

TEXTILES UNDER THE NORTH AMERICAN FREE TRADE AGREEMENT

The North American Free Trade Agreement (NAFTA) went into effect on January 1, 1994. At that time, Canada, Mexico and the United States agreed to eliminate immediately — or phase out over a maximum period of 10 years — customs duties on textiles manufactured in North America that meet the NAFTA rules of origin. Most tariffs on textiles traded between Canada and Mexico will be eliminated over an eight-year period.

The rules of origin define which textile products qualify for preferential treatment under the NAFTA. For most textiles, the rule of origin is “yarn forward”, which means that textiles must be produced from yarn made within the free trade area. A “fibre forward” rule applies to certain products, including cotton and man-made fibre yarns. “Fibre forward” means that goods must be produced from fibre made in a NAFTA country.

If textile producers face serious damage as a result of increased imports from another NAFTA country, the importing country may increase tariffs to provide temporary relief to the industry, subject to specific disciplines. Under certain circumstances, new quotas may be introduced against textiles that do not meet the rules of origin.