There is a similar quantitative limit governing duty-free exports to the United States of non-woolen fabrics or textile articles woven or knitted in Canada from yarn imported from a third country. Such exports, otherwise meeting the origin rules, will benefit from area treatment up to a maximum annual quantity. The level has initially been set at 30 million square yards for the first four years. The two governments will revisit this issue in 1990-1991 to work out a mutually satisfactory revision of this arrangement.

Definitions in Article 304 set out the terms which will be used by customs officials in deciding whether a good is entitled to duty-free treatment while Annex 301.2 sets out general rules of interpretation as well as detailed rules for each of the 21 individual product or commodity sections of the Harmonized System. By consulting the definitions and the annex, producers can determine whether the goods they export to the other country will be entitled to area treatment.

The rules of interpretation in Annex 301 make clear that goods that are further processed in a third country before being shipped to their final destination would not qualify for area treatment even if they meet the rule of origin. For example, cloth woven from U.S. fibres, cut in the United States but sewn into a shirt in Mexico, would qualify for duty-free re-entry into the United States under its outward-processing program, but would not qualify for duty-free entry into Canada under the Agreement.

The chapter contains safeguards to prevent circumvention of the rules as well as a process for consultation and revision to ensure that the rules of origin evolve to take account of changes in production processes.