Generalized System of Preferences
HANDBOOK ON THE SCHEME OF CANADA
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This handbook is a part of a series of publications aimed at helping exporters, producers and government officials to utilize the trade opportunities available under the various Generalized System of Preferences (GSP) schemes. The series comprises the following publications:

**Publications in the Generalized System of Preferences series**

- Handbook on the Scheme of Australia  
  (UNCTAD/ITCD/TSB/Misc.56)
- Handbook on the Scheme of Canada  
  (Present volume)
- Handbook on the Scheme of the European Community  
  (UNCTAD/ITCD/TSB/Misc.25/Rev.3)
- Handbook on the Scheme of Japan  
  (UNCTAD/ITCD/TSB/Misc.42/Rev.4)
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- List of GSP Beneficiaries  
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- AGOA: A Preliminary Assessment  
  (UNCTAD/ITCD/TSB/2003/1)
- Quantifying the Benefits Obtained by Developing Countries from the GSP  
  (UNCTAD/ITCD/TSB/Misc.52)
- Trade Preferences for LDCs: An Early Assessment of Benefits and Possible Improvement  
  (UNCTAD/ITCD/TSB/2003/8)

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These publications are also available from http://www.unctad.org/gsp
This handbook has been prepared by the UNCTAD secretariat based on the information below. The official source of information is the regulations, which can be found on the website of the Department of Justice (http://laws-lois.justice.gc.ca/). The D-Memoranda are published by the Canada Border Services Agency (CBSA) and an excellent source of information, as they also contain administrative guidelines, which can be helpful in understanding the provisions of the regulations. They are not, however, the official source of information. When changes are made to the regulations, there can be a delay before the D-Memoranda are updated.

- Customs Tariff, 1 January 2012
  http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/menu-eng.html#current

- Memorandum D11-4-28, Haiti Goods Deemed to be Directly Shipped to Canada for the Purposes of the General Preferential Tariff and the Least Developed Country Tariff, 13 April 2010
  ‣ Haiti Deemed Direct Shipment (General Preferential Tariff and Least Developed Country Tariff) Regulations

  ‣ General Preferential Tariff and Least Developed Country Tariff Rules of Origin Regulations

- Memorandum D11-4-2, Proof of Origin, 16 March 2006
  ‣ Customs Act, Section 35.1, Origin of Goods
  ‣ Proof of Origin of Imported Goods Regulations

- Memorandum D10-15-13, Handicrafts, 1 May 1998
  ‣ Customs Tariff, Tariff item No. 9987.00.00 of Schedule

- Memorandum D11-4-5, Rules of Origin Respecting Caribbean, 17 February 2005
  ‣ Commonwealth Caribbean Countries Tariff Rules of Origin Regulations

- Memorandum D11-4-10, China Direct Shipment Condition Exemption Order, 19 April 2005
  ‣ China Direct Shipment Condition Exemption Order

- Memorandum D11-4-9, Mexico Goods Deemed to be Directly Shipped to Canada for the Purposes of the General Preferential Tariff (GPT), 15 April 2005
  ‣ Mexico Deemed Direct Shipment (General Preferential Tariff) Regulations
This handbook provides a general explanation of Canada's scheme to allow officials and users responsible or involved in GSP issues to gain a better understanding of the scheme.

It is meant to serve as general guide to the Canadian GSP and not intended to provide legal advice. For further inquiries, please contact:

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CHECKLIST: HOW TO BENEFIT FROM THE CANADIAN GSP

Step 1: Establish the product’s tariff classification
Establish the correct tariff classification by identifying the tariff item number based on the Harmonized-System (HS) of the product intended for export to Canada. To do so, check the exact tariff classification and product description in the Customs Tariff (http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/menu-eng.html#current).

Step 2: Check the product coverage
Find out whether your product is eligible for preference under the Canadian GSP scheme. To do so, consult the Customs Tariff.

Step 3: Assess the preferential margin
If your product is eligible for preferential treatment under the Canadian GSP, you should assess the preferential margin to determine the price you can offer your buyer or importer.

Step 4: Comply with origin criteria
Make sure that your product complies with the rules of origin for the Canadian GSP.

Step 5: Check consignment conditions
Make sure that the consignment conditions specified are met.

