NAFTA - TEXTILES AND APPAREL

WHAT'S IN THE AGREEMENT

- For apparel: the new rules of origin require yarns and fabrics in a garment to originate in North America to qualify for duty preference; under the Canada-U.S. Free Trade Agreement (FTA) only the fabrics had to be North American;
- For textiles: the rules of origin on fabrics remains largely unchanged from those in the FTA; for most yarns, the fibres must originate in North America;
- Significantly larger quotas providing preferential access to the U.S. for apparel and textiles that do not meet the rules of origin. For non-wool apparel, the quota has almost doubled in size from that contained in the FTA. For wool apparel the quota will increase by 6% within five years. The quota for fabrics is nearly tripled in size from that in the FTA. A quota for yarns affected by the new rules of origin is nearly four times the size of Canada's exports to the U.S. in 1991;
- These special quotas have now been made permanent. They will also be subject to growth rates, in most cases 2% annually, for at least five years;
- Review clauses have been included to allow future upward adjustment of quotas and improvements in rules of origin; and
- Reciprocal phase-out of Canadian and Mexican tariffs over a 10-year period for apparel and over eight years for most textile products.

BENEFITS FOR CANADA

- Canada's access to the U.S. market has been maintained, and is improved in many cases;
- Expanded and extended tariff rate quotas for products that do not meet the rules of origin will offset the new rules;
- Higher tariff rate quotas not only fully accommodate existing levels of Canadian textile and apparel exports to the U.S. but also allow for substantial growth;
- Long-term tariff phase-out (10 years for apparel; eight years for textiles) provides time for adjustment;
- Canada's exports of textiles and apparel to the U.S. have increased significantly under the FTA and are expected to grow under the NAFTA;
- With access guaranteed by the NAFTA to an integrated North American market, Canada will remain an attractive location for investment in the textile and apparel industries; and
- Extension for two years on duty drawback beyond the FTA expiry in 1994. This will be replaced in 1996 by a permanent duty refund system that will reduce input costs for Canadian manufacturers who still pay duties on goods into other NAFTA countries.