Annex 300-B: Textile and Apparel Goods

Section 1: Scope and Coverage

1. This Annex applies to the textile and apparel goods set out in Appendix 1.1.

2. In the event of any inconsistency between this Agreement and the Arrangement Regarding International Trade in Textiles (Multifiber Arrangement), as amended and extended, including any amendment or extension after January 1, 1994, or any other existing or future agreement applicable to trade in textile or apparel goods, this Agreement shall prevail to the extent of the inconsistency, unless the Parties agree otherwise.

Section 2: Tariff Elimination

1. Except as otherwise provided in this Agreement, each Party shall progressively eliminate its customs duties on originating textile and apparel goods in accordance with its Schedule to Annex 302.2 (Tariff Elimination), and as set out for ease of reference in Appendix 2.1.

2. For purposes of this Annex:
   (a) a textile or apparel good shall be considered an originating good if the applicable change in tariff classification set out in Chapter Four (Rules of Origin) has been satisfied in the territory of one or more of the Parties in accordance with Article 404 (Accumulation); and
   (b) for purposes of determining which rate of customs duty and staging category is applicable to an originating textile or apparel good, a good shall be considered a good of a Party
      (i) as determined by each importing Party's regulations, practices or procedures, except that
      (ii) in the event of an agreement between the Parties pursuant to Annex 311 as determined by such agreement.

3. An importing Party and an exporting Party may identify at any time particular textile and apparel goods that they mutually agree fall within:
   (a) hand-loomed fabrics of a cottage industry;
   (b) hand-made cottage industry goods made of such hand-loomed fabrics; or
   (c) traditional folklore handicraft goods.

The importing Party shall grant duty-free treatment to goods so identified, if certified by the competent authority of the exporting Party.

4. Appendix 2.4 applies to the Parties specified in that Appendix respecting the elimination of tariffs on certain textile and apparel goods.

Section 3: Import and Export Prohibitions, Restrictions and Consultation Levels

1. Each Party may maintain a prohibition, restriction or consultation level only in accordance with Appendix 3.1 or as otherwise provided in this Annex.

2. Each Party shall eliminate any prohibition, restriction or consultation level on a textile or apparel good that otherwise would be permitted under this Annex if that Party is required to eliminate such measure as a result of having integrated that good into the GATT as a result of commitments undertaken by that Party under any successor agreement to the Multifiber Arrangement.

Section 4: Bilateral Emergency Actions (Tariff Actions)

1. Subject to paragraphs 2 through 5 and during the transition period only, if, as a result of the reduction or elimination of a duty provided for in this Agreement, a textile or apparel good originating in the territory of a Party, or a good that has been integrated into the GATT pursuant to a commitment undertaken by a Party under any successor agreement to the Multifiber Arrangement and entered under a tariff preference level set out in Appendix 6, is being imported into the territory of another Party in such increased quantities, in absolute terms or relative to the domestic market for that good, and under such conditions as to cause serious damage, or actual threat thereof, to a domestic industry producing a like or directly competitive good, the importing Party may, to the minimum extent necessary to remedy the damage or actual threat thereof:
   (a) suspend the further reduction of any rate of duty provided for under this Agreement on the good; or
   (b) increase the rate of duty on the good to a level not to exceed the lesser of
(i) the most-favored-nation (MFN) applied rate of duty in effect at the time the action is taken, and

(ii) the MFN applied rate of duty in effect on December 31, 1993.

2. In determining serious damage, or actual threat thereof, the Party:

(a) shall examine the effect of increased imports on the particular industry, as reflected in changes in such relevant economic variables as output, productivity, utilization of capacity, inventories, market share, exports, wages, employment, domestic prices, profits and investment, none of which is necessarily decisive; and

(b) shall not consider changes in technology or consumer preference as factors supporting a determination of serious damage or actual threat thereof.

3. A Party shall deliver without delay to any Party that may be affected by an emergency action taken under this Section written notice of its intent to take such action, and on request shall enter into consultations with that Party.

4. The following conditions and limitations apply to any emergency action taken under this Section:

(a) no action may be maintained for a period exceeding three years or, except with the consent of the Party against whose good the action is taken, have effect beyond the expiration of the transition period;

(b) no action may be taken by a Party against any particular good originating in the territory of another Party more than once during the transition period; and

(c) on termination of the action, the rate of duty shall be the rate that, according to the Schedule for the staged elimination of the tariff, would have been in effect one year after the initiation of the action, and beginning January 1 of the year following the termination of the action, at the option of the Party that has taken the action

   (i) the rate of duty shall conform to the applicable rate set out in that Party’s Schedule to Annex 302.2, or

   (ii) the tariff shall be eliminated in equal annual stages ending on the date set out in that Party’s Schedule to Annex 302.2 for the elimination of the tariff.