Step 6: Prepare documentary evidence
The Canadian GSP requires one of the following papers as documentary evidence.

- Certificate of Origin Form A
- Exporter’s Statement of Origin
- Form B255 Textiles and Apparel Goods Originating in a Least Developed Country

Step 7: If you have questions
For questions relating to tariff classification, duties, origin requirements, customs and administrative procedures, contact the Canada Border Services Agency.
THE GSP SCHEME OF CANADA

1. Introduction

Canadian legislation implementing a system of tariff preferences in favour of developing countries was brought into effect on 1 July 1974 as part of a concerted international effort by industrialized countries to help developing countries expand their exports and thereby increase their foreign exchange earnings. Consequently, Canada’s General Preferential Tariff (GPT) – Canada’s designation for the GSP scheme – came into force, and it has been extended several times. Most recently, it was extended until 30 June 2014.\(^1\)

The GPT rates and coverage were modified several times. A major review was undertaken in 1995 to take into account the effect of erosion on the margin of preference resulting from the tariff reductions under the Uruguay Round of Multilateral Trade Negotiations. This action led to an expansion of product coverage and lower GPT rates of duty. Also, Canada expanded product coverage and eased the origin requirements for least developed countries (LDCs). Least Developed Country Tariff (LDCT) is the designation for LDC tariff rates under the Canadian GSP scheme.

The issue of treatment for LDCs is discussed in chapter 5 of this handbook. It should be noted that all countries entitled to LDCT treatment are also GPT beneficiaries.

2. Product Coverage, Preferential Tariff Rates and Beneficiary Countries

Canada grants tariff preferences for selected agricultural and industrial products of export interest to developing countries. Some products, such as certain textiles and apparel, footwear, and chemical products are excluded from GPT. For LDCs, with the exception of over-access dairy, poultry and egg products, Canada provides LDCT to all imports from these countries. The GPT rates range from duty-free to reductions in the most-favoured-nation rate, while the LDCT rates are duty-free. Information on product coverage and tariff reduction under the Canadian GSP is found in the Customs Tariff (http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/menu-eng.html#current).

Beneficiary countries of the Canadian GSP are listed in the Customs Tariff. Since the publication of the previous handbook in December 2001, the following changes have been made with regard to beneficiary countries.

- Effective 30 May 2002, Senegal was designated as an LDCT beneficiary country.
- Effective 24 July 2003, Mongolia was designated as a GPT beneficiary country.
- Effective 1 May 2004, Canada withdrew entitlement to GPT from Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia, owing to their accession to the European Union.
- Effective 6 April 2006, East Timor (Timor Leste) was designated as an LDCT beneficiary country.

3. Rules of Origin

In order to be eligible for GPT and LDCT rates, products from beneficiary countries must meet the Canadian GSP rules of origin. Also, proof of origin of the goods must be supported by the prescribed documentary evidence. General requirements for the rules of origin are explained below. Examples of origin determination are also discussed. The official source of the information on the Canadian GSP rules of origin is the General Preferential Tariff and Least Developed Country Tariff Rules of Origin Regulations (http://laws-lois.justice.gc.ca/PDF/SOR-98-34.pdf).
3.1 Wholly obtained goods

The following goods shall be deemed to be a bona fide product of a beneficiary country and to have originated in the beneficiary country:

(a) Mineral products extracted from the soil or seabed of the country;
(b) Vegetable products harvested in the country;
(c) Live animals born and raised in the country;
(d) Products obtained in the country from live animals;
(e) Products obtained by hunting or fishing in the country;
(f) Products of sea fishing and other marine products taken from the sea by vessels of the country;
(g) Products made on board factory ships of the country exclusively from products referred to in paragraph (f);
(h) Waste and scrap resulting from manufacturing operations of the country;
(i) Used articles of the country imported into Canada for use only for the recovery of raw materials;
(j) Goods produced in the country exclusively from the products referred to in paragraphs (a) to (h)

