

THE TRADE CONNECTION

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EU - Canada Free Trade Negotiations

The EU member states have announced the adoption of a negotiating mandate for a new economic and free trade agreement between the EU and Canada. Negotiations are expected to begin at the May 6 EU – Canada Summit in Prague. A study was previously undertaken to assess the benefits of closer economic partnership. The study showed that both partners would benefit from a closer economic partnership. The benefits would be the result of services liberalization, lowering of tariffs and reduction of non-tariff barriers. The EU's main exports to Canada are machinery and equipment, chemicals, motor vehicles and parts, transport equipment, petroleum, beverages and processed foods. Canada's main exports to the EU are chemicals, transport equipment, metals, minerals, machinery, paper products and processed foods. Trade in goods between Canada and the EU is worth EURO 49.8 billion, or CAN \$78.7 billion.



Trade Tips

Canada's Free Trade Agreement with the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland) has received Royal Assent and will become effective July 1, 2009.

*The Canada Border Services Agency has announced the initiation of an anti-dumping investigation concerning imports of certain **mattress innerspring units** originating in or exported from the People's Republic of China.*

*The governments of Canada and of the Kingdom of **Morocco** have had discussions concerning a possible **Free Trade Agreement**. Trade between Morocco and Canada was worth \$450 million in 2008 with \$330 million of it in agricultural products.*

UPS Wins at Supreme Court

The March 2008 *Trade Connection* reported the Federal Court of Appeal decision that found UPS was not entitled to deductions from its net GST for GST overpaid for incorrect amounts collected from customers and then refunded to customers. The Supreme Court of Canada has overturned that decision and allowed the UPS deductions. The amount under appeal was close to \$3 million. The position of the Canada Revenue Agency was that UPS had not used the proper rebate procedures to claim back the amounts. The interpretation of the GST legislation by the Supreme Court, however, was such that even though the rebate procedure was not utilized, that UPS had still made an overpayment of GST and was entitled to the reduction of net tax. The Canada Revenue Agency conceded that had UPS followed the rebate procedure then it would have been entitled to the claim. With this, the Supreme Court decided the *Excise Tax Act* would permit the reduction in net tax.

Steel Fasteners

The Canadian International Trade Tribunal has announced the initiation of an expiry review of its findings made on January 7, 2005, in Inquiry No. NQ 2004 005, concerning the dumping of certain carbon steel fasteners, excluding fasteners specifically designed for application in the automotive or aerospace industry, originating in or exported from the People's Republic of China (PRC) and Chinese Taipei and the subsidizing of such products originating in or exported from the PRC, and the dumping of certain stainless steel fasteners, excluding fasteners specifically designed for application in the automotive or aerospace industry, originating in or exported from Chinese Taipei. The Canada Border Services Agency as a result has initiated an investigation to determine whether the expiry is likely to result in the continuation or resumption of dumping and/or subsidizing of the goods.

Customs Self Assessment For Goods From Mexico

The Canada Border Services Agency has announced that effective immediately, commercial goods shipped directly from Mexico are eligible for the Customs Self Assessment Program and there is no requirement that a permit, licence or other similar document be provided to CBSA before the goods are released. The relevant regulations will be amended within 9 to 12 months. The CSA

process will remain as it was according to the following:

- a. importer is CSA approved;
- b. carrier is CSA approved;
- c. in highway mode, the driver is registered as outlined in the *Presentation of Persons (2003) Regulations*; and
- d. the goods are eligible, which now includes all goods from Mexico going to all industry sectors.

NAFTA Verifications

CBSA's web site has an information page entitled "What to Expect From a NAFTA Verification". The intention is to provide a better understanding of the NAFTA verification process. The objective of a verification is to confirm that products covered by a producer or exporter Certificate of Origin qualify as originating goods under NAFTA. The methods can include written questionnaires, verification letters requesting certain information from the exporter or producer, and visits to the exporter's or producer's premises.

Verifications look at various topics including non-qualifying operations, transshipment, tariff classification change, regional value content, and tariff treatment. The verification is for a certain period of time and for certain goods. The notice provides contact information for all three NAFTA countries and further details regarding the process. See the following link: <http://cbsa->

asfc.gc.ca/publications/pub/bsf5083-eng.html.

Tariff Classification of Playground Equipment

The Canadian International Trade Tribunal has made a decision regarding the tariff classification of certain rotating playground equipment, certain non-rotating playground equipment and certain playground boulders. The issue in the appeal was whether these goods should be classified in 9506.99.90 as other articles and equipment for general physical exercise, gymnastics, athletics, other sports (including table-tennis) or outdoor games, not specified or included elsewhere in Chapter 95, as determined by CBSA, or in 9506.99.10 as other articles and equipment for general physical exercise, gymnastics, athletics, other sports (including table-tennis) or outdoor games, not specified or included elsewhere in Chapter 95, for climbing or mountaineering, as claimed by the appellant. Based on the evidence, the Tribunal determined that the goods at issue are used for a significant amount of "climbing" and that this term should not be taken to be restrictive to interpret that the goods be only for climbing. Therefore, the appellant's classification stands.

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