

(4) No new quotas

Canada introduced no new import quotas in 2003. As of December 31, 2003, Canada applied quotas to 40 countries; 31 of which were WTO members. Of the remaining 9 countries, Canada had bilateral arrangements with 7, and 2 are subject to unilateral measures.

(ii) Bilateral agreements

All the quota agreements with non-WTO member countries were extended to December 31, 2004, to coincide with the conclusion of the ATC.

(iii) Trade with NAFTA countries:

Products must originate in North American Free Trade Agreement (**NAFTA**) countries in order to qualify for NAFTA rates of duties. This is determined through the use of NAFTA rules of origin for yarn, fabric and clothing. For apparel and textiles that do not meet these rules of origin, NAFTA introduced preferential access to the Canadian, US and Mexican markets through the use of Tariff Preference Levels (TPLs). The four broad categories of TPL and their corresponding volumes for access to the U.S. market which have been fixed since 1999, are as follows:

1. Wool Apparel - 5,325,413 square metre equivalents (SMEs)
2. Cotton or Man-made Apparel - 88,326,463 SMEs
3. Cotton or Man-made Fibre Fabrics and Made-up Goods - 71,765,252 SMEs
4. Cotton or Man-made Fibre Spun Yarns - 11,813,664 kilograms

(A) TPL allocation

Canadian companies with apparel TPL allocations may export to their partners in the North American free trade zone products manufactured in Canada from fabrics and yarns imported from outside this zone up to the limit of their allocations.

Because of the extensive use of TPLs for wool and non-wool apparel, an allocation policy essentially based on the historical TPL usage of exporters was developed for these categories of products.

The TPLs for fabrics are allocated on a historical-use basis to the extent of utilization by exporters, and on a first-come, first-served basis for those amounts not allocated directly to exporters. Spun yarn TPL is allocated these TPLs on a first-come, first-served basis.

(B) TPL utilization in 2003

The 2003 TPL utilization rates for the four categories of Canadian TPL exports were as follows:

- wool apparel and made-up goods - 98% for the United States and 5% for Mexico;
- cotton or man-made apparel and made-up goods - 82% for the United States and 6% for Mexico;
- cotton or man-made fabrics and made-up goods - 74% for the United States and 35%