allocations made under them can be made with a minimum of delay. In the case of the note purchase programs — note purchases, forfeiting, and simplified note purchases — EDC purchases promissory notes issued to the exporter by the foreign buyer and takes over the repayment risk. Specialized credits is a program which enables Canadian buyers to purchase goods from Canadian exporters for use or lease outside Canada on a permanent basis.

21.6.3 Tariff rates

The customs tariff sets out four different tariff treatments: the British preferential, most-favoured-nation, general and general preferential. The special arrangements for the United Kingdom and Ireland disappeared on January 1, 1987, when those countries were granted most-favoured-nation treatment.

General tariff rates are applied to goods imported from countries with which Canada has no tariff arrangements, such as Albania, Balau Islands, North Korea, Libya, Oman and Saudi Arabia. The German Democratic Republic, once subject to general tariff rates, is now entitled to most-favoured-nation rates. Also, the general tariff rates apply unconditionally to goods imported when the country of origin cannot be determined.

Most-favoured-nation rates are tariff rates fixed by Parliament as being more favourable than the general tariff. These rates reflect Canada's international tariff arrangements such as GATT or specific bilateral trade agreements. These rates apply conditionally to those goods for which most-favoured-nation treatment is claimed.

The British preferential tariff rates are fixed by Parliament and offer more preferential (lower) rates of duty than the most-favoured-nation rates to commodities of British countries or any other British colony or protectorate or territory under British trusteeship as provided for in Section 3 of the customs tariff. South Africa is entitled to most-favoured-nation rates rather than British preferential rates. Furthermore, some of these countries, such as Australia, are offered through bilateral trade agreements a preferential tariff rate lower than the British preferential on certain specified goods.

General preferential tariff rates are formula-based rates and reflect, since July 1974, Canada's international commitment to developing countries under a generalized system of preferences. The formula, as established by Parliament, generally provides for a margin of preference to be either equivalent to the British preferential tariff rate or one-third less the most-favoured-nation rate.

In all four tariff treatments, goods are subject to various rates of duty including a free rate of duty.

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.

The Special Import Measures Act (SIMA) provides the basis in law for the department's anti-dumping and countervailing duty program. Dumping occurs when goods are sold for export to Canada at prices lower than those prevailing in the exporter's domestic market. Where dumped imports have caused injury to Canadian production, the amount or margin of dumping may be offset by the imposition of anti-dumping duty. Similarly, when imports are unfairly subsidized by foreign governments, the subsidy can be offset by the levy of countervailing duty. The imposition of anti-dumping or countervailing duty is a measure taken to protect Canadian industries from unfairly-priced imports which cause or may cause injury to Canadian production of competing goods. In order to determine whether anti-dumping or countervailing duty should be imposed, the department investigates the pricing practices of the exporter and the level of foreign subsidies provided.

Drawback. Drawback legislation is designed to provide relief from customs duty and sales tax included in the manufacturers' costs to enable them to compete more equitably both abroad and at home with foreign manufacturers. It does this by granting a drawback, in the case of Canadian exporters, of customs duty and sales taxes paid on imported parts or materials used in Canada in the manufacture of goods subsequently exported. In certain strategic industries in Canada (aircraft, automobiles and other secondary manufacturers) costs of plant