Appendix 6: Special Provisions

A. Rules Applicable to Certain Carpets and Sweaters

For purposes of trade between Mexico and the United States, a good of either Party of HS Chapter 57, subheading 6110.30, 6103.23 or 6104.23 shall be treated as if it were an originating good only if any of the following changes in tariff classification is satisfied within the territory of one or more of the Parties:

(a) a change to subheading 5703.20 or 5703.30 or heading 57.04 from any heading outside Chapter 57 other than headings 51.06 through 51.13, 52.04 through 52.12, 53.08, 53.11 or any headings of Chapter 54 or 55; or a change to any other heading or subheading of Chapter 57 from any heading outside that chapter other than headings 51.06 through 51.13, 52.04 through 52.12, 53.08, 53.11, any heading of Chapter 54 or 55.06 through 55.16; and

(b) a change to U.S. tariff item 6110.30.10.10, 6110.30.10.20, 6110.30.15.10, 6110.30.15.20, 6110.30.20.10, 6110.30.20.20, 6110.30.30.15, 6110.30.30.20, or 6110.30.30.25 or Mexican tariff item 6110.30.01, or a good of those tariff items that is classified as part of an ensemble in subheading 6103.23 or 6104.23, from any heading outside Chapter 61 other than headings 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.11, any heading of Chapter 54 or 55, 60.01 or 60.02, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or more of the Parties; or a change to any other tariff item of subheading 6110.30 from any heading outside Chapter 61 other than headings 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.11, any heading of Chapter 54, 55.08 through 55.16, 60.01 or 60.02, provided, that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or more of the Parties.

B. Preferential Tariff Treatment for NonOriginating Goods of Another Party

Apparel and MadeUp Goods

1. (a) Each Party shall apply the rate of duty applicable to originating goods set out in its Schedule to Annex 302.2, and in accordance with Appendix 2.1, up to the annual quantities specified in Schedule 6.B.1, in SME, to apparel goods provided for in Chapters 61 and 62 that are both cut (or knit to shape) and sewn or otherwise assembled in the territory of a Party from fabric or yarn produced or obtained outside the free trade area, and that meet other applicable conditions for preferred tariff treatment under this Agreement. The SME shall be determined in accordance with the conversion factors set out in Schedule 3.1.3.

(b) The annual tariff preference levels (TPLs) of imports from Canada into the United States shall be adjusted annually for five consecutive years commencing on January 1, 1995, by the following growth factors:

(i) for cotton or manmade fiber apparel, 2 percent,

(ii) for cotton or manmade fiber apparel made from fabrics woven or knit in a nonParty, 1 percent, and

(iii) for wool apparel, 1 percent.

2. The United States shall apply the rate of duty applicable to originating goods set out in its Schedule to Annex 302.2, and in accordance with Appendix 2.1, up to the annual quantity specified in Schedule 6.B.1, to textile or apparel goods provided for in Chapters 61, 62 and 63 that are sewn or otherwise assembled in Mexico as provided for in U.S. tariff item 9802.00.80.60 from fabric which is knit or woven outside the territory of the United States or Mexico, when exported to the United States. This paragraph shall not apply after quantitative restrictions established pursuant to the Multifiber Arrangement or any successor agreement are terminated.

Exceptions

3. As between Mexico and the United States:

(a) apparel goods provided for in Chapters 61 and 62 of the HS, in which the fabric that determines the tariff classification of the good is classified in one of the following tariff provisions, are ineligible for preferential tariff treatment provided for under the levels established in Schedule 6.B.1

(i) blue denim: subheadings 5209.42 and 5211.42, U.S. tariff items 5212.24.60.20, and 5514.32.00.10 or Mexican tariff items 5212.24.xx and 5514.32.xx; and

(ii) fabric woven as plain weave where two or more warp ends are woven as one (oxford cloth) of average yarn number less than 135 metric number: 5208.19, 5208.29, 5208.89, 5208.49, 5208.59, 5210.29, 5210.39, 5210.49, 5210.59, 5512.11, 5512.19, 5513.13, 5513.23, 5513.33, and 5513.43;