5. The Party taking an action under this Section shall provide to the Party against whose good the action is taken mutually agreed trade liberalizing compensation in the form of concessions having substantially equivalent trade effects or equivalent to the value of the additional duties expected to result from the action. Such concessions shall be limited to the textile and apparel goods set out in Appendix 1.1, unless the Parties otherwise agree. If the Parties concerned are unable to agree on compensation, the exporting Party may take tariff action having trade effects substantially equivalent to the action taken under this Section against any goods imported from the Party that initiated the action under this Section. The Party taking the tariff action shall only apply the action for the minimum period necessary to achieve the substantially equivalent effects.

6. For purposes of this Section, a good originating in the territory of a Party shall be determined in accordance with Section 2.2.

7. Paragraphs 1 through 5 shall also apply to textile and apparel goods described in Appendix 2.4.

Section 5: Bilateral Emergency Actions (Quantitative Restrictions)

1. Subject to Appendix 5.1, a Party may take bilateral emergency action against non-originating textile or apparel goods of another Party in accordance with this Section and Appendix 3.1.

2. If a Party considers that a non-originating textile or apparel good, including a good entered under a tariff preference level set out in Appendix 6, is being imported into its territory from a Party in such increased quantities, in absolute terms or relative to the domestic market for that good, under such conditions as to cause serious damage, or actual threat thereof, to a domestic industry producing a like or directly competitive good in the importing Party, the importing Party may request consultations with the other Party with a view to eliminating the serious damage or actual threat thereof.

3. The Party requesting consultations shall include in its request for consultations the reasons that it considers demonstrate that such serious damage or actual threat thereof to its domestic industry is resulting from the imports of the other Party, including the latest data concerning such damage or threat.

4. In determining serious damage, or actual threat thereof, the Party shall apply Section 4(2).

5. The Parties concerned shall begin consultations within 60 days of the request for consultations and shall endeavor to agree on a mutually satisfactory level of restraint on exports of the particular good within 90 days of the request, unless the consulting Parties agree to extend this period. In reaching a mutually satisfactory level of export restraint, the consulting Parties shall:
(a) consider the situation in the market in the importing Party;

(b) consider the history of trade in textile and apparel goods between the consulting Parties, including previous levels of trade; and

(c) seek to ensure that the textile and apparel goods imported from the territory of the exporting Party are accorded equitable treatment as compared with treatment accorded like textile and apparel goods from non-Party suppliers.

6. If the consulting Parties do not agree on a mutually satisfactory level of export restraint, the Party requesting consultations may impose annual quantitative restrictions on imports of the good from the territory of the other Party, subject to paragraphs 7 through 13.

7. Any quantitative restriction imposed under paragraph 6 shall be no less than the sum of:

(a) the quantity of the good imported into the territory of the Party requesting consultations from the Party that would be affected by the restriction, as reported in general import statistics of the importing Party, during the first 12 of the most recent 14 months preceding the month in which the request for consultations was made; and

(b) 20 percent of such quantity for cotton, man-made fiber and other non-cotton vegetable fiber good categories, and six percent for wool good categories.

8. The first period of any quantitative restriction imposed under paragraph 6 shall begin on the day after the date on which the request for consultations was made and terminate at the end of the calendar year in which the quantitative restriction is imposed. Any quantitative restriction that is imposed for a first period of less than 12 months shall be prorated to correspond to the time remaining in the calendar year in which the restriction is imposed, and the prorated amount may be adjusted in accordance with the flexibility provisions set out in paragraphs 8(b) and (c) of Appendix 3.1.

9. For each successive calendar year that the quantitative restriction imposed under paragraph 6 remains in effect, the Party imposing it shall:

(a) increase it by six percent for cotton, man-made fiber and noncotton vegetable fiber textile and apparel goods, and by two percent for wool textile and apparel goods, and

(b) accelerate the growth rate for quantitative restrictions on cotton, man-made fiber and non-cotton vegetable fiber textile and apparel goods if required by any successor agreement to the Multifiber Arrangement.

and the flexibility provisions set out in paragraphs 8(b) and (c) of Appendix 3.1 apply.

