

sufficiently changed in either Canada or the United States, or both, to be classified differently from the raw materials or components from which they are made. In certain cases, goods, in addition to being classified differently, will also need to incur a certain percentage of manufacturing cost in either or both countries, in most cases 50 percent. This is particularly important for assembly operations.

In practical terms, goods other than those which originate wholly in either Canada and/or the United States, will have to incorporate some significant Canadian or U.S. content. For example, goods imported in bulk from offshore and repackaged and labelled in the United States would not qualify for area treatment, while a product incorporating only some imported components in most instances would. A bicycle, for example, using Canadian steel for its frame and assembled in Canada using imported wheels and gears would qualify as a product of Canadian origin, if 50 percent of its manufacturing cost is accounted for in Canada and/or the United States.

Apparel made from fabrics woven in Canada or the United States will qualify for duty-free treatment whereas apparel made from offshore fabrics will qualify for duty-free treatment only up to the following levels:

	<i>Non-Woolen Apparel (in million square yard equivalent)</i>	<i>Woolen Apparel</i>
<i>Imports from Canada</i>	<i>50</i>	<i>6</i>
<i>Imports from the United States</i>	<i>10.5</i>	<i>1.1</i>

Above these levels, apparel made from offshore fabrics will be considered, for tariff purposes, as products of the country from which the fabrics were obtained. The levels established for imports from Canada are well above current trade levels. Canadian clothing manufacturers, including manufacturers of fine suits, coats, snowsuits and parkas, can, for all practical purposes, continue to buy their fabric from the most competitive suppliers around the world and still benefit from duty-free access to the United States. In addition, should their exports to the United States consume more than 56 million square yards of imported fabric, they will pay the US tariff but be able to benefit from the drawback of Canadian duties paid on such fabric (see Chapter Four).