(b) apparel goods provided for in U.S. tariff items 6107.11.00, 6107.12.00, 6109.10.00 and 6109.90.00 or Mexican tariff items 6107.11.01, 6107.12.01, 6109.10.01 and 6109.90.01 are ineligible for preferential tariff treatment provided for under the levels established in Schedule 6.B.1 if they are composed chiefly of circular knit fabric of yarn number equal to or less than 100 metric number. Apparel goods provided for in subheadings 6108.21 and 6108.22 are ineligible for preferential tariff treatment provided for under the levels established in parts 2(a), 2(b), 3(a) and 3(b) in Schedule 6.B.1 if they are composed chiefly of circular knit fabric of yarn number equal to or less than 100 metric number; and
Fabric and MadeUp Goods

4. (a) Each Party shall apply the rate of duty applicable to originating goods set out in its Schedule to Annex 302.2, and in accordance with Appendix 2.1, up to the annual quantities specified in Schedule 6.B.2, in SME, to cotton or manmade fiber fabric and cotton or manmade fiber madeup textile goods provided for in Chapters 52 through 55, 58, 60, and 63 that are woven or knit in a Party from yarn produced or obtained outside the free trade area, or knit in a Party from yarn spun in a Party from fiber produced or obtained outside the free trade area, and to goods of subheading 9404.90 that are finished and cut and sewn or otherwise assembled from fabrics of subheadings 5208.11 through 5208.29, 5209.11 through 5209.29, 5210.11 through 5210.29, 5211.11 through 5211.29, 5212.11, 5212.12, 5212.21, 5212.22, 5407.41, 5407.51, 5407.71, 5407.81, 5407.91, 5408.21, 5408.31, 5512.11, 5512.21, 5512.91, 5513.11 through 5513.19, 5514.11 through 5514.19, 5516.11, 5516.21, 5516.31, 5516.41, 5516.91 produced or obtained outside the free trade area, and that meet other applicable conditions for preferred tariff treatment under this Agreement. The SME shall be determined in accordance with the conversion factors set out in Schedule 3.1.3.

(b) The annual TPL and sublevels on imports from Canada into the United States shall be adjusted by an annual growth factor of two percent for five consecutive years commencing on January 1, 1995.

5. For purposes of paragraph 4, the number of SME that will be counted against the TPLs applied as between Canada and the United States shall be:

(a) for textile goods that are not originating because certain nonoriginating textile materials do not undergo the applicable change in tariff classification set out in Annex 401 for that good, but where such materials are 50 percent or less by weight of the materials of that good, only 50 percent of the SME for that good, determined in accordance with the conversion factors set out in Schedule 3.1.3; and

(b) for textile goods that are not originating because certain nonoriginating textile materials do not undergo the applicable change in tariff classification set out in Annex 401 for that good, but where such materials are more than 50 percent by weight of the materials of that good, 100 percent of the SME for that good, determined in accordance with the conversion factors set out in Schedule 3.1.3.

Spun Yarn

6. (a) Each Party shall apply the rate of duty applicable to originating goods set out in its Schedule to Annex 302.2, and in accordance with Appendix 2.1, up to the annual quantities specified in Schedule 6.B.3, in kilograms (kg), to cotton or manmade fiber yarns provided for in headings 52.05 through 52.07 or 55.07 through 55.09 that are spun in a Party from fiber of headings 52.01 through 52.03 or 55.01 through 55.07, produced or obtained outside the free trade area and that meet other applicable conditions for preferred tariff treatment under this Agreement.

(b) The annual TPL on imports from Canada into the United States shall be adjusted by an annual growth factor of two percent for five consecutive years commencing on January 1, 1995.

7. Textile or apparel goods that enter the territory of a Party under paragraph 1, 2, 4 or 6 shall not be considered to be originating goods.

Review and Consultations

8. (a) Trade in the goods referred to in paragraphs 1, 2, 4 and 6 shall be monitored by the Parties. On request of any Party wishing to adjust any annual TPL for imports from Mexico into the United States, imports into Mexico from Canada or the United States, imports into the United States from Mexico, based on the ability to obtain supplies of particular fibers, yarns and fabrics, as appropriate, that can be used to produce originating goods, the Parties shall consult with a view to adjusting such level. Any adjustment in the TPL requires the mutual consent of the Parties concerned.

(b) Canada and the United States shall decide, in the review referred to in Section 7(3), whether to continue to apply annual growth factors to the specified TPLs after the five consecutive years. If a growth factor for a TPL is not continued as a result of the review, subparagraph (a) shall also apply to imports from Canada into the United States covered by the TPL.

Schedule 6.B.1: Preferential Tariff Treatment for Non-Originating Apparel and Made-Up Goods

<table>
<thead>
<tr>
<th>1. Imports into Canada:</th>
<th>from Mexico</th>
<th>from United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Cotton or Mannmade fiber apparel</td>
<td>6,000,000 SME</td>
<td>9,000,000 SME</td>
</tr>
<tr>
<td>(b) Wool apparel</td>
<td>250,000 SME</td>
<td>919,740 SME</td>
</tr>
<tr>
<td>2. Imports into Mexico:</td>
<td>from Canada</td>
<td>from United States</td>
</tr>
<tr>
<td>(a) Cotton or Mannmade fiber apparel</td>
<td>6,000,000 SME</td>
<td>12,000,000 SME</td>
</tr>
<tr>
<td>(b) Wool apparel</td>
<td>250,000 SME</td>
<td>1,000,000 SME</td>
</tr>
<tr>
<td>3. Imports into United States:</td>
<td>from Canada</td>
<td>from Mexico</td>
</tr>
<tr>
<td>(a) Cotton or Mannmade fiber apparel</td>
<td>80,000,000 SME</td>
<td>45,000,000 SME</td>
</tr>
</tbody>
</table>
(b) Wool apparel 5,066,948 SME 1,500,000 SME
(c) Goods imported under U.S. tariff item 9802.00.80.60 n/a 25,000,000 SME

1 Of the 80,000,000 SME annual quantity of cotton or manmade fiber apparel imports from Canada into the United States, no more than 60,000,000 SME shall be made from fabrics which are knit or woven in a non-Party.

2 Of the 5,066,948 SME annual quantity of wool apparel imports from Canada into the United States, no more than 5,016,780 SME shall be men’s or boys’ wool suits of U.S. category 443.

Schedule 6.B.2: Preferential Tariff Treatment for Non-Originating Cotton or Man-made Fiber Fabrics and Made-Up Goods

1. Imports into Canada: from Mexico from United States
   7,000,000 SME 2,000,000 SME

2. Imports into Mexico: from Canada from United States
   7,000,000 SME 2,000,000 SME

3. Imports into United States: from Canada from Mexico
   65,000,000 SME 24,000,000 SME

1 The 2,000,000 SME annual quantity of imports from the United States into Canada shall be limited to goods of chapter 60 of the HS.

2 Of the 65,000,000 SME annual quantity of imports from Canada into the United States, no more than 35,000,000 SME may be in goods of chapters 52 through 55, 58 and 63 (other than subheading 6302.10, 6302.40, 6303.11, 6303.12, 6303.19, 6304.11 or 6304.91) of the HS; and no more than 35,000,000 SME may be in goods of chapter 60 and subheading 6302.10, 6302.40, 6303.11, 6303.12, 6303.19, 6304.11 or 6304.91 of the HS.

3 Of the 24,000,000 SME annual quantity of imports from Mexico into the United States, no more than 18,000,000 SME may be in goods of chapter 60 and subheading 6302.10, 6302.40, 6303.11, 6303.12, 6303.19, 6304.11 or 6304.91 of the HS; and no more than 6,000,000 SME may be in goods of chapters 52 through 55, 58 and 63 (other than subheading 6302.10, 6302.40, 6303.11, 6303.12, 6303.19, 6304.11 or 6304.91) of the HS.

Schedule 6.B.3: Preferential Tariff Treatment for Non-Originating Cotton or Man-made Fiber Spun Yarn

1. Imports into Canada: from Mexico from United States
   1,000,000 kg 1,000,000 kg

2. Imports into Mexico: from Canada from United States
   1,000,000 kg 1,000,000 kg

3. Imports into United States: from Canada from Mexico
   10,700,000 kg 1,000,000 kg

Appendix 10.1: Country-Specific Definitions

Definitions Specific to Canada

general import statistics means statistics issued by Statistics Canada or, where available, import permit data provided by the Export and Import Permits Bureau of the Department of External Affairs and International Trade, or their successors.

Definitions Specific to Mexico

general import statistics means the statistics of the "Sistema de Informacion Comercial" (Trade Information System) or its successor.

Definitions Specific to the United States

category means a grouping of textile or apparel goods defined in the Correlation: Textile and Apparel Categories with the Harmonized Tariff Schedule of the United States, 1992 (or successor publication), published by the United States Department of Commerce, International Trade Administration, Office of Textiles and Apparel, Trade and Data Division, Washington, D.C.; and general import statistics means statistics of the U.S. Bureau of the Census or its successor.