10. A quantitative restriction imposed under paragraph 6 before July 1 in any calendar year may remain in effect for the remainder of that year, plus two additional calendar years. Such a restriction imposed on or after July 1 in any calendar year may remain in effect for the remainder of that year, plus three additional calendar years. No such restriction may remain in effect beyond the transition period.

11. No Party may take an emergency action under this Section with respect to any particular textile or apparel non-originating good against which a quantitative restriction is in effect.

12. No Party may adopt or maintain a quantitative restriction under this Section on a particular textile or apparel good that otherwise would be permitted under this Annex, if that Party is required to eliminate such measure as a result of having integrated that good into the GATT as a result of commitments undertaken by that Party pursuant to any successor agreement to the Multifiber Arrangement.

13. No Party may take a bilateral emergency action after the expiration of the transition period with respect to cases of serious damage, or actual threat thereof, to domestic industry arising from the operation of this Agreement except with the consent of the Party against whose good the action would be taken.

Section 6: Special Provisions

Appendix 6 sets out special provisions applicable to certain textile and apparel goods.

Section 7: Review and Revision of Rules of Origin 1.

(a) The Parties shall monitor the effects of the application of the rule of origin set out in Annex 401 applicable to goods of subheading 6212.10 of the Harmonized System (HS). No earlier than April 1, 1995, a Party may request consultations with the other Parties to seek a mutually satisfactory solution to any difficulties that it considers result from the application of that rule of origin.

(b) If the consulting Parties fail to reach a mutually satisfactory solution within 90 days of a request for consultations, on request of any Party the rule of origin applicable to subheading 6212.10 shall change to the rule of origin set out in Annex 401 applicable to headings 62.06 through 62.11 with respect to trade between the requesting Party and the other Parties. Any such change shall be effective 180 days after the request. The Parties shall take measures to ease any resulting administrative burden on producers.
(c) Unless the Parties agree otherwise, at any time after the completion of consultations held under subparagraph (a) and during the transition period only, a Party that has requested such consultations may make one additional request for consultations under subparagraph (a) and take action under subparagraph (b).

2. (a) On request of any Party, the Parties shall consult to consider whether particular goods should be subject to different rules of origin to address issues of availability of supply of fibers, yarns or fabrics in the free trade area.

(b) In the consultations, each Party shall consider all data presented by a Party showing substantial production in its territory of the particular good. The consulting Parties shall consider that substantial production has been shown if that Party demonstrates that its domestic producers are capable of supplying commercial quantities of the good in a timely manner.

(c) The Parties shall endeavor to conclude consultations within 60 days of the request. An agreement between two or more Parties resulting from the consultations shall supersede any prior rule of origin for such good when approved by each such Party in accordance with Article 2202(2) (Amendments). If no agreement is reached, a Party may have recourse to paragraph B.8 of Appendix 6.

(d) Further to subparagraph (a), on request of any Party, the Parties shall consult to consider whether the rules of origin set out in Annex 401 applicable to the following provisions should be amended in view of increasing availability of supply of relevant yarns or fabrics within the free trade area:

(i) Canadian tariff item 5407.60.10, Mexican tariff item 5407.60.02 and U.S. tariff item 5407.60.22,

(ii) provisions (a) through (i) of the rule of origin for subheadings 6205.20 through 6205.30,

(iii) goods of subheadings 6107.21, 6108.21 and 6108.31, wholly of fabric of Canadian tariff item 6002.92.10, Mexican tariff item 6002.92.01, and U.S. tariff item 6002.92.10, and exclusive of collar, cuffs, waistband, elastic or lace;

(iv) note 2 to Chapter 62 of Annex 401, and

(v) Canadian tariff item 6303.92.10, Mexican tariff item 6303.92.01 and U.S. tariff item 6303.92.aa.

3. The Parties shall review the rules of origin applicable to textile and apparel goods within five years of the date of entry into force of this Agreement to take into account the effect of increasing global competition on textile and apparel goods and the implications of any integration into the GATT of textile and apparel goods pursuant to any successor agreement to the Multifiber Arrangement. The Parties shall give particular consideration to operative rules in other economic association or integration agreements and developments relating to textile and apparel production and trade.

Section 8: Labelling Requirements

The Subcommittee on Labelling of Textile and Apparel Goods established under Article 913(5) shall perform the functions set out in Annex 913.a4.

Section 9: Trade in Worn Clothing and Other Worn Articles

1. The Parties hereby establish a Committee on Trade in Worn Clothing, comprising representatives of each Party. The Committee shall:

(a) include or consult with a broadly representative group drawn from the manufacturing and retailing sectors in each Party; and

(b) act in a transparent manner and, if no member of the Committee formally objects, make recommendations to the Commission.