3.2 Goods with import content

Products manufactured in a beneficiary country are deemed to be originating if the value of the import content is not more than 40 per cent for GPT and not more than 60 per cent for LDCT, of the ex-factory price of the goods as packed for shipment to Canada. In other words, originating contents need to be equal or greater than 60 per cent for GPT and equal or greater than 40 per cent for LDCT, in order to benefit from GPT and LDCT market access. The value of import content is defined as their customs value at the time of importation into the preference-receiving country or, in the case of inputs of undetermined origin, the earliest ascertainable price paid for them in that country. The ex-factory price is the total value of: (a) materials, (b) parts, (c) factory overhead, (d) labour, (e) any other reasonable cost incurred during the normal manufacturing process (e.g. duties and taxes paid on materials imported into a beneficiary country and not refunded when the goods were exported) and (f) a reasonable profit. Any costs incurred subsequent to the goods leaving the factory, such as freight, loading and temporary storage, are not included in the ex-factory price calculation.

3.3 Global cumulation and donor country content

All GPT beneficiary countries are regarded as one single area. Therefore, to calculate GPT originating content, all value-added and manufacturing processes performed in the GPT area may be cumulated as the originating content. Also, any Canadian originating content can be regarded as GPT content. Any parts, materials or inputs used in the production of the goods that have entered the commerce of any country other than a GPT beneficiary country or Canada lose their GPT originating status.

Likewise, all LDCT beneficiary countries are regarded as one single area. Therefore, to calculate LDCT originating content, all value-added and manufacturing processes performed in the area may be cumulated as LDCT content. Any Canadian originating content can be regarded as LDCT content. Also, up to 20 per cent of the ex-factory price of beneficiary country content other than an LDC can be cumulated as LDCT originating content. Furthermore, packing required for the transportation of the goods concerned can be counted as originating content. Packing in which the goods are ordinarily sold for consumption in the LDC concerned is excluded. It should be noted that any parts, materials or inputs used in the production of the goods that have entered the commerce of any country other than an LDCT beneficiary country or Canada lose their LDCT status.
Examples for calculating the percentage of import content under global cumulation and the donor country content rule

a) Radio sets manufactured in the Philippines with an ex-factory price per unit of Can$100 contains the following components:
   (i) Integrated circuits and diodes made in Japan, value per radio set Can$45;
   (ii) Speakers made in Hong Kong (China), value per radio Can$15;
   (iii) Philippine originating component Can$40.

The import content in this case amount to Can$45 (integrated circuits and diodes), accounting for 45 per cent of the ex-factory price, whereas under global cumulation the speakers made in Hong Kong are considered to be GPT content. The radio sets, however, do not qualify as GPT originating products, because the value of the import content exceeds 40 per cent of the ex-factory price. If the integrated circuits and diodes had been made in Canada or in other GPT beneficiary countries, they could have been counted as donor- or GPT beneficiary-country content, and the radio sets would qualify as GPT originating products.

b) Radio sets manufactured in Bangladesh with an ex-factory price per unit of Can$100 contain the following components.
   (i) Integrated circuits and diodes made in Japan, value per radio set Can$55;
   (ii) Speakers made in India, value per radio set Can$20;
   (iii) Bangladesh originating component Can$25.

Bangladesh is an LDCT beneficiary country, and therefore, non-originating content should not be greater than 60 per cent of ex-factory price. GPT beneficiary content can be cumulated up to 20 per cent of the price of the Radio set, i.e., Can$20. Thus, the price of the speakers made in India can be cumulated in the Bangladesh content. Consequently, non-originating contents in this case are integrated circuits and diodes made in Japan, that is, Can$55; accounting for 55 per cent of the ex-factory price of the radio set. Therefore, the radio sets qualify as LDCT originating products.

3.4. Unit of qualification

For the purpose of determining the origin of goods, each article in a shipment shall be considered separately, except where a tariff item specifies that a group, set or assembly shall be considered to be one article. Furthermore, tools, parts and accessories imported with an article that constitute the standard equipment customarily included in the sale of articles of that kind, and the price of which is included in that of the article and for which no separate charge is made, shall be considered as forming a whole with the article. An unassembled article that is imported in more than one shipment because it is not feasible for transport, or production reasons to import it in one shipment shall be considered to be one article.

3.5. Direct shipment

The goods for which preferential treatment is claimed must be shipped directly from the preference-receiving country of origin to a Canadian consignee in Canada.

