA materials, but meet the NAFTA Rules of Origin.
- D. Unassembled goods and goods classified in the same Harmonized System (HS) category as their parts, which do not meet the Rules of Origin, but contain sufficient North American regional value content. (Goods qualify in this category only in very limited circumstances.)

Special provisions apply for agriculture, some automatic data processing equipment and textile goods. (United States Department of Commerce)



(Source for Graph: World Trade Atlas)



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## VEDP RESOURCES

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### Group Market Visits to Canada:

Toronto and Montreal- October 18-22, 2010\*

Vancouver- March 7-11, 2011\*\*

For more information contact:

\* Ralph Torning, International Trade Manager at (434) 582-5182 or [RTorning@yesvirginia.org](mailto:RTorning@yesvirginia.org).

\*\*Leslie Parpart, VALET Program Manager at (804) 545-5753 or [LParpart@yesvirginia.org](mailto:LParpart@yesvirginia.org).

The VEDP also offers market research and matchmaking assistance to Virginia companies wishing to increase sales to Mexico. Contact Stephanie Tignor, Global Network Manager, for more information: (804) 545-5756 or [STignor@yesvirginia.org](mailto:STignor@yesvirginia.org).

**Other Services:** The VEDP offers a number of export-related services to Virginia businesses, including independent market visits and market research by our Global Network of in-country consultants. These services are available to all Virginia exporters. For more information, please visit our website: [www.exportvirginia.org](http://www.exportvirginia.org).

## ADDITIONAL RESOURCES

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- NAFTA Certificate of Origin Interactive Tool: <http://www.export.gov/fta/NAFTA/>
- NAFTA Certificate of Origin form- Sample: [http://forms.cbp.gov/pdf/CBP\\_Form\\_434.pdf](http://forms.cbp.gov/pdf/CBP_Form_434.pdf)
- United States Commerce Department  
Office of NAFTA and Inter-American Affairs: <http://www.export.gov/FTA/nafta/index.asp>  
NAFTA Resources: <http://www.buyusa.gov/mexico/en/nafta.html>
- Department of Homeland Security. United States Customs and Border Protection.  
North American Free Trade Agreement: [http://www.cbp.gov/nafta/nafta\\_new.htm](http://www.cbp.gov/nafta/nafta_new.htm)
- United States Trade Representative- NAFTA: <http://www.ustr.gov/trade-agreements>

## WORKS CITED

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Global Trade Information Services. World Trade Atlas. State Export Edition. Available by subscription. <<http://www.worldtradestatistics.com/state/>>

United States Department of Commerce. North American Free Trade Agreement. <<http://www.export.gov/fta/NAFTA/>>

United States Transportation Department. Bureau of Transportation Statistics. Commodity Flow Survey. 2007. <<http://www.bts.gov/publications>>

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