2. The Committee shall assess the potential benefits and risks that may result from the elimination of existing restrictions on trade between the Parties in worn clothing and other worn articles, as defined in heading 63.09 of the HS, including the effects on business and employment opportunities, and on the market for textile and apparel goods in each Party.

3. A Party may maintain restrictions in effect on the date of entry into force of this Agreement on the importation of worn clothing and other worn articles classified under heading 63.09 of the HS, unless the Parties agree otherwise on the basis of the recommendations presented to the Commission by the Committee on Trade in Worn Clothing.

Section 10: Definitions

For purposes of this Annex:

average yarn number, as applied to woven fabrics of cotton or man-made fibers, means the average yarn number of the yarns contained therein. In computing the average yarn number, the length of the yarn is considered to be equal to the distance covered by it in the fabric, with all clipped yarn being measured as if continuous and with the count being taken of the total single yarns in the fabric including the single yarns in any multiple (folded) or cabled yarns. The weight shall be taken after any excessive sizing is removed by boiling or other suitable process. Any one of the following formulas can be used to determine the average yarn number:
when:

\[ N = \frac{1,000}{Z'} Z 10 \]

\( \text{BYT} \), \( \text{100T} \), \( \text{BT} \) or \( \text{ST} \)

when:

\( N \) is the average yarn number,

\( B \) is the breadth (width) of the fabric in centimeters,

\( Y \) is the meters (linear) of the fabric per kilogram,

\( T \) is the total single yarns per square centimeter,

\( S \) is the square meters of fabric per kilogram,

\( Z \) is the grams per linear meter of fabric, and

\( Z' \) is the grams per square meter of fabric.

Fractions in the resulting "average yarn number" shall be disregarded.

category means a grouping of textile or apparel goods, and as set out in Appendix 10.1 for the Parties specified in that Appendix;

consultation level means a level of exports for a particular textile or apparel good that may be adjusted in accordance with paragraph 7 of Appendix 3.1 and includes a designated consultation level, but does not include a specific limit;

exporting Party means the Party from whose territory a textile or apparel good is exported;

flexibility provisions means the provisions set out in paragraphs 8(b) and (c) of Appendix 3.1;

importing Party means the Party into whose territory a textile or apparel good is imported;

integrated into the GATT means subject to the obligations of the General Agreement on Tariffs and Trade, an agreement under the GATT or any successor agreements;

specific limit means a level of exports for a particular textile or apparel good that may be adjusted in accordance with paragraph 8 of Appendix 3.1;

square meters equivalent (SME) means that unit of measurement that results from the application of the conversion factors set out in Schedule 3.1.3 to a primary unit of measure such as unit, dozen or kilogram;

tariff preference level means a mechanism that provides for the application of a customs duty at a preferential rate to imports of a particular good up to a specified quantity, and at a different rate to imports of that good that exceed that quantity;

transition period means the 10-year period beginning on January 1, 1994; and

wool apparel means:

(a) apparel in chief weight of wool;

(b) woven apparel in chief weight of man-made fibers containing 36 percent or more by weight of wool; and

(c) knitted or crocheted apparel in chief weight of man-made fibers containing 23 percent or more by weight of wool.

