



COLE INTERNATIONAL

NAFTA

Customs Brokerage Transportation/Warehousing Consulting

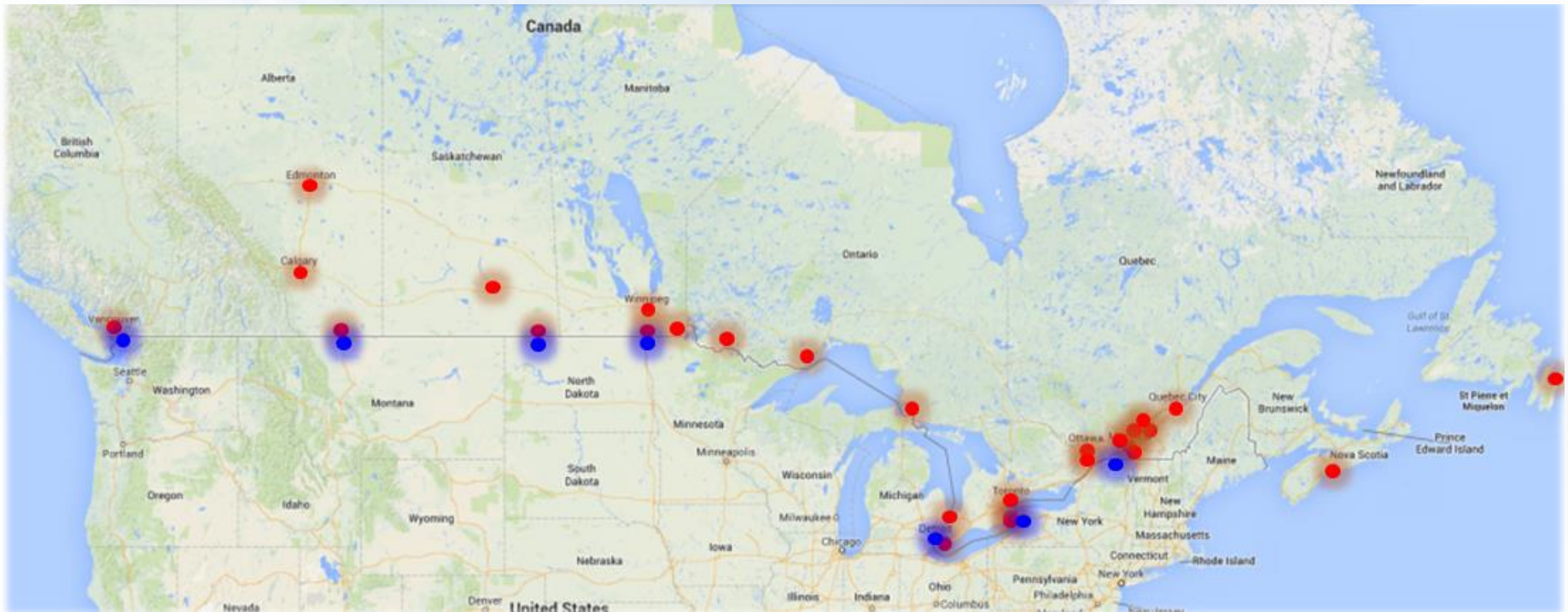


COLE INTERNATIONAL

- ◆ For more than 50 years, Cole has been honing and expanding our capabilities in customs brokerage, freight forwarding, warehousing in addition to customs, sales tax and compliance consulting.
- ◆ With offices in all major Canadian cities and in strategic locations throughout the United States (including all major Canada/U.S. border crossings), Cole International ensures your goods are classified, compliant and cleared at the border more efficiently than ever before.

COLE INTERNATIONAL

Anywhere you need us, you'll find us.



COLE INTERNATIONAL

- ◆ Michael Dahm – Senior Trade Advisor
 - ✧ Experienced professional in Customs Compliance specializing in trade compliance and U.S. Customs procedures

- ◆ Raluca Mihalceanu – Trade Compliance Specialist
 - ✧ 17 years of experience in Customs Compliance with a focus on Free Trade Agreements (FTAs) and Duty Recovery

NAFTA

North American Free Trade Agreement

- ◆ A free trade agreement implemented in 1994 by the United States, Canada and Mexico
- ◆ NAFTA is the world's largest Free Trade Agreement
- ◆ Allows for (mostly) duty free trade of goods and services between NAFTA partners and the removal of non-tariff barriers to trade

WHEN DOES NAFTA APPLY?

