



Summary of the North American Free Trade Agreement

The information presented on this website is meant to serve as a guide. Only the agreement text and the customs regulations issued to implement the agreement are definitive.

If you have any questions about this Agreement, please contact Laurie Mease, U.S. Department of Commerce, Office of Textiles and Apparel, 202-482-2043.

Implemented January 1, 1994

How U.S. Textile and Apparel Companies Benefit

The North American Free Trade Agreement (NAFTA) is a trade agreement among the United States, Canada, and Mexico that liberalizes restrictions on trade among the three countries. Under the NAFTA, U.S. textile and apparel exporters benefit from duty-free entry on all qualifying products into Canada and Mexico, the two largest export markets for U.S. textile and apparel products. NAFTA promotes opportunities for U.S. fiber, textile and clothing manufacturers to expand sales and increase production, to make full use of economies of scale and take advantage of complementary resources in the three countries to enhance export potential.

Tariff Elimination

Under the NAFTA, qualifying U.S. textile, apparel, footwear, leather and travel goods enter into Canada and Mexico duty-free. To qualify for duty-free entry, these products must meet origin criteria as set out in the Agreement (see Qualifying Products/Rules of Origin section below). However, for textile and apparel products, there are exceptions to the basic rules. One such example is the Tariff Preference Levels (TPLs), which were developed primarily to alleviate short supply problems, especially as they relate to manufacturers' inputs.

Tariff Preference Levels: TPLs provide duty-free access for specified quantities of yarns, fabrics, apparel and made-up textile goods that do not meet the origin criteria (i.e., non-originating goods), but that are subject to significant processing in one or more NAFTA countries. The TPLs are agreed upon annual levels that vary by product and by NAFTA Partner as shown below. Amounts of these goods in excess of the TPLs are subject to most-favored-nation (MFN) rates of duty. For more detail see [Appendix 6.B - Preferential Tariff Treatment for NonOriginating Goods of Another Party](#).

TPL for Non-qualifying Apparel and Made-Up Goods

Imports into Canada:	From Mexico	From the United States
Cotton or Manmade fiber apparel	6,000,000 SME	9,000,000 SME
Wool apparel	250,000 SME	919,740 SME
Imports into Mexico:	From Canada	From the United States

Cotton or Manmade fiber apparel (1)	6,000,000 SME	12,000,000 SME
Wool apparel	250,000 SME	1,000,000 SME
Imports into the United States:	From Canada	From Mexico
Cotton or Manmade fiber apparel (1)	88,326,463 SME (2)	45,000,000 SME
Wool apparel	5,325,413 SME (3)	1,500,000 SME

(1) Apparel made from blue denim and oxford cloth and man-made fiber sweaters are excluded from the U.S. and Mexican TPLs. T-shirts and men's and women's underwear made from cotton and man-made fiber circular knit fabric under 100 metric yarn number are also excluded from the U.S. and Mexican TPLs. Thus, apparel made from these fabrics woven or knit outside the U.S., Mexico or Canada, or incorporating non-NAFTA yarns, must pay full (MFN) duties.

(2) Of the annual quantity, no more than 63,060,603 SME shall be made from fabrics that are knit or woven in a non-Party.

(3) Of the annual quantity, no more than 5,016,780 SME shall be men's or boys' wool suits of U.S. category 443.

TPL-- Non-qualifying Cotton or Man-made Fiber Fabrics and Made-Up Goods

Imports into Canada:	from Mexico 7,000,000 SME	from the United States 2,000,000 SME (1)
Imports into Mexico:	from Canada 7,000,000 SME	from the United States 2,000,000 SME
Imports into the United States:	from Canada 71,765,252 SME (2)	from Mexico 24,000,000 SME (3)

(1) The annual quantity shall be limited to goods of chapter 60 of the HS.

(2) Of the annual quantity, no more than 38,642,829 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 38,642,829 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 annual quantity, 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.

TPL --Non-qualifying Cotton and Man-Made Fiber Spun Yarn

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

See Canada's [Department of Foreign Affairs and International Trade \(DFAIT\) website](#) for current TPL levels and utilization rates (see the NAFTA tariff preference level utilization table - Imports).

