

Proclamation 7641 of January 17, 2003

**To Modify Rules of Origin Under the North American  
Free Trade Agreement**

*By the President of the United States of America  
A Proclamation*

1. Presidential Proclamation 6641 of December 15, 1993, implemented the North American Free Trade Agreement (the “NAFTA”) with respect to the United States and, pursuant to the North American Free Trade Agreement Implementation Act (the “NAFTA Implementation Act”), incorporated in the Harmonized Tariff Schedule of the United States (the “HTS”) the tariff modifications and rules of origin necessary or appropriate to carry out the NAFTA.

2. Section 202 of the NAFTA Implementation Act provides rules for determining whether goods imported into the United States originate in the territory of a NAFTA party and thus are eligible for the tariff and other treatment contemplated under the NAFTA. Section 202(q) of the NAFTA Implementation Act (19 U.S.C. 3332(q)) authorizes the President to proclaim, as a part of the HTS, the rules of origin set out in the NAFTA and to proclaim modifications to such previously proclaimed rules of origin, subject to the consultation and layover requirements of section 103(a) of the NAFTA Implementation Act (19 U.S.C. 3313(a)).

3. I have determined that the modifications to the HTS proclaimed in this proclamation pursuant to sections 201 and 202 of the NAFTA Implementation Act are appropriate. For goods of Mexico, I have decided that the effective date of the modifications shall be determined by the United States Trade Representative (USTR).

4. Section 604 of the Trade Act of 1974, as amended (the “1974 Act”) (19 U.S.C. 2483), authorizes the President to embody in the HTS the substance of the relevant provisions of that Act, of other acts affecting import treatment, and actions thereunder, including the removal, modification, continuance, or imposition of any rate of duty or other import restriction.

NOW, THEREFORE, I, GEORGE W. BUSH, President of the United States of America, acting under the authority vested in me by the Constitution and the laws of the United States, including section 604 of the 1974 Act, section 202 of the NAFTA Implementation Act, and section 301 of title 3, United States Code, do hereby proclaim:

(1) In order to modify the rules of origin under the NAFTA, general note 12 to the HTS is modified as provided in the Annex to this proclamation.

(2) Any provisions of previous proclamations and Executive Orders that are inconsistent with the actions taken in this proclamation are superseded to the extent of such inconsistency.

(3) The modifications made by the Annex to this proclamation shall be effective with respect to goods of Canada that are entered, or withdrawn from warehouse for consumption, on or after January 1, 2003. The modifications made by such Annex shall be effective with respect to goods of Mexico that are entered, or withdrawn from warehouse for

consumption, on or after a date to be announced in the **Federal Register** by the USTR.

IN WITNESS WHEREOF, I have hereunto set my hand this seventeenth day of January, in the year of our Lord two thousand three, and of the Independence of the United States of America the two hundred and twenty-seventh.

GEORGE W. BUSH

ANNEX

MODIFICATIONS TO THE RULES OF ORIGIN FOR THE NAFTA

Effective with respect to goods of Canada entered, or withdrawn from warehouse for consumption, on or after January 1, 2003, and to goods of Mexico entered, or withdrawn from warehouse for consumption, on or after a date to be announced in the Federal Register by the USTR, general note 12(t) is modified as follows:

1. Tariff classification rule (TCR) 7 for chapter 22 is deleted and the following new TCRs are inserted in lieu thereof:

- “7. A change to headings 2203 through 2207 from any heading outside that group, except from tariff items 2106.90.12, 2106.90.15 or 2106.90.18 or headings 2208 through 2209.
8. A change to subheading 2208.20 from any other heading, except from tariff items 2106.90.12, 2106.90.15 or 2106.90.18 or headings 2203 through 2207 or 2209.
9. No required change in tariff classification to subheadings 2208.30 through 2208.70, provided that the non-originating alcoholic ingredients constitute no more than 10 percent of the alcoholic content of the good by volume.
10. A change to subheading 2208.90 from any other heading, except from tariff items 2106.90.12, 2106.90.15 or 2106.90.18 or headings 2203 through 2207 or 2209.
11. A change to heading 2209 from any other heading, except from tariff items 2106.90.12, 2106.90.15 or 2106.90.18 or headings 2203 through 2208.”

