

2. For trade between Canada and the United States:

(a) imported citrus products;

(b) an imported good used as a material in the production of, or substituted by an identical or similar good used as a material in the production of, a good provided for in U.S. tariff items 5811.00.20 (quilted cotton piece goods), 5811.00.30 (quilted man-made piece goods) or 6307.90.99 (furniture moving pads) that are subject to the most-favored-nation rate of duty when exported to the territory of the other Party; (Canadian tariff items to be added) and

(c) an imported good used as a material in the production of, or substituted by an identical or similar good used as a material in the production of, apparel that is subject to the most-favored-nation rate of duty when exported to the territory of the other Party.

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ANNEX 303.7

Effective Dates for the Application of Article 303

Section A - Canada

For Canada, Article 303 shall apply to a good imported into the territory of Canada that is:

(a) subsequently exported to the territory of the United States on or after January 1, 1996, or subsequently exported to the territory of Mexico on or after January 1, 2001;

(b) used as a material in the production of another good that is subsequently exported to the territory of the United States on or after January 1, 1996, or used as a material in the production of another good that is subsequently exported to the territory of Mexico on or after January 1, 2001;

(c) substituted by an identical or similar good used as a material in the production of another good that is subsequently exported to the territory of the United States on or after January 1, 1996, or substituted by an identical or similar good used as a material in the production of another good that is subsequently exported to the territory of Mexico on or after January 1, 2001; or

(d) substituted by an identical or similar good that is

subsequently exported to the territory of the United States on or after January 1, 1996, or substituted by an identical or similar good that is subsequently exported to the territory of Mexico on or after January 1, 2001.

Section B - Mexico

For Mexico, Article 303 shall apply to a good imported into the territory of Mexico that is:

- (a) subsequently exported to the territory of another Party on or after January 1, 2001;
- (b) used as a material in the production of another good that is subsequently exported to the territory of another Party on or after January 1, 2001;
- (c) substituted by an identical or similar good used as a material in the production of another good that is subsequently exported to the territory of another Party on or after January 1, 2001; or
- (d) substituted by an identical or similar good that is subsequently exported to the territory of another Party on or after January 1, 2001.

Section C - United States

For the United States, Article 303 shall apply to a good imported into the territory of the United States that is:

- (a) subsequently exported to the territory of Canada on or after January 1, 1996, or subsequently exported to the territory of Mexico on or after January 1, 2001;
- (b) used as a material in the production of another good that is subsequently exported to the territory of Canada on or after January 1, 1996, or used as a material in the production of another good that is subsequently exported to the territory of Mexico on or after January 1, 2001;
- (c) substituted by an identical or similar good used as a material in the production of another good subsequently exported to the territory of Canada on or after January 1, 1996, or substituted by an identical or similar good used as a material in the production of another good subsequently exported to the territory of Mexico on or after January 1, 2001; or
- (d) substituted by an identical or similar good that is subsequently exported to the territory of Canada on or

after January 1, 1996, or substituted by an identical or similar good that is subsequently exported to the territory of Mexico on or after January 1, 2001.

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ANNEX 303.8

Exception to Article 303(8)
For Certain Cathode-Ray Picture Tubes

Mexico

Mexico may refund customs duties paid, or waive or reduce the amount of customs duties owed, on goods provided for in subheading 8540.xx for a person who, during the period July 1, 1991 through June 30, 1992, imported into its territory no fewer than 20,000 units of such goods that would not have been considered to be originating goods had this Agreement been in force during that period, where the goods are:

(a) subsequently exported from the territory of Mexico to the territory of the United States, or are used as materials in the production of other goods that are subsequently exported from the territory of Mexico to the territory of the United States, or are substituted by identical or similar goods used as materials in the production of other goods that are subsequently exported to the territory of the United States, in an amount, for all such persons combined, no greater than