Goods imported into Canada from a beneficiary country but passing in transit through the territory of an intermediate country will lose their GPT or LDCT eligibility unless the following conditions are met:

(a) They remain under customs transit control in the intermediate country;
(b) They do not undergo any operations in the intermediate country other than unloading, reloading, splitting up of loads or operations required to keep the goods in good condition;
(c) They do not enter into the trade or consumption in the intermediate country;
(d) They do not remain in temporary storage in the intermediate country for a period exceeding six months.
Some exceptions exist where goods may be entitled to alternative shipping requirements. These include Mexican goods transhipped through a port of the United States of America adjacent to the Mexico-United States border, Chinese goods transhipped through Hong Kong (China), and Haitian goods transhipped from a port in the Dominican Republic. In all these cases, a through bill of lading to a consignee in Canada is required. More information on these exceptions is contained in Mexico Deemed Direct Shipment (General Preferential Tariff) Regulations (http://laws-lois.justice.gc.ca/PDF/SOR-98-37.pdf), China Direct Shipment Condition Exemption Order (http://laws-lois.justice.gc.ca/PDF/SOR-85-156.pdf) and Haiti Deemed Direct Shipment (General Preferential Tariff and Least Developed Country Tariff) Regulations (http://laws-lois.justice.gc.ca/PDF/SOR-2010-58.pdf).

3.6. Documentary evidence on proof of origin

The goods for which GPT or LDCT is claimed shall be invoiced separately from other goods, and they must be accompanied by a GSP Certificate of Origin Form A or an Exporter’s Statement of Origin as documentary evidence on proof of origin. To claim LDCT status for textiles and clothing (HS Chapters 50–63), however, a different form (Form B255 Textiles and Apparel Goods Originating in a Least Developed Country) must be submitted.

Canada does not require the GSP Certificate of Origin Form A to be stamped and signed by an authority designated by the beneficiary country. Therefore, Certificate of Origin Form A does not have to be an original and field No. 11 in the certificate may be left blank. Certificate of Origin Form A or the Exporter’s Statement of Origin must be signed by the exporter in the beneficiary country from which the goods were consigned to Canada. It must contain a full description of the goods and the marks and numbers of the package, and must be cross-referenced to the customs invoice.

A consignee in Canada must be identified in field No. 2 of Certificate of Origin Form A to ensure that the exporter in the beneficiary country has certified the origin of the goods according to Canadian rules of origin. The consignee is the person or company – the importer, agent, or other party in Canada – to which goods are shipped under a through bill of lading and is so named in the bill. The only exception to this condition may be considered when the goods are wholly obtained in the beneficiary country in question, in which case no consignee is required.

Form A or the Exporter’s Statement is not required for GPT-eligible goods imported in a traveller’s luggage or consigned from an individual in the beneficiary country to an individual in Canada and declared at the time of importation as/not intended for resale.

In most cases, exporters should find the Exporter’s Statement of Origin easier to complete and provide than the alternate Form A. The detailed instructions on the documentary evidence on proof of origin are found in General Preferential Tariff and Least Developed Country Tariff Rules of Origin Regulations (http://laws-lois.justice.gc.ca/PDF/SOR-98-34.pdf).

3.7. Marking

Certain goods of the six product categories listed below must be marked with the country of origin in accordance with the Determination of Country of Origin for the Purpose of Marking Goods (Non-NAFTA Countries) Regulations. These categories include the following:

- Goods for personal or household use;
- Hardware;
- Novelties and sporting goods;
- Paper products;
- Apparel;
- Horticultural products.

4. Handicraft Products

4.1. General

Canada grants duty-free entry for handicraft products classified under Tariff Item No. 9987.00.00 of the Canadian Customs Tariff. Detailed information on duty-free handicraft products is set out in the Customs Tariff, Tariff item No. 9987.00.00 of Schedule (http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/2012/01-99/ch99-2012-eng.pdf). This treatment is granted provided that the products concerned meet the following conditions:

(a) They qualify for GPT treatment;
(b) They are listed in the schedule of handicraft goods;
(c) They meet the definition laid down for that purpose;
(d) They are covered by special documentary evidence.

