

**Surety insurance** is available for Canadian exporters, banks and other financial institutions against calls on performance bonds and guarantees. In the case of forfeiture-type bonds, normally provided by the exporter's bank in an irrevocable letter of credit in favour of the buyer, callable on demand and not allowing remedial action to be taken, EDC may: insure the bank or other financial institution against a call on the bond; insure the exporter against wrongful call; and insure members of a limited liability exporting consortium against non-performance by one or more of its members.

In the case of non-forfeiture bonds, which require proof of default and provide for remedial action to be taken, EDC may insure the surety company which provides the bond, sharing the risk of loss on a basis of a percentage of the insured risk.

**Contractor surety insurance** enables Canada's construction industry to carry its expertise offshore. This insurance is extended to construction projects which would not normally qualify for surety under EDC requirements for Canadian material and labour content because of a substantial share of local costs. It includes the same forms of protection as the surety insurance program.

## 19.5 Tariffs and trade agreements

### 19.5.1 Canadian tariff structure

Information relating to rates of duty, value for duty and anti-dumping duty is available from the national revenue department, customs and excise, which administers the Customs Act, customs tariff and the Anti-dumping Act. Details of the organization and functions of the Tariff Board will be found in Appendix 1.

The Canadian tariff consists, in the main, of four sets of tariff rates — British preferential, most-favoured-nation, general and general preferential.

British preferential tariff rates are applied to imported commodities from British Commonwealth countries, with the exception of Hong Kong, when conveyed without trans-shipment from a port of any British country enjoying the benefits of the British Commonwealth preferential tariff into a port of Canada. Some Commonwealth countries have trade agreements with Canada that provide for rates of duty, on certain specified goods, lower than the British preferential rates.

Most-favoured-nation rates are usually higher than the British preferential rates and lower than the general tariff rates. They are applied to commodities imported from countries with which Canada has trade agreements. These rates would apply to British countries when they are lower than the British preferential tariff rates. The most important trade agreement concerning the effective rates applied to goods imported from countries entitled to most-favoured-nation rates is the General Agreement on Tariffs and Trade (GATT).

General tariff rates are applied to goods imported from the few countries with which Canada has not made trade agreements.

The general preferential tariff came into effect on July 1, 1974, as a result of Canada's acceding to a generalized system of preferences designed to allow lower rates of duty on goods imported from developing countries. Generally, the rates are the lesser of the British preferential tariff or the most-favoured-nation tariff minus one-third.

Despite the numerous tariff items and the various rates of duty applicable to each item, there are numerous goods which are duty free under all four tariffs.

**Value for duty.** In general, the Customs Act provides that the value for duty of imported goods shall be the fair market value of like goods in the home market of the exporter at the time and place from which the goods are shipped directly to Canada when sold to purchasers with whom the vendor deals at arm's length and who are at the same trade level as the importer, and in substantially the same quantities for home consumption in the ordinary course of competitive trade. Where like goods are not sold for home consumption and in a few special cases, other methods are used to determine the value for duty. Ordinarily it may not be less than the amount for which the goods were sold to the purchaser in Canada, exclusive of all charges after their shipment from the country of export.