

Fabrics made in Canada from offshore yarns and exported to the United States will qualify for preferential entry under the FTA, up to an annual level of 30 million square yards. This quota arrangement will continue until December 31, 1992 and will be reviewed within two years of implementation of the Agreement in order to work out a solution satisfactory to both Parties countries. There will be no corresponding level for fabric exports from the United States to Canada.

The FTA rules of origin have been specifically designed to prevent goods processed offshore and returned to the USA at reduced rates under the US tariff 807 provision from qualifying for preferential FTA treatment. This provision is used by US companies operating in Mexico.

Chapter 4: Border Measures

Article 401: Tariff Removal

Tariffs on certain telecommunications products such as telephone sets and switching apparatus will be removed immediately on January 1, 1989 or to three annual steps.

Article 407: Import and Export Restrictions

407.2 specifies the parties' understanding that their existing GATT obligations prohibit minimum import or export price requirements.

407.3 makes it clear that when one country imposes an import control on a product of a specified third country, the other Party will not serve as a conduit to the first Party; it also allows for the adding as a condition to any exoneration from export controls for bilateral trade that the product involved be consumed in the other Party.

407.4 provides for consultations about actions to be taken in circumstances where either Party might create a distortion in bilateral trade by implementing a restriction on imports of a good from third countries.

Article 408: Export Taxes

This article makes it clear that neither Party will impose export taxes (i.e. taxes over and above those levied on domestic sales) on exports to each other.