Handicraft goods are defined as follows:

(a) Originate in a country entitled to the benefits of the GPT;
(b) Bear shapes or decorations that are traditionally used by indigenous people or represent any national, territorial or religious symbols of the geographical region where produced;
(c) Acquired their essential characteristics by the handiwork of individual craftsmen using tools held by hand or tools not powered by machines other than those powered by hand or foot;
(d) Are non-utilitarian and not copies or imitations of handicraft goods of any country other than the country in which they originate, and are not produced in large quantities by sophisticated tools or by moulding.

The following are the definitions of the terms used to characterize handicraft goods:

(a) traditional characteristics – any shape or decoration that has been used widely or habitually by the indigenous people of the geographical region where produced, or that represents any accepted national, territorial, or religious symbol of the country of manufacture, such as, the maple leaf or beaver in Canada’s case;
(b) artistic characteristics – any shape or decoration developed from a traditional shape or design, but carried out in a contemporary idiom;
(c) geographical region – the country of manufacture being a country entitled to the benefits of the General Preferential Tariff, or a specific region of that country;
(d) non-utilitarian – goods that may have a function or a purpose but are obtained or valued for their artistic, religious, or cultural features;
(e) traditional manual skills – skills handed down from generation to generation, such as: appliqué work, knitting, beating, knotting, branding, moulding, carving, needlework, chasing, netting, crocheting, painting, cutting, plaiting, drawing, printing, dyeing, punching, embossing, quilting, embroidering rubbing, enamelling, scraping or scratching, engraving, studding, etching, tatting, filigreeing, tooling, hammering twisting, inlaying weaving or joining.
Under tariff item No. 9987.00.00 of the Canada Border Services Agency, handicrafts include the following products:

(a) Puppets, musical instruments (other than guitars, viols, harpsichords or copies of antique instruments), gourds and calabashes, incense burners, retablos, fans, screens, lacquerware, hand-carved picture frames, hand-carved figurines of animals, and religious symbols and statuettes, composed wholly or in chief part by value of wood, if not more than their primary shape is attained by mechanically powered tools or machines;

(b) Ornaments, mirrors and figurines, composed wholly or in chief part by value of bread dough;

(c) Hookahs, nargiles, candelabra and incense burners, composed wholly or in chief part by value of clay;

(d) Figurines, fans, hats, musical instruments, toys, sitkas, greeting cards and wall hangings, composed wholly or in chief part by weight of vegetable fibres or vegetable materials other than linen, cotton or corn husks;

(e) Figurines, masks, baskets and artistic cut-outs, composed wholly or in chief part by value of paper or papier maché;

(f) Puppets, bellows, pouffes, bottle cases, wine or water bottles and jugs, composed wholly or in chief part by value of hide or of leather that has not been finished beyond tanning other than by individual craftsmen;

(g) Figurines, costume jewellery, beads, belts, hair pins, buttons, lamp bases and key holders, composed wholly or in chief part by value of coconut shell;

(h) Musical instruments, chimes, combs, fans, costume jewellery, beads, belts, hair pins, wall and table decorations, buttons, lamp bases, and key holders, composed wholly or in chief part by value of mother of pearl, horn, shell including tortoiseshell, or coral;

(i) Hookahs, nargiles, musical instruments, bells, gongs, incense burners, masks, adzes, mattocks, finger and keyhole plates, door handles and locks, hinges and latches, samovars, kukris and machetes, composed wholly or in chief part by value of base metals, if not more than their primary shape is attained by mechanically powered tools or machines;

(j) Bracelets, nargiles and hookahs, composed wholly or in chief part by value of glass;

(k) Fabrics decorated with crewel embroidery, hand-woven semi-finished wall hangings on back strap looms, reverse hand-sewn appliqué wall hangings, and dhurries, composed wholly or in chief part by weight of wool or cotton;

(l) Lanterns, composed wholly or in chief part by value of stone.

The following articles or products are not accepted as handicrafts under the following conditions:

(a) They are plain utilitarian goods with no particular artistic or decorative features (qualifying goods may have practical uses but are desired for their artistic characteristics);

(b) They copy or imitate, or attempt to copy or imitate, traditional, decorative, artistic, or indigenous products of any country other than the country of manufacture;

(c) Their essential characteristics are identical (in terms of size, design, method of production) to each other and if it is evident that their quality was closely controlled;

(d) There is evidence that an original handicraft product was used as a “model” and reproduced in large quantities partly by hand and partly by sophisticated tools or by moulding;

(e) They are produced by individual craftsmen who acquired their skills by formal training or working under close supervision.

