

Canada revokes Most-Favoured-Nation tariff status from Russia and Belarus

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On March 3, 2022, Canada announced that it would withdraw Most-Favoured-Nation (MFN) tariff treatment from Russia and Belarus. This withdrawal results in a 35% duty being imposed on goods originating in Russia and Belarus upon their importation into Canada. This revocation is the most recent development in a string of measures Canada has implemented since February 22 in response to Russia's recognition of two breakaway regions in Eastern Ukraine as independent and its subsequent launch of a three-sided military invasion of Ukraine. This Update discusses the revocation of MFN status in detail and provides high-level descriptions of the previous rounds of sanctions implemented by Canada, as well as future anticipated developments.

Most-Favoured-Nation tariff status

Most-Favoured-Nation tariff rates are the preferred rate of duties that countries promise to impose on imports from other members of the World Trade Organization (WTO), unless the country is part of a preferential trade agreement (in which case they may be charged the same or lower duties). As the vast majority of Canada's trading partners are members of the WTO, MFN rates are ordinarily the highest duties applied to goods imported to Canada.

On March 3, 2022, Canada revoked MFN status for Russia and Belarus through [Order in Council PC 2022-0182](#) (the Order).

Where MFN status is revoked, the general tariff rate applies to all imports to Canada from goods of that country. Per section 29 of the Canadian [Customs Tariff](#), the general rate for all imports to Canada that originate in a country that is not granted MFN status is 35%. Therefore, the revocation of the MFN status results in the minimum 35% rate being applied to all goods originating from Russia or Belarus upon their importation into Canada.

[Customs Notice 22-02](#), released by the Canada Border Services Agency, provides more information on the Order. Importantly, it indicates that the Order does not apply to goods that were in transit to Canada on or before March 2, 2022. It also provides useful information on how importers should complete their importation forms to continue to claim MFN rates for goods that were in transit on or before that date.

The step of revoking MFN status from a jurisdiction is extremely rare; the only other country to which Canada does not grant MFN tariff treatment is North Korea. According to Minister Freeland's statement, Canada was the first country to revoke Russia's and Belarus's MFN treatment as a trading partner under domestic law and the Canadian government is working closely with its partners and allies to encourage them to take the same step. The European Union has been discussing taking similar action, though nothing has been implemented to

date. This would be a significant measure given that the EU is Russia's largest trading partner.

Sanctions and other measures announced to date

Canada's revocation of MFN status is the most recent significant measure imposed by Canada in response to Russia's actions in Ukraine. This action comes on the heels of Canada's previous rounds of sanctions and measures, implemented and announced between February 22 and March 3, 2022. These existing measures include the prohibition of exports of goods requiring export permits and restrictions on dealings with various Russian entities and individuals, including large Russian financial institutions, Russian elites and hundreds of members of the Russian lower house of parliament. Canada had designed these measures in coordination with the United States, the United Kingdom and other allies. Such measures continue to be fully in force.

Additionally, in this same time period, leaders of the European Commission, France, Germany, Italy, the United Kingdom, the United States and Canada jointly announced additional measures (the Joint Announcement). Importantly, the Joint Announcement included the decision to remove select Russian banks from the Society for Worldwide Interbank Financial Telecommunications (SWIFT). There are seven Russian banks that are to be excluded from SWIFT access pursuant to EU Council Regulation 2022/345; as of March 12, 2022, it will be prohibited to provide specialist financial messaging services to these entities, or to any entities owned 50% or more by them. While EU Council Regulations do not have extraterritorial jurisdiction, they will have an extraterritorial effect, and will make it extremely difficult for Canadians to transact with these financial institutions.

For more information on these sanctions and other measures implemented to date, please see our earlier Updates on what Canadian businesses need to know and Canada's fresh sanctions on Russia.

Anticipated future developments

As the situation in Ukraine continues to develop, it is possible that additional measures could be applied to impose further economic pressure on Russia. There has been significant unity to date between Canada and its allies in the measures imposed thus far. Keeping an eye on sanctions developments around the world will therefore be critical as this situation continues to evolve.

Osler's International Trade group continues to watch this rapidly developing area of law closely. If you require any assistance or have any questions regarding this or any matter regarding compliance with Canada's trade and sanctions regulatory regime, please contact a member of our team, who would be happy to assist.