Qualifying Products/Rules of Origin

In order for a U.S. product to be eligible for duty-free entry into Mexico or Canada, the product must be produced in the United States, entirely of NAFTA component parts, or if foreign components are used, the foreign component must undergo sufficient processing in the United

States to meet the rules of origin as provided in Chapter Four and [Annex 401: Specific Rules of Origin of the Agreement](#). The textile and apparel rules in Annex 401 also should be read in conjunction with [Annex 300-B, Appendix 6A - Rules Applicable to Certain Carpets and Sweaters](#), as well as any amendments, such as those included in [U.S. Presidential Proclamation 7192](#) (see pp. 37978 and 37979).

The Annex 401 origin criteria aim to ensure that most of the production relating to textiles and apparel occurs in North America. The basic rule of origin is "yarn forward," which requires that the yarn production and all operations "forward" (i.e., fabric production through apparel assembly) occur in the United States, Canada and/or Mexico. Less demanding rules of origin govern certain knitted underwear, brassieres, and shirts made from fabric in short supply in North America, and textile and apparel articles made from fabric not commonly produced in the NAFTA region. These exceptions give producers flexibility to import materials not widely produced in North America. On the other hand, stricter rules of origin exist for certain textile and apparel articles made of fibers that are produced in abundance in Canada, Mexico and the United States. For example, cotton yarn and cotton knitted fabrics follow a fiber-forward rule for goods traded between the three countries while man-made fiber sweaters follow a "fiber-forward" rule as to trade between the United States and Mexico.

For more information, see [the U.S. Customs and Border Protection presentation--How do I Read Tariff Shift Rules](#).

The general rules for various textile products follow:

Yarn: The rule of origin for cotton and manmade fiber spun yarn and sewing thread is fiber-forward (i.e., fiber must originate in a NAFTA country). Filament yarns must be composed of filaments that are formed (extruded) in a NAFTA country, but petrochemical or cellulosic feedstock may be sourced outside NAFTA.

Fabric: The rule of origin for fabric is yarn-forward (i.e., yarn must originate in a NAFTA country), with the following exceptions:

- Cotton and man-made fiber knit fabrics and man-made fiber nonwoven and specialty fabrics are subject to the fiber-forward rule (i.e., fiber must originate in a NAFTA country).
- Coated fabric is subject to the fabric-forward rule (i.e., fabric must originate in a NAFTA country), except tire cord and belting, which are under the fiber-forward rule for manmade fiber and a yarn-forward rule for cotton, and manmade fiber hose, which is under a fiber-forward rule for manmade fiber filament.
- Silk and linen products are subject to a single substantial transformation rule (i.e., fabric must be knitted or woven within a NAFTA country)

Made-Up Articles: The rule of origin for made-up products is yarn-forward, (i.e., yarn used in made-up articles must originate in a NAFTA country) with the following exceptions:

- Manmade fiber made-up products are subject to the fiber-forward rule (i.e., fiber must originate within a NAFTA country).
- Manmade fiber luggage, handbags and flat goods are subject to the fabric-forward rule (i.e., fabric must originate in a NAFTA country), as are curtains made from fabric composed of high twist, 70 denier, 24 filament yarns.
- Silk and linen made-up products are under a single substantial transformation rule (i.e., apparel must be cut or knit to shape and sewn, or otherwise assembled in a NAFTA country).

- Carpeting is subject to [Rules Applicable to Certain Carpets and Sweaters in Appendix 6 - Special Provisions](#).

Apparel: The rule of origin for apparel is yarn-forward, (i.e., yarn used in apparel must originate within a NAFTA country) with the following exceptions:

- Manmade fiber sweaters are under a fiber-forward rule (i.e., fiber must originate within a NAFTA country) between the United States and Mexico (see [Rules Applicable to Certain Carpets and Sweaters in Appendix 6 - Special Provisions](#)).
- The following products are subject to a single substantial transformation rule of origin (i.e., apparel must be cut or knit to shape and sewn, or otherwise assembled in a NAFTA country).
- Apparel made from fabrics in short supply in North America (i.e., Harris tweed, velveteen, fine wale corduroy and others).
- Men's dress shirts made from certain specific cotton and cotton and manmade fiber blend fabrics.
- Nightwear and women's underwear made from fine count cotton knit fabric (greater than 100 metric).
- Brassieres.
- Silk and linen apparel.
- Linings are to be of NAFTA origin from the fabric stage forward for tailored clothing and coats.