The use of tools in the manufacture of handicraft products is admitted as long as the tools are held in the hand, or are not powered by machine other than those powered by hand or foot power. Products made from wood
or from certain base metals as listed in the schedule are accepted as handmade if not more than their primary shape is attained by mechanically powered tools or machines. In the case of leather products listed in the schedule, the leather cannot be finished beyond tanning other than by individual craftsmen.

4.2. Documentary evidence of handicraft goods

A claim for duty-free entry of handicraft products must be supported by a special Certificate of Handicraft Goods. The Certificate of Handicraft Goods does not exist as an already printed form, and it has to be produced in duplicate in the form set out below and has to contain the information required therein. Handicraft goods to be declared must be classified as Tariff item No. 9987.00.00 in the form.

In addition to the Certificate of Handicraft Goods, it would be useful for importers to have on hand a GSP Certificate of Origin Form A or an Exporter’s Statement of Origin required for GPT qualification; the products that do not qualify for entry as handicraft products may be eligible for entry at GPT rates of duty. It is therefore recommended that exporters of handicraft articles complete both a special Certificate of Handicraft Goods and GSP Certificate of Origin Form A or Exporter’s Statement of Origin.

4.3. Certificate of Handicraft Goods

The undersigned hereby declares that the following goods originated in ................................ (Name of country) which is entitled to the benefit of the General Preferential Tariff:

............................................................................................................................................................................

(Description of goods)

and certifies that the above-described goods are handicraft products with traditional or artistic characteristics that are typical of the geographical region where produced, namely, ........................................... (Name of region) and have acquired their essential characteristic by the handiwork of individual craftsmen by means of the following process........................... (e.g., carving, knitting, handweaving)

Authorizing agency

Title and signature of authorized signatory

Place and date

5. Special Treatment for Least Developed Countries

Least developed country beneficiaries enjoy more favourable treatment than non-LDC beneficiary countries for product coverage and the rules of origin of the Canadian GSP scheme. Up-dated information on countries designated as LDCs are found in the Customs Tariff (http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/menu-eng.html#current). All GPT products had been duty-free for LDCs, and on 1 September 2000 and 1 January 2003, product coverage was further expanded adding 570 and 903 tariff lines, respectively. Canada provides duty-free access to all products from LDCs with the exception of over-quota tariff items for dairy, poultry and egg products.

With regard to origin requirements, up to 60 per cent of import content is allowed to acquire LDCT origin. Furthermore, the origin requirements for textiles and clothing have been relaxed and are now user-friendly. The rules of origin for these products are discussed below.


Rules of origin for LDCT textiles and clothing

The textile and clothing products that are included in the schedule in the regulations are eligible for LDCT benefits, and the special rules of origin discussed below apply to these products.

Yarns and sewing threads acquire originating status if they are spun or extruded in a least developed country and
do not undergo further processing outside an LDC.

Example: Yarns are spun in Bangladesh with cotton imported from Australia. The yarns are sent to Cambodia to be dyed. When the yarns are returned to Bangladesh they are sanitized and packed for shipment to Canada. As the cotton could be imported from anywhere, and further processing was done in an LDC (Cambodia), these yarns have LDCT origin. But if after the spinning process, the yarns were sent to China for dyeing and returned to Bangladesh, they would have lost LDCT origin because further processing occurred outside an LDCT beneficiary.

Fabrics are deemed to be originating if they are produced in an LDC with yarns originating in an LDC, a GPT beneficiary country, or Canada. Two conditions, however, need to be met: (a) the yarns do not undergo further processing outside an LDC, a GPT beneficiary country, or Canada; and (b) the fabrics do not undergo further processing outside an LDC.

Example: Cotton yarn produced in India is exported to Mali where it is woven into cotton fabric and exported to Canada. The fabric acquires LDCT origin, as India is a GPT beneficiary country. But if the fabric was sent to South Africa for further processing and returned to Mali, it would have lost LDCT origin.