2. The following new chapter rule is inserted immediately below the side heading “Chapter 27”:

“**Chapter rule:** For the purposes of heading 2710, the following processes confer origin:

- (a) Atmospheric distillation—a separation process in which petroleum oils are converted, in a distillation tower, into fractions according to boiling point and the vapor then condensed into different liquefied fractions. Liquefied petroleum gas, naphtha, gasoline, kerosene, diesel/heating oil, light gas oils and lubricating oil are produced from petroleum distillation;
- (b) Vacuum distillation—distillation at a pressure below atmospheric but not so low that it would be classed as molecular distillation. Vacuum distillation is useful for distilling high-boiling and heat-sensitive materials such as heavy distillates in petroleum oils to produce light to heavy vacuum gas oils and residuum. In some refineries gas oils may be further processed into lubricating oils;
- (c) Catalytic hydroprocessing—the cracking and/or treating of petroleum oils with hydrogen at high temperature and under pressure, in the presence of special catalysts. Catalytic hydroprocessing includes hydrocracking and hydrotreating;

- (d) Reforming (catalytic reforming)—the rearrangement of molecules in a naphtha boiling range material to form higher octane aromatics (i.e., improved antiknock quality at the expense of gasoline yield). A main product is catalytic reformate, a blend component for gasoline. Hydrogen is another by-product;
- (e) Alkylation—a process whereby a high-octane blending component for gasolines is derived from catalytic combination of an isoparaffin and an olefin;
- (f) Cracking—a refining process involving decomposition and molecular recombination of organic compounds, especially hydrocarbons obtained by means of heat, to form molecules suitable for motor fuels, monomers, petrochemicals, etc.:
  - (i) Thermal cracking—exposes the distillate to temperatures of approximately 540° C to 650° C for varying periods of time. Process produces modest yields of gasoline and higher yields of residual products for fuel oil blending;
  - (ii) Catalytic cracking—hydrocarbon vapors are passed at approximately 400° C over a metallic catalyst (e.g., silica-alumina or platinum); the complex recombinations (alkylation, polymerization, isomerization, etc.) occur within seconds to yield high-octane gasoline. Process yields less residual oils and light gases than thermal cracking;
- (g) Coking—a thermal cracking process for the conversion of heavy low-grade products, such as reduced crude, straight run pitch, cracked tars and shale oil, into solid coke (carbon) and lower boiling hydrocarbon products which are suitable as feed for other refinery units for conversion into lighter products; or
- (h) Isomerization—the refinery process of converting petroleum compounds into their isomers."

3. TCR 4 for chapter 27 is deleted and the following new TCRs are inserted in lieu thereof:

- "4. (A) A change to heading 2710 from any other heading, except from headings 2711 through 2715; or
- (B) Production of any good of heading 2710 as the result of atmospheric distillation, vacuum distillation, catalytic hydroprocessing, catalytic reforming, alkylation, catalytic cracking, thermal cracking, coking or isomerization.
- 4A. A change to headings 2711 through 2715 from any heading outside that group, except from heading 2710."

4. TCRs 8 through 10, inclusive, for chapter 29 are deleted and the following new TCRs are inserted in lieu thereof:

- "8. A change to subheadings 2905.11 through 2905.49 from any other subheading, including another subheading within that group."

5. TCR 2 for chapter 71 is deleted and the following new TCR is inserted in lieu thereof:

- "2. A change to headings 7113 through 7118 from any heading outside that group."

6. TCR 69 to chapter 85 is deleted and the following new TCR is inserted in lieu thereof:

- “69. (A) A change to subheading 8518.30 from any other heading; or
- (B) A change to subheading 8518.30 from subheadings 8518.10, 8518.29 or 8518.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
- (1) 60 percent where the transaction value method is used, or
- (2) 50 percent where the net cost method is used.”

7. TCRs 14 and 15 to chapter 87 are deleted and the following new TCRs are inserted in lieu thereof:

- “14. A change to tariff items 8706.00.03 or 8706.00.15 from any other heading, except from subheadings 8708.50 or 8708.60, provided there is a regional value content of not less than 50 percent under the net cost method.
15. A change to tariff items 8706.00.05, 8706.00.25, 8706.00.30 or 8706.00.50 from any other heading, except from subheadings 8708.50 or 8708.60, provided there is a regional value content of not less than 50 percent under the net cost method.”

8. TCRs 24, 24A and 24B for chapter 90 are deleted and the following new TCRs are inserted in lieu thereof:

- “24. A change to subheadings 9009.91 through 9009.93 from any subheading outside that group, except from tariff item 9009.99.80.
- 24A. A change to tariff item 9009.99.40 from subheadings 9009.91, 9009.92 or 9009.93, tariff item 9009.99.80 or any other heading, provided that at least one of the components of such assembly named in chapter rule 3 to chapter 90 is originating.
- 24B. A change to subheading 9009.99 from any other subheading.”