Footwear

A change to headings 6401-6405 from any heading outside that group, except from subheading 6406.10, provided there is a regional value content of not less than 55 percent.

The regional value content of the footwear must be calculated on the basis of the net cost method:

$$RVC = \frac{NC - VNM}{NC} \times 100$$

where RVC is the regional value content, expressed as a percentage; NC is the net cost of the good; and VNM is the value of non-originating materials used by the producer in the production of the good.

To qualify for the duty benefits, uppers can only be made in the United States, Canada, or Mexico.

Travel Goods

For manmade fiber travel goods, the rule is "fabric forward", i.e., North American yarn is not required. For all other travel goods, the rule is a change to subheading 4202.12, 4202.22, 4202.32, or 4202.92 from any other chapter.

Additional Exceptions

Below are some of the factors, beyond the product-specific rules of origin, that may be considered in determination of origin:

De Minimis Rule--The de minimis rule provides an additional possibility of qualifying as originating for a good that cannot meet the required "tariff shift." A textile or apparel good (HS chapter 50-63) that does not originate because certain fibers or yarns used in the production of the component of the good that determines the tariff classification of the good do not undergo an

applicable change in tariff classification set out in Annex 401, shall nonetheless be considered to originate if the total weight of all such fibers or yarns in that component is not more than seven percent of the total weight of that component. (See [Article 405: De Minimis](#))

Accumulation--See [Article 404:Accumulation](#). For purposes of determining whether a good is an originating good, the production of the good in the territory of one or more of the Parties by one or more producers shall, at the choice of the exporter or producer of the good for which preferential tariff treatment is claimed, be considered to have been performed in the territory of any of the Parties by that exporter or producer, provided that:

- (a) all non-originating materials used in the production of the good undergo an applicable tariff classification change set out in Annex 401, and the good satisfies any applicable regional value-content requirement, entirely in the territory of one or more of the Parties; and
- (b) the good satisfies all other applicable requirements of this Chapter.

Commercial Availability

The NAFTA provides that the rules of origin for textile and apparel products may be amended through a subsequent agreement by the NAFTA countries. In consultations regarding such a change, the NAFTA countries are to consider issues of availability of supply of fibers, yarns, or fabrics in the free trade area and whether domestic producers are capable of supplying commercial quantities of the good in a timely manner.

NAFTA Advance Rulings and Appeals

An advance ruling is a written document received from the customs authority from a NAFTA country. It provides binding information on specific NAFTA questions you may have about future imports of goods into Canada, Mexico and the United States. See the U.S. Customs and Border Protection website for more information on [NAFTA Advance Rulings](#). Appeals procedures are used by importers, exporters or producers of goods to request a second review of NAFTA decisions given by the customs administrations. See the U.S. Customs and Border Protection website for more information on [NAFTA Appeals](#).

Documentation Requirements

In order to receive duty-free treatment, a [NAFTA Certificate of Origin](#) must be filled out. The NAFTA Certificate of Origin is a trilaterally agreed upon form used by Canada, Mexico, and the United States to certify that goods qualify for the preferential tariff treatment accorded by NAFTA. To make a claim for NAFTA preference, the importer must possess a certificate of origin at the time the claim is made. The document may be completed in French, Spanish, or English; however, importers must submit a translation to customs officials if requested. NAFTA Certificates of Origin do not need to be notarized.

The Certificate of Origin is completed by the U.S. exporter or the exporter's freight forwarder. If the exporter is not the producer, the exporter may complete the Certificate on the basis of: knowledge that the good originates; reasonable reliance on the producer's written representation that the good originates; or, a completed and signed Certificate of Origin for the good provided by the producer. Exporters often request that their producers or distributors provide them with a NAFTA Certificate of Origin as proof that the final good, or an input used in the manufacture of the final good, sold to Mexico or Canada meets the rules of origin. NAFTA does not obligate a producer who is not an exporter to provide the ultimate exporter with a NAFTA Certificate of Origin. However, if the non-exporting producer does complete the NAFTA Certificate of Origin, they are subject to the same obligations regarding record keeping, etc., as is the exporter. Even so, it is the exporter's Certificate, and not the non-exporting producer's Certificate, that must be provided to the importer. The producer's statement should be kept in the files of the exporter as

backup for their own Certificate.