- (i) 1,200,000 units in 1994,
- (ii) 1,000,000 units in 1995,
- (iii) 800,000 units in 1996,
- (iv) 600,000 units in 1997,
- (v) 400,000 units in 1998,
- (vi) 200,000 units in 1999, and
- (vii) zero units in 2000 and thereafter,

provided that the number of goods on which such customs duties may be refunded, waived or reduced in any year shall be reduced, with respect to that year, by the number of such goods qualifying as originating goods during the year immediately preceding that year, considering operations performed in, or materials obtained from, the territories of Canada and the United States as if they were performed in, or obtained from, a non-Party; or

(b) subsequently exported from the territory of Mexico to the territory of Canada, or used as materials in the production of other goods that are subsequently exported from the territory of Mexico to the territory of Canada, or are substituted by identical or similar goods used as materials in the production of other goods that are subsequently exported to the territory of Canada, in an amount no greater than

(i) 75,000 units in 1994,

(ii) 50,000 units in 1995, and

(iii) zero units in 1996 and thereafter.

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ANNEX 304.1

Exceptions for Existing Waiver Measures

Article 304(1) shall not apply in respect of existing Mexican waivers of customs duties, except that:

(a) Mexico shall not increase the ratio of customs duties waived to customs duties owed relative to the performance required under any such waiver; or

(b) Mexico shall not add any type of good to those qualifying on July 1, 1991, in respect of any waiver of customs duties in effect on that date.

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ANNEX 304.2

Continuation of Existing Waiver Measures

For purposes of Article 304(2):

(a) Canada may condition on the fulfillment of a performance requirement the waiver of customs duties under any measure in effect on or before September 28, 1988, on any goods entered or withdrawn from warehouse for consumption before January 1, 1998;

(b) Mexico may condition on the fulfillment of a performance requirement the waiver of customs duties under any measure in effect on July 1, 1991, on any goods entered or withdrawn from warehouse for consumption before January 1, 2001;

(c) as between the United States and Canada, Article 405 of the Canada - United States Free Trade Agreement is incorporated and made part of this Annex solely with respect to measures adopted by Canada or the United States prior to the date of entry into force of this Agreement; and

(d) Canada may grant duty waivers as set out in Annex 300-A.

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ANNEX 307.1

Goods Re-Entered after Repair or Alteration

Section A - Canada

Canada may impose customs duties on goods, regardless of their origin, that re-enter its territory after such goods have been exported from its territory to the territory of another Party for repair or alteration as follows:

(a) for goods set out in section D that re-enter its territory from the territory of Mexico, Canada shall apply to the value of the repair or alteration of such goods the rate of duty for such goods applicable under its Schedule attached to Annex 302.2;

(b) for goods other than those set out in section D that re-enter its territory from the territory of the United States or Mexico, other than goods repaired or altered pursuant to a warranty, Canada shall apply to the value of the repair or alteration of such goods the rate of duty for such goods applicable under the Tariff Schedule of Canada attached to Annex 401.2 of the Canada - United States Free Trade Agreement.

(c) for goods set out in section D that re-enter its territory from the territory of the United States, Canada shall apply to the value of the repair or alteration of such goods the rate of duty for such goods applicable under its Schedule attached to Annex 401.2 of the Canada - United States Free Trade Agreement.

Section B - Mexico

Mexico may impose customs duties on goods set out in section D, regardless of their origin, that re-enter its territory after such goods have been exported from its territory to the territory of another Party for repair or alteration, by applying to the

value of the repair or alteration of those goods the rate of duty for such goods that would apply if such goods were included in staging category B in the Schedule of Mexico attached to Annex 302.2.

Section C - United States

1. The United States may impose customs duties on:

(a) goods set out in section D, or

(b) goods that are not set out in section D and that are not repaired or altered pursuant to a warranty,

regardless of their origin, that re-enter its territory after such goods have been exported from its territory to the territory of Canada for repair or alteration, by applying to the value of the repair or alteration of such goods the rate of duty applicable under the Canada-U.S. Free Trade Agreement.

2. The United States may impose customs duties on goods set out in section D, regardless of their origin, that re-enter its territory after such goods have been exported from its territory to the territory of Mexico for repair or alteration, by applying to the value of the repair or alteration of such goods a rate of duty of 50 percent reduced in five equal annual stages commencing on January 1, 1994, and the value of such repair or alteration shall be duty-free on January 1, 1998.