- ◆ Goods traded between the 3 NAFTA countries
- ◆ Goods manufactured in a NAFTA country which meet the NAFTA rules of origin
 - ✧ Wholly obtained
 - ✧ Tariff shift
 - ✧ Regional value content
- ◆ Goods listed on a NAFTA Certificate of Origin
- ◆ Refunds within one year if a NAFTA Certificate of Origin is not available at time of customs release

**NORTH AMERICAN FREE TRADE AGREEMENT
CERTIFICATE OF ORIGIN**

19 CFR 181.11, 181.22

1. EXPORTER NAME, ADDRESS AND EMAIL RALUCA COMPANY TORONTO, ONTARIO CANADA TAX IDENTIFICATION NUMBER: 123456789	2. BLANKET PERIOD FROM (mm/dd/yyyy) 01/01/2018 TO (mm/dd/yyyy) 12/31/2018
3. PRODUCER NAME, ADDRESS AND EMAIL AVAILABLE UPON REQUEST TAX IDENTIFICATION NUMBER:	4. IMPORTER NAME, ADDRESS AND EMAIL MIKE COMPANY GRAND ISLAND, NEW YORK UNITED STATES TAX IDENTIFICATION NUMBER: 12-345678

5. DESCRIPTION OF GOOD(S)	6. HS TARIFF CLASSIFICATION NUMBER	7. PREFERENCE CRITERION	8. PRODUCER	9. NET COST	10. COUNTRY OF ORIGIN
KITCHEN CABINET DOORS	9403.90	A	YES	NC	CANADA

I CERTIFY THAT:

- THE INFORMATION ON THIS DOCUMENT IS TRUE AND ACCURATE AND I ASSUME THE RESPONSIBILITY FOR PROVING SUCH REPRESENTATIONS. I UNDERSTAND THAT I AM LIABLE FOR ANY FALSE STATEMENTS OR MATERIAL OMISSIONS MADE ON OR IN CONNECTION WITH THIS DOCUMENT;
- I AGREE TO MAINTAIN AND PRESENT UPON REQUEST, DOCUMENTATION NECESSARY TO SUPPORT THIS CERTIFICATE, AND TO INFORM, IN WRITING, ALL PERSONS TO WHOM THE CERTIFICATE WAS GIVEN OF ANY CHANGES THAT COULD AFFECT THE ACCURACY OR VALIDITY OF THIS CERTIFICATE;
- THE GOODS ORIGINATED IN THE TERRITORY OF ONE OR MORE OF THE PARTIES, AND COMPLY WITH THE ORIGIN REQUIREMENTS SPECIFIED FOR THOSE GOODS IN THE NORTH AMERICAN FREE TRADE AGREEMENT AND UNLESS SPECIFICALLY EXEMPTED IN ARTICLE 411 OR ANNEX 401, THERE HAS BEEN NO FURTHER PRODUCTION OR ANY OTHER OPERATION OUTSIDE THE TERRITORIES OF THE PARTIES; AND
- THIS CERTIFICATE CONSISTS OF PAGES, INCLUDING ALL ATTACHMENTS.

11a. AUTHORIZED SIGNATURE	11b. COMPANY RALUCA COMPANY
11c. NAME RALUCA MIHALCEANU	11d. TITLE TRADE COMPLIANCE SPECIALIST
11e. DATE (mm/dd/yyyy) 01/01/2018	11f. TELEPHONE NUMBERS (Voice) 905-672-6255 (Facsimile) <input type="text"/> 11g. EMAIL RALUCA@EMAIL.COM

AUDITS

- ◆ Customs will send a letter either directly to the importer or to the vendor
- ◆ Purpose is to confirm that imported goods comply with the NAFTA Rules of Origin and are eligible for zero duty rates
- ◆ Audits may be conducted by the U.S. Customs and Border Protection (CBP), the Canada Border Services Agency (CBSA) or the Mexico Central Audit Administration of Foreign Trade
- ◆ Written questionnaires or onsite verification visits

FAILED AUDIT

- ◆ Importer may be assessed additional duties and taxes
- ◆ Importer may have to correct entries for 1-4 years
- ◆ Importer may be assessed additional penalties
 - ✧ Canada – fines for not providing a NAFTA certificate (\$150-\$450 per instance)
 - ✧ US fine – Loss of NAFTA privileges
 - ✧ US fine – Negligence up to 2X loss of revenue
 - Gross Negligence up to 4X loss of revenue
 - Fraud up to 8 X loss of revenue
- ◆ Impact on relationship with business partner

SO...WHAT'S HAPPENING WITH NAFTA NOW?