Once the Certificate is completed, the exporter needs to send the original or a copy of the Certificate of Origin to the importer. It is recommended that a copy of the Certificate of Origin is also included with the shipment. While the Certificate does not have to accompany the shipment, the importer must have a copy of the Certificate in hand before claiming the NAFTA tariff preference at customs.

If an exporter has multiple shipments of identical goods being sent to the same importer in Canada or Mexico it is not necessary to create new written declarations of origin for each individual shipment. The exporter can fill out the blanket period section of the form with two dates up to one year apart, and during that time period, the importer can maintain that one certificate of origin and present it at Customs at the acceptance of each shipment.

A Certificate of Origin is not required for the commercial importation of goods valued at less than US\$1,000. However, to qualify for NAFTA preferential duties, the invoice accompanying the commercial importation must include a statement certifying that the goods qualify as originating under the NAFTA rules of origin. This exception is valid as long as the shipment does not form part of a series of importations that may reasonably be considered to have been undertaken or arranged for the purpose of avoiding the Certification requirement.

A claim for preferential treatment is usually made at the time of importation on the customs document used by the importing country. However, the importer has up to one year from the date on which the goods were imported to apply for a refund of excess duties paid as a result of the good not being accorded preferential treatment at the time of entry. At the time of the application for refund, the importer is required to supply a written declaration of the goods' originating status, a copy of the Certificate of Origin and other documentation relating to the importation of the good that the Party may require.

U.S. exporters are required to retain either the original or a copy of the certificate for five years after the completion of the transaction for shipments to Canada and for ten years for shipments to Mexico. The importer is required to retain the certificate and all other relevant documentation for five years after the importation of the goods. The facts asserted in the certificate must be supported by adequate records relating to the goods, and their materials and production. Mexican exporters must maintain a copy of the certificate for 10 years. Canadian importers and exporters are required to keep the certificate for six years from the time of the transaction.

Advanced Ruling--A written document may be requested from the customs authority of a NAFTA country that provides binding information on specific NAFTA questions you may have about future imports of goods into Canada, Mexico and the United States.

See the U.S. Customs and Border Protection website for more information on the [NAFTA Certificate of Origin](#). NAFTA certificates also can be purchased from the Government Printing Office and the various trade documents companies. Companies planning to use privately created certificates of origin should obtain Customs approval beforehand. Other helpful information may be found on the following websites: [NAFTA Certificate of Origin Interactive Tool](#) and [NAFTA Certificate of Origin – Frequently Asked Questions](#).

For information on common export documents, such as transportation documents, export compliance documents, certificates of origin, certificates for shipments of specific goods, temporary shipment documents, and other export-related documents, see the [Export.gov on](#)

[Common Export Documents.](#)

Measures to Prevent Circumvention of the Agreement's Rule of Origin

The NAFTA parties agree to cooperate in order to detect and prevent unlawful transshipment of textiles and apparel. For further information, see [Article 512: Cooperation](#).

NAFTA partner countries, Canada and Mexico, may audit U.S. exporters for verification of origin purposes. Under the terms of NAFTA, the audit may cover shipments backdated by 5 years. Therefore it is important that exporters to NAFTA countries and importers from NAFTA countries retain documents for 5 years in the event of a post entry audit.

U.S. Customs and Border Protection (CBP) provides detailed [guidelines](#) of the NAFTA verification process.

A general overview of [Mexico's verification process](#).

Care Labeling

A North American Consultative Committee on Labeling for Textile Products, including government and industry experts have worked to harmonize labeling requirements to facilitate trade in textile and apparel goods among the three parties. The U.S., Mexico and Canada are currently negotiating an agreement regarding the adoption of uniform care labeling provisions.