Section D - List of Goods [description under review]

Any vessel, including the following goods, documented by a Party under its law to engage in foreign or coastwise trade, or a vessel intended to be employed in such trade:

1. Cruise ships, excursion boats, ferry-boats, cargo ships, barges and similar vessels for the transport of persons or goods, including:

(a) tankers;

(b) refrigerated vessels, other than tankers; and

(c) other vessels for the transport of goods and other vessels for the transport of both persons and goods, including open vessels.

2. Fishing vessels, including factory ships and other vessels for processing or preserving fishery products of a registered length not exceeding 30.5m.

3. Light-vessels, fire-floats, dredgers, floating cranes, and other vessels the navigability of which is subsidiary to their

main function, floating docks, floating or submersible drilling or production platforms, including drilling ships, drilling barges and floating drilling rigs.

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ANNEX 307.3

Repair and Rebuilding of Vessels

United States

For the purpose of increasing transparency regarding the types of repairs that may be performed in shipyards outside the territory of the United States that do not result in any loss of privileges for such vessel to:

- (a) remain eligible to engage in coastwise trade or to access U.S. fisheries,
- (b) transport U.S. government cargo, or
- (c) participate in U.S. assistance programs, including the "operating difference subsidy",

the United States shall, no later than the date of entry into force of this Agreement:

- (d) provide written clarification to the other Parties of current U.S. Customs and Coast Guard practices that constitute, and differentiate between, the repair and the rebuilding of vessels, including, where possible, clarifications on "jumboizing", vessel conversions, and emergency repairs, and
- (e) commence a process to define the terms "repairs", "emergency repairs", and "rebuilding" under U.S. maritime legislation, including the Merchant Marine Act of 1920 (codified at 46 U.S.C. App. 883) and the Merchant Marine Act of 1936 (codified at 46 U.S.C. App. 1171, 1176, 1241 and 1241(o)).

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ANNEX 308.1

Most-Favored-Nation Rates of Duty on
Certain Automatic Data Processing Goods and Their Parts

Section A - General Provisions

1. Each Party shall reduce its most-favored-nation rate of duty applicable to the goods provided for under the tariff provisions set out in Tables 308.1.1 and 308.1.2 in section B of this Annex to the rate set out therein, or to such reduced rate as the Parties may agree, in accordance with the Schedule set out in section B of this Annex, or with such accelerated schedule as the Parties may agree.

2. Notwithstanding Chapter 3, when the most-favored-nation rate of duty applicable to a good provided for under the tariff provisions set out in Table 308.1.1 in section B of this Annex has been reduced in accordance with paragraph 1, each Party shall consider the good, when imported into its territory from the territory of another Party, to be an originating good.

3. A Party may reduce in advance of the schedule set out in Table 308.1.1 or Table 308.1.2 in section B of this Annex, or of such accelerated schedule as the Parties may agree, its most-favored-nation rate of duty applicable to any good provided for under the tariff provisions set out therein, to the rate set out therein or to such reduced rate as the Parties may agree.

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Section B - Rates of Duty and Schedule for Reduction

Table 308.1.1

Tariff Rate Schedule

Automatic Data Processing Machines (ADP):

8471.10 3.9% S

8471.20 3.9% S

Digital Processing Units:

8471.91 3.9% S

Input or Output Units:

Combined Input/Output Units:

Canada:

8471.92.90.113.7% S

8471.92.90.123.7% S

8471.92.90.193.7% S

Mexico:

8471.92.h13.7% S

United States:

8471.92.10 3.7% S

Display Units:

Canada:

8471.92.90.323.7% S

8471.92.90.39.a1 3.7% S

8471.92.90.39.a2 Free S

Mexico:

8471.92.h23.7% S

8471.92.h3Free S

United States:

8471.92.30 Free S

8471.92.40.753.7% S

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Other Input or Output Units:

Canada:

8471.92.10.20Free S

8471.92.10.90Free S

8471.92.90.20Free S

8471.92.90.40Free S

8471.92.90.503.7% S

8471.92.90.91Free S

8471.92.90.99Free S

Mexico:

8471.92.h43.7% S

8471.92.h5Free S

United States:

8471.92.20 Free S

8471.92.80 Free S

8471.92.90.20Free S

8471.92.90.403.7% S

8471.92.90.60Free S

8471.92.90.80Free S

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Storage Units

8471.93 Free S

Other Units of Automatic Data Processing Machines

8471.99 Free S

Parts of Computers

8473.30 Free R

Computer Power Supplies

8504.40.a3 Free S

8504.90.a4 Free S

Table 308.1.2

Metal Oxide Varistors:

8533.40.a4Free R

Diodes, Transistors and Similar Semiconductor Devices; Photosensitive Semiconductor Devices; Light Emitting Diodes; Mounted Piezo-electric Crystals

8541.10 Free R

8541.21 Free R

8541.29 Free R

8541.30 Free R

8541.50 Free R

8541.60 Free R

8541.90 Free R

Canada:

8541.20 Free R

Mexico:

8541.20 Free R

United States:

8541.40.20	Free	S
8541.40.60	Free	R
8541.40.70	Free	R
8541.40.80	Free	R
8541.40.95	Free	R

Electronic Integrated Circuits
and Microassemblies

8542	Free	R
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ANNEX 308.2

Most-Favored-Nation Rates of Duty
on Certain Color Television Picture Tubes

1. Any Party considering the reduction of its most-favored-nation rate of customs duty for goods provided for in tariff provision 8540.11.a2 (cathode-ray color television picture tubes, including video monitor cathode-ray tubes, with a diagonal exceeding 14 inches) during the first 10 years after the date of entry into force of this Agreement shall consult with the other Parties in advance of such reduction.

2. If any other Party objects in writing to such reduction, and the Party proceeds with the reduction, any objecting Party may raise its applicable rate of duty on originating goods provided for in the corresponding tariff provision set out in its Schedule attached to Annex 302.2, up to the applicable rate of duty as if such good had been placed in staging category C for purpose of tariff elimination.

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ANNEX 308.3

Most-Favored-Nation Duty-Free
Treatment of Local Area Network Apparatus

Section A - Canada

Canada shall accord most-favored-nation duty-free treatment to goods provided for in item(s) [to be provided] of its tariff schedule.

Section B - Mexico

Mexico shall accord most-favored-nation duty-free treatment to goods provided for in item(s) [to be provided] of its tariff schedule.

Section C - United States

The United States shall accord most-favored-nation duty-free treatment to goods provided for in item(s) [to be provided] of its tariff schedule.

For purposes of this Annex:

local area network apparatus means a good dedicated for use solely or principally to permit the interconnection of automatic data processing machines and units thereof for a network that is used primarily for the sharing of resources such as central processor units, data storage devices and input or output units, including in-line repeaters, converters, concentrators, bridges and routers, and printed circuit assemblies for physical incorporation into automatic data processing machines and units thereof suitable for use solely or principally with a private network, and providing for the transmission, receipt, error-checking, control, signal conversion or correction functions for non-voice data to move through a local area network.

ANNEX 311.2

Existing Customs User Fees

Section A - Mexico

Mexico shall not increase its customs processing fee ("derechos de tr mite aduanero") on originating goods, and shall by June 30, 1999, eliminate such fee on originating goods.

Mexico B - United States

1. The United States shall not increase its merchandise processing fee and shall eliminate such fee according to the schedule set out in Article 403 of the Canada - United States Free Trade Agreement on originating goods where those goods qualify to be marked as goods of Canada pursuant to Annex 312, without regard to whether the goods are marked.

2. The United States shall not increase its merchandise processing fee and shall by June 30, 1999, eliminate such fee, on originating goods where those goods qualify to be marked as goods of Mexico pursuant to Annex 312, without regard to whether the goods are marked.