HISTORY

◆ HOW DID THIS ALL START AND WHY

- ✧ Presidential election campaign platform to defend the American position
- ✧ NAFTA talks were launched 2017 after President Trump said the 1994 agreement should be overhauled to better favor American interests or Washington would withdraw.
- ✧ All parties have agreed to confidentiality in regards to disclosure on the other parties positions.
- ✧ 8TH round of negotiations concluded early March 2018 and was said to be the most positive round to date.

NEGOTIATIONS

- ◆ **30 CHAPTERS TO THE NEGOTIATIONS** (Including but not limited to)
 - ✧ Services, Trade in Goods, Mobility, Financial Services, Energy, Government Procurement, DeMinimus Thresholds, Intellectual Property, Investments, Competition Policy.....

- ◆ **PRIMARILY CONCERNED WITH:**
 - ✧ Reducing Bilateral Merchandise Trade Deficits
 - ✧ Revision of Rules of Origin

US OBJECTIVES

- ◆ INCLUDING BUT NOT LIMITED TO
 - ✧ Trade in industrial goods
 - ✧ Trade in agricultural goods
 - ✧ Customs Trade Facilitation
 - ✧ Rules of Origin

US – TRADE IN INDUSTRIAL GOODS

- ◆ Improve the U.S. trade balance and reduce the trade deficit with the NAFTA countries
- ◆ Maintain existing reciprocal duty-free market access for industrial goods and remove non-tariff barriers that constrain U.S. exports to NAFTA countries

US – TRADE IN AGRICULTURAL GOODS

- ◆ Maintain existing reciprocal duty-free market access for agricultural goods.
- ◆ Expand competitive market opportunities for U.S. agricultural goods in NAFTA countries by reducing or eliminating remaining tariffs.
- ◆ Seek to eliminate non-tariff barriers to U.S. agricultural exports including discriminatory barriers, tariff rate quotas, and other unjustified measures that unfairly limit access to markets for U.S. goods

US – CUSTOMS & TRADE FACILITATION

- ◆ Increase transparency by ensuring that all customs laws, regulations, and procedures are published on the Internet
- ◆ Ensure that shipments are released asap after determining compliance with applicable laws and regulations
- ◆ Provide for a de minimis shipment value comparable to the U.S. de minimis shipment value of \$800.
- ◆ Ensure that NAFTA countries administer customs penalties in an impartial and transparent manner, and avoid conflicts of interest in the administration of penalties.

US – RULES OF ORIGIN

- ◆ Update and strengthen the rules of origin to ensure that the benefits of NAFTA go to products made in the United States and North America.
- ◆ Ensure rules of origin incentivize the sourcing of goods and materials from the United States and North America.
- ◆ Establish origin procedures that streamline certification and verification
- ◆ Promote cooperation with NAFTA countries to ensure that only goods that meet the rules of origin receive NAFTA benefits, prevent duty evasion, and combat customs offences.

CANADIAN OBJECTIVES

- ◆ Labour standards
- ◆ Environmental Standards
- ◆ Chapters on gender and indigenous rights
- ◆ Government procurement
- ◆ Investor state dispute settlement
- ◆ Transfer of professionals

WHERE ARE WE?

- ◆ Advancements on 6-10 Chapters
 - ✧ Telecommunications
 - ✧ Technical Barriers to Trade
 - ✧ Customs and Trade Facilitation
 - ✧ Sanitary and Phytosanitary Measures
 - ✧ Digital Trade
 - ✧ Publication and Administration

WHERE ARE WE?

◆ No Progress

- ✧ Government Procurement
- ✧ Labour
- ✧ Temporary Entry
- ✧ Trade Remedies

◆ Unconventional Proposals

- ✧ Regional Value Content – Automotive
- ✧ Dismantling of Canadian TRQ System (dairy and poultry)
- ✧ Sunset Clause
- ✧ Dispute Resolution and Investment Protection

WHAT COULD HAPPEN?