Apparel products are deemed originating in an LDC if they are assembled in an LDC from fabric cut in that country or in Canada, or from parts knit to shape, provided the fabric, or the parts knit to shape, are produced in any of the following countries:

(a) Any LDC or Canada from yarns originating in an LDC, a GPT beneficiary country or Canada, provided the yarns or fabric do not undergo further processing outside an LDC or Canada; or

(b) A GPT beneficiary country from yarns originating in an LDC, a GPT beneficiary country or Canada, provided;

(i) The yarns and fabric do not undergo further processing outside an LDC, a GPT beneficiary country or Canada;

(ii) the value of any materials, including packing, that are used in the manufacture of the goods and that originate outside the LDC in which the goods are assembled is no more than 75 per cent of the ex-factory price of the goods as packed for shipment to Canada. For the purpose of this subparagraph, any materials used in the manufacture or production of the goods referred to in that subparagraph that originate from Canada are deemed to have originated in the LDC.

Example for (a): Lesotho imports fabrics woven in Mali with Egyptian yarns, cuts the fabrics and makes dresses. These dresses will qualify as LDCT originating, as the fabrics are produced in an LDC from yarns originating in a GPT country, and as the fabrics are cut and assembled in an LDC. If the yarns or the fabrics undergo further processing outside an LDC or Canada, for example, South Africa, the dresses will lose LDCT originating status.

Example for (b): Lesotho imports fabrics woven in China with Chinese yarns, cuts the fabrics and makes dresses. Local content such as labour accounts for 26 per cent of the ex-factory price of the dresses as packed for shipment to Canada. These dresses will qualify as LDCT originating, as non LDC originating content accounts for less than 75 per cent of the ex-factory price of the dresses.

Made-up textile articles are deemed to be originating if they are cut, or knit to shape, and assembled in an LDC from fabric produced in any LDC or Canada from yarns originating in an LDC, a GPT beneficiary country or Canada. The yarns and fabric used cannot undergo further processing outside an LDC or Canada.

Example: Cambodia makes blankets with wool fabrics woven by Bangladesh with yarns produced in Pakistan. The wool fabric is shipped directly to Cambodia from Bangladesh. The production process of the blankets in Cambodia included cutting of the wool fabric and sewing. These blankets will qualify as LDCT originating, as the fabrics are produced in an LDC with the yarns of GPT origin, and the final products are cut and assembled in an LDC.
6. Other Preferential Tariff Treatments

In addition to GPT and LDCT treatments, Canada offers two other preferential schemes of interest to certain specified developing countries. These schemes include the following:

Caribcan

Caribcan is the Canadian economic and trade development assistance programme for the Commonwealth Caribbean countries and territories. Caribcan preferences are available to most Commonwealth Caribbean States under the Commonwealth Caribbean Countries tariff treatment. Qualifying goods are granted duty-free entry into Canada. Product coverage is similar to that provided by the GPT with a slightly broader product coverage for agricultural products and processed agricultural goods. Basic qualifications are the same as those provided by GPT, except that the cumulation is restricted to Caribcan beneficiary members and the goods must be shipped directly to Canada from a beneficiary country. Canadian content is also allowed for cumulation. Consult the List of Countries in the Customs Tariff (http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/menu-eng.html#current) for Caribcan beneficiaries. The official source of information on the rules of origin for the Caribcan preferences is the Commonwealth Caribbean Countries Tariff Rules of Origin Regulations (http://laws-lois.justice.gc.ca/PDF/SOR-98-36.pdf).

7. Safeguard Measures

In accordance with Article XIX of the General Agreement on Tariffs and Trade (GATT 1994), Canada may take emergency action in respect of products that are imported in such quantities and under such conditions as to cause or threaten to cause serious injury to domestic producers of like or directly competitive products by withdrawing or modifying its preferential concession. Under the legislation, the Canadian International Trade Tribunal may be directed by the Minister of Finance to conduct an inquiry into any complaint submitted by a Canadian producer claiming that he has suffered, or may suffer injury, as a result of factors connected with the Anti-Dumping Code and the Code on Subsidies and Countervailing Duties of the World Trade Organization (WTO) (GATT 1994). If it is satisfied that there is a prima facie case of injury, and it judges that the removal of the GPT concession would remove the injury, it will conduct a public inquiry and make recommendations to the Government. According to the recommendation of the Canadian International Trade Tribunal, the Government may withdraw the GPT concession or establish tariff rate quotas.