ANNEX 312

Country of Origin Marking

1. The Parties shall establish by January 1, 1994, rules for determining whether a good is a good of a Party ("Marking Rules") for the purposes of this Annex, Annex 300-B and Annex 302.2, and for such other purposes as may be agreed.

2. Each Party may require that a good of another Party, as determined in accordance with the Marking Rules, imported into its territory bear a country of origin marking that indicates to the ultimate purchaser of that good the name of its country of origin.

3. Each Party shall permit the country of origin marking of a good of another Party to be indicated in English, French or Spanish, except that a Party may, as part of its general consumer information measures, require that an imported good be marked with its country of origin in the same manner as prescribed for goods of that Party.

4. Each Party shall, in adopting, maintaining and administering any measure relating to country of origin marking, minimize the difficulties, costs and inconveniences that such measure may cause to the commerce and industry of the other Parties.

5. Each Party shall:

(a) accept any reasonable method of marking, including the use of stickers, labels, tags or paint, that ensures that the marking is conspicuous, legible and sufficiently permanent;

(b) exempt from a country of origin marking requirement a good of another Party which

(i) is incapable of being marked,

(ii) cannot be marked prior to exportation to the territory of another Party without causing injury to the goods,

(iii) cannot be marked except at an expense which would materially discourage its exportation to the territory of another Party,

(iv) cannot be marked without materially impairing its function or substantially detracting from its appearance,

(v) is in a container that is marked in a manner that will reasonably indicate the good's origin to the ultimate purchaser,

(vi) is a crude substance,

(vii) is imported for use by the importer and is not intended for sale in the form in which it

- was imported,
- (viii) is to be processed in the importing Party by the importer, or on its behalf, in a manner that results in a change of origin for marking purposes, under the Marking Rules,
- (ix) by reason of its character, or the circumstances of its importation, the ultimate purchaser would reasonably know its country of origin even though it is not marked,
- (x) was produced more than 20 years prior to its importation,
- (xi) was imported without the required marking and cannot be marked after its importation except at an expense that would materially discourage its importation, provided that the failure to mark the good before importation was not for the purpose of avoiding compliance with such requirement,
- (xii) for the purposes of temporary duty-free admission, is in transit or in bond or otherwise under customs administration control,
- (xiii) is an original work of art, or
- (xiv) is provided for in headings 8541 or 8542, and 6904.10.

6. Except for a good described in subparagraphs 5(b)(vi),(vii), (viii), (ix), (x), (xii), (xiii) and (xiv), a Party may provide that, wherever a good is exempted under subparagraph 5(b), its outermost container that ordinarily reaches the ultimate purchaser shall be marked so as to indicate the country of origin of the good it contains.

7. Each Party shall provide that:

- (a) a usual container imported empty, whether or not disposable, shall not be required to be marked with its own country of origin, but the container in which it is imported may be required to be marked with the country of origin of its contents; and
- (b) a usual container imported filled, whether or not disposable,
- (i) shall not be required to be marked with its own country of origin, but
- (ii) may be required to be marked with the country of origin of its contents, unless the contents are

marked with their country of origin and the container can be readily opened for inspection of the contents, or the marking of the contents is clearly visible through the container.

8. Each Party shall, whenever administratively practicable, permit an importer to mark a good subsequent to importation but prior to release of the good from customs control or custody, unless there have been repeated violations of the country of origin marking requirements of that Party by the same importer and that importer has been previously notified in writing that such good is required to be marked prior to importation.

9. Each Party shall provide that, except with respect to importers that have been notified under paragraph 8, no special duty or penalty shall be imposed for failure to comply with country of origin marking requirements, unless a good is removed from customs custody or control without being properly marked, or a deceptive marking has been used.

10. The Parties shall cooperate and consult on matters related to this Annex, including additional exemptions from a country of origin marking requirement, in accordance with Chapter Five (Customs Procedures).