Appendix 1.: List of Goods Covered by Annex 300-B

The descriptions listed in this Appendix are provided for ease of reference only. For legal purposes, coverage shall be determined according to the terms of the Harmonized System.
<table>
<thead>
<tr>
<th>HS No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chapter 30 Pharmaceutical Products</strong></td>
<td></td>
</tr>
<tr>
<td>3005 90</td>
<td>Wadding, gauze, bandages and the like</td>
</tr>
<tr>
<td><strong>Chapter 39 Plastics and articles thereof</strong></td>
<td></td>
</tr>
<tr>
<td>ex 3921 12</td>
<td>(Woven, knitted or nonwoven fabric coated, covered or laminated with plastics)</td>
</tr>
<tr>
<td>ex 3921 13</td>
<td></td>
</tr>
<tr>
<td>ex 3921 90</td>
<td></td>
</tr>
<tr>
<td><strong>Chapter 42 Articles of leather; saddlery and harness; travel goods, handbags and similar containers</strong></td>
<td></td>
</tr>
<tr>
<td>ex 4202 12</td>
<td>(Luggage, handbags and flatgoods with an outer surface predominantly of textile materials)</td>
</tr>
<tr>
<td>ex 4202 22</td>
<td></td>
</tr>
<tr>
<td>ex 4202 32</td>
<td></td>
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<tr>
<td>ex 4202 92</td>
<td></td>
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<tr>
<td><strong>Chapter 50 Silk</strong></td>
<td></td>
</tr>
<tr>
<td>5004 00</td>
<td>Silk yarn (other than yarn spun from silk waste) not for retail sale</td>
</tr>
<tr>
<td>5005 00</td>
<td>Yarn spun from silk waste, not for retail sale</td>
</tr>
<tr>
<td>5006 00</td>
<td>Silk yarn and yarn spun from silk waste, for retail sale; silkworm gut</td>
</tr>
<tr>
<td>5007 10</td>
<td>Woven fabric of noil silk</td>
</tr>
<tr>
<td>5007 20</td>
<td>Woven fabric of silk or silk waste, other than noil silk, 85% or more of such fibers</td>
</tr>
<tr>
<td>5007 90</td>
<td>Woven fabric of silk, nes</td>
</tr>
<tr>
<td><strong>Chapter 51 Wool, fine or coarse animal hair, horsehair yarn and fabric</strong></td>
<td></td>
</tr>
<tr>
<td>5105 10</td>
<td>Carded wool</td>
</tr>
<tr>
<td>5105 21</td>
<td>Combed wool in fragments</td>
</tr>
<tr>
<td>5105 29</td>
<td>Wool tops and other combed wool, other than combed wool in fragments</td>
</tr>
<tr>
<td>5105 30</td>
<td>Fine animal hair, carded or combed</td>
</tr>
<tr>
<td>5106 10</td>
<td>Yarn of carded wool, &gt;=85% wool, not for retail sale</td>
</tr>
<tr>
<td>5106 20</td>
<td>Yarn of carded wool, 85% wool, not for retail sale</td>
</tr>
<tr>
<td>5106 30</td>
<td>Yarn of combed wool, &gt;=85% wool, not for retail sale</td>
</tr>
<tr>
<td>5106 40</td>
<td>Yarn of combed wool, &lt;85% wool, not for retail sale</td>
</tr>
<tr>
<td>5108 10</td>
<td>Yarn of carded fine animal hair, not for retail sale</td>
</tr>
<tr>
<td>5108 20</td>
<td>Yarn of combed fine animal hair, not for retail sale</td>
</tr>
<tr>
<td>5109 10</td>
<td>Yarn of wool or of fine animal hair, &gt;= 85% wool and fine animal hair, for retail sale</td>
</tr>
<tr>
<td>5109 90</td>
<td>Yarn of wool of fine animal hair, &lt;85% wool and fine animal hair, for retail sale</td>
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<tr>
<td>5110 00</td>
<td>Yarn of coarse animal hair or of horsehair</td>
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<tr>
<td>5111 11</td>
<td>Woven fabric of carded wool or fine animal hair, &gt;= 85% wool and fine animal hair, 300 g/m²</td>
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<tr>
<td>5111 19</td>
<td>Woven fabric of carded wool or fine animal hair, &gt;= 85% wool or fine animal hair, &gt;300 g/m²</td>
</tr>
<tr>
<td>5111 20</td>
<td>Woven fabric of carded wool or fine animal hair, &lt;85% wool or fine animal hair, with man-made fibers</td>
</tr>
<tr>
<td>5111 30</td>
<td>Woven fabric of carded wool or fine animal hair, &lt;85% wool or fine animal hair, with man-made fibers</td>
</tr>
<tr>
<td>5111 90</td>
<td>Woven fabric of carded wool or fine animal hair, &lt;85% wool or fine animal hair, nes</td>
</tr>
<tr>
<td>5112 11</td>
<td>Woven fabric of combed wool or fine animal hair, &gt;= 85% wool or fine animal hair, 200 g/m²</td>
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<tr>
<td>5112 19</td>
<td>Woven fabric of combed wool or fine animal hair, &gt;= 85% wool or fine animal hair, &gt;200 g/m²</td>
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<td>5112 20</td>
<td>Woven fabric of combed wool or fine animal hair, &lt;85% wool or fine animal hair, with manmade filament</td>
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<td>Woven fabric of combed wool or fine animal hair, &lt;85% wool or fine animal hair, with manmade fibers</td>
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<tr>
<td>5112 90</td>
<td>Woven fabric of combed wool or fine animal hair, &lt;85% wool or fine animal hair, nes</td>
</tr>
<tr>
<td>5113 00</td>
<td>Woven fabric of coarse animal hair or of horsehair</td>
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