- ◆ Negotiations successful - Modernized NAFTA in force
- ◆ US President issues Notice of Withdrawal – “Zombie NAFTA”
- ◆ NAFTA is terminated and old US-Canada FTA is resurrected
- ◆ NAFTA is terminated, no agreement, WTO rules

AGREEMENT

- ◆ Negotiations could be successful and we will have a modernized NAFTA Agreement
- ◆ No talks scheduled past April
- ◆ Mexico presidential election – July 2018
- ◆ Ontario/Quebec provincial elections – June/October 2018
- ◆ US mid-term congressional elections – November 2018
- ◆ Changes???

NOTICE OF WITHDRAWAL

- ◆ 6 month notice required
- ◆ Mexico may follow suit; Canadian leaders have advised that they will remain at the table and try to keep negotiations going
- ◆ If U.S. issues notice of withdrawal, we would be in uncharted legal and political territory marked by confusion and uncertainty
- ◆ Negotiation tactic – talks continue
- ◆ U.S. business community and/or Congress may take legal action to block it
- ◆ While the US tries to figure out who “owns” the authority to withdraw we have.....

ZOMBIE NAFTA

- ◆ ZOMBIE NAFTA refers to a place where the agreement is neither alive or dead.
- ◆ Suppliers may not provide NAFTA certificates
- ◆ Customers may decrease purchases for fear of rising costs
- ◆ Investors may hesitate to fund new projects
- ◆ Companies may be unlikely to build or upgrade manufacturing facilities
- ◆ Suppliers/companies may look to other markets

DISSOLUTION

- ◆ WHAT COULD HAPPEN IF NAFTA IS TERMINATED
 - ✧ US – Canada Free Trade Agreement
 - Suspended when NAFTA came into force; may be resurrected however requires Congress/Senate
 - ✧ World Trade Organization
 - Revert to World Trade Organization (WTO) rules where Most Favored Nation (MFN) duty rates and other standard trade rules.
 - ✧ Emergency powers *unlikely*
 - Attempt to use emergency powers to impose higher than WTO MFN rates on certain products from Canada.

PREPARATION

- ◆ Understand what is happening now and what may happen later
- ◆ Determine financial impact on your business
- ◆ Talk to your US/Mexico partners, suppliers and customers
- ◆ Talk to your customs broker and federal/provincial trade agencies
- ◆ Consider Canada's other FTAs

FINANCIAL IMPACT – IMPORTS

- ◆ Raw materials

Product	HS Code	NAFTA Tariff	CA/US FTA Tariff	WTO MFN Tariff
Stain	3208.90.00	zero	zero	6.5%
Laquer	3208.90.90	zero	zero	6.5%
PVC thermofoil	3921.12.00	zero	N/A	zero
Hardwoods	4403.11-4403.99	zero	free	zero
Wood brackets	4420.90.00	zero	N/A	7.0%

- ◆ Tools and machinery

- ◆ Exchange rate

FINANCIAL IMPACT - EXPORTS

◆ Finished Products

Product	HS Code	NAFTA Tariff	CA/US FTA Tariff	WTO MFN Tariff
MDF	4411.13.90	zero	zero	3.9%
Doors	4418.20.80	zero	zero	4.8%
Flooring	4418.99.90	zero	2.5%	3.2%
Corbels	4420.10.00	zero	2.5%	3.2%
Furniture	9403.10-9403.90	zero	zero	zero

◆ Merchandise Processing Fee

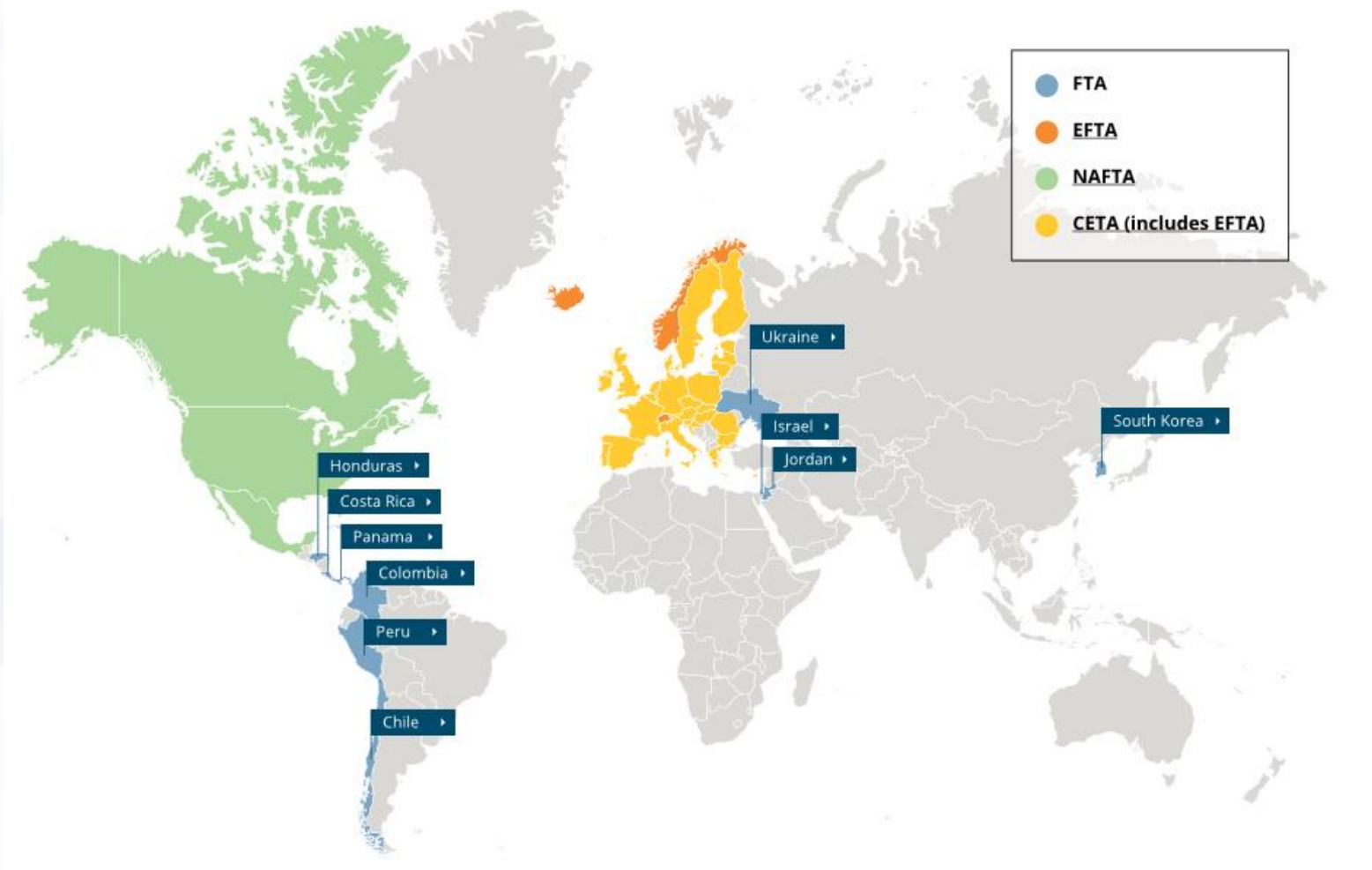
✧ 0.3464% of value (minimum \$25.67, maximum \$497.99)

◆ Exchange rate

BORDER PROCESS

- ◆ No major changes to existing process are expected
- ◆ Regulatory practices, FAST, etc. exist outside of NAFTA
- ◆ Temporary entry for business persons
- ◆ Investment protection

OTHER FTAs



CETA

- ◆ 28 EU member states
- ◆ 500 million consumers
- ◆ GDP in excess of \$16 trillion

Austria	France	Malta
Belgium	Germany	Netherlands
Bulgaria	Greece	Poland
Croatia	Hungary	Portugal
Cyprus	Ireland	Romania
Czech Republic	Italy	Slovakia
Denmark	Latvia	Slovenia
Estonia	Lithuania	Spain
Finland	Luxembourg	Sweden
		United Kingdom (Brexit)

CPTPP

- ◆ 11 countries
- ◆ 459 million consumers
- ◆ GDP in excess of \$12 trillion

Australia	Japan	New Zealand
Brunei	Malaysia	Peru
Chile	Mexico	Singapore
		Vietnam

Questions?



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