11. For purposes of this Annex:

conspicuous means capable of being easily seen with normal handling of the good or container;

legible means capable of being easily read;

materially discourage means add a cost to the good that is substantial in relation to its customs value;

sufficiently permanent means capable of remaining in place until the good reaches the ultimate purchaser, unless deliberately removed;

the form in which it was imported means the condition of the good before it has undergone one of the changes in tariff classification described in the Marking Rules;

ultimate purchaser means the last person in the territory of the Party into which the good is imported that purchases the good in the form in which it was imported; such purchaser need not be the last person that will use the good; and

usual container means the container in which a good will ordinarily reach its ultimate purchaser.

1. Mexico and Canada shall recognize Bourbon Whiskey and Tennessee Whiskey, which is a straight Bourbon Whiskey authorized to be produced only in the State of Tennessee, as distinctive products of the United States. Accordingly, Mexico and Canada shall not permit the sale of any product as Bourbon Whiskey or Tennessee Whiskey, unless it has been manufactured in the United States in accordance with the laws and regulations of the United States governing the manufacture of Bourbon Whiskey and Tennessee Whiskey.

2. The United States and Mexico shall recognize Canadian Whiskey as a distinctive product of Canada. Accordingly, the United States and Mexico shall not permit the sale of any product as Canadian Whiskey, unless it has been manufactured in Canada in accordance with the laws and regulations of Canada governing the manufacture of Canadian Whiskey for consumption in Canada.

3. The United States and Canada shall recognize Tequila and Mezcal as distinctive products of Mexico. Accordingly, the United States and Canada shall not permit the sale of any product as Tequila or Mezcal, unless it has been manufactured in Mexico in accordance with the laws and regulations of Mexico governing the manufacture of Tequila and Mezcal. This provision shall apply to Mezcal, either on the date of entry into force of this Agreement, or 90 days after the date when the official standard for this product is made obligatory by the Government of Mexico, whichever is later.

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ANNEX 315

Export Taxes

Mexico

1. Mexico may adopt or maintain a duty, tax, or other charge on the export of those basic foodstuffs set out in paragraph 4, on their ingredients, or on the goods from which such foodstuffs are derived, if such duty, tax, or other charge is adopted or maintained on the export of such goods to the territory of all other Parties, and is used:

(a) to limit to domestic consumers the benefits of a domestic food assistance program with respect to such foodstuff; or

(b) to ensure the availability of sufficient quantities of such foodstuff to domestic consumers or of sufficient quantities of its ingredients, or of the goods from which such foodstuffs are derived, to a domestic processing industry, when the domestic price of such foodstuff is held below the world price as part of a governmental stabilization plan, provided that such

duty, tax, or other charge

(i) does not operate to increase the protection afforded to such domestic industry, and

(ii) is maintained only for such period of time as is necessary to maintain the integrity of the stabilization plan.

2. Notwithstanding paragraph 1, Mexico may adopt or maintain a duty, tax, or other charge on the export of any foodstuff to the territory of another Party if such duty, tax, or other charge is temporarily applied to relieve critical shortages of that foodstuff. For purposes of this paragraph, "temporarily" means up to one year, or such longer period as the Parties may agree.

3. Mexico may maintain its existing tax on the export of goods provided for under tariff item 4001.30.02 of the Tariff Schedule of the General Export Duty Act ("Tarifa de la Ley del Impuesto General de Exportación") for up to 10 years after the date of entry into force of this Agreement.

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4. For purposes of paragraph 1, "basic foodstuffs" means:

Beans
Beef steak or pulp
Beef liver
Beef remnants and bones ("retazo con hueso")
Beer
Bread
Brown sugar
Canned sardines
Canned tuna
Canned peppers
Chicken broth
Condensed milk
Cooked ham
Corn tortillas
Corn flour
Corn dough
Crackers
Eggs
Evaporated milk
French rolls ("pan blanco")
Gelatine
Ground beef
Instant coffee
Low-priced cookies ("galletas dulces populares")
Margarine
Oat flakes
Pasteurized milk
Powdered chocolate

Powdered milk for children
Powdered milk
Rice
Roasted coffee
Salt
Soft drinks
Soup paste
Tomato puree
Vegetable oil
Vegetable fat
Wheat flour
White sugar

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ANNEX 316

Other Export Measures

Article 316 shall not apply as between Mexico and the other
Parties.