Confidentiality

Article 507(1) of the NAFTA, requires that each country protect the confidentiality of confidential business information provided to them in the course of conducting government business. In addition, the governments of Canada, Mexico and the United States must ensure that this business information is not disclosed to third parties and does not prejudice the competitive positions of the persons providing the information.

Intellectual Property Rights

NAFTA details specific conditions regarding the nature and scope of responsibility with respect to intellectual property rights of the United States, Mexico, and Canada. Intellectual property rights refers to copyright and related rights, trademark rights, patent rights, rights in layout designs of semiconductor integrated circuits, trade secret rights, plant breeders' rights, rights in geographical indications and industrial design rights. For more information, see [Chapter 17 - Intellectual Property](#) of the NAFTA.

Temporary Entry/Samples

Under NAFTA's temporary entry provisions, goods do not have to originate (i.e., meet NAFTA's rules of origin) in a NAFTA country to qualify for temporary duty-free entry. Generally, any goods being imported temporarily, so long as they are not being imported for sale, lease, further manufacturing, or processing, will qualify for duty-free entry. While there are no restrictions on the types of goods or the use to which they may be put, at the time of importation the importer must specify how the goods will be used and the goods must also be imported in a reasonable quantity.

In Canada, it is important to note that the 7-percent Goods and Services Tax (GST) is still applicable for duty-free goods, while goods entered temporarily may be eligible for relief from GST. For products of low value and where keeping the products in Canada would not incur a relatively high expense, the importer may wish to enter the goods on a permanent basis rather than go through the temporary import process.

For more information on the conditions and procedures for temporarily entry of goods into Canada for a convention, meeting, trade show, or exhibition, see the Canadian Border Service Agency-CBSA publication, [Memorandum D8-1-1](#). Also see the Trade Information Center publications: [Temporary Entry of Goods into Canada under NAFTA](#) and [Temporary Entry of Samples](#).

Courier Service to Mexico

Courier services, using informal entry procedures in Mexico, may opt to pay import duties applied at a rate of 22.92% for goods that are imported into Mexico as long as those goods have marks or labels that distinguish them as originating in a NAFTA country or are accompanied by the applicable NAFTA certificate of origin, are obtained from the United States or Canada, and do not exceed the numerical limit of 10 for clothing and accessories. Also, all NAFTA compliant products imported definitively into Mexico are exempt from the customs processing fee (CPF). The customs value is based on the f.o.b. value of imports for goods originating in the NAFTA region.

Drawback and Duty Deferral Programs

Duty drawback is the refund of customs duties levied on materials and components imported from other countries when they are incorporated into goods that are subsequently exported. NAFTA Article 303 restricts the amount of duty drawback and duty waivers and reductions that may be claimed on non-originating goods from outside North America when traded among the three NAFTA countries. Under the "lesser of the two" rule, NAFTA provides that drawback may be granted on the lower amount of: (1) the total duties paid or owed in the U.S. or (2) the total duties paid on the good upon subsequent importation into Canada.

Apparel is exempt from the 'lesser of the two' rule for trade between NAFTA countries (see Annex 303.6). Therefore, both U.S. and Canadian companies who export non-originating apparel can take advantage of the duty drawback provision. If your Canadian customer is re-exporting goods back to the U.S., they should contact Canadian Revenue Agency to see if they can take advantage of the duty drawback provisions set forth under NAFTA. It is helpful to know the specific area in which the transaction will take place in Canada, as drawback provisions vary by each province and territory in Canada.

For information on temporary import of goods for further manufacturing or further processing see NAFTA Requirements for Drawback and Duty Deferral. For information on temporary import of goods to Canada for further manufacturing or further processing see the CBSA [Memorandum D7-4-3, NAFTA Requirements for Drawback and Duty Deferral](#).

Maquiladora

Under NAFTA, Mexico can no longer waive import duties for non-NAFTA products that are processed in Mexico and exported to a NAFTA partner. The new regulations stipulate that, as of 2001, a maquiladora company that exports its final product to the United States or Canada will have to pay the Mexican government, within 60 days of export, import duties for the product's non-NAFTA inputs.

The changes to the law affecting the import of materials, components and supplies for the maquiladora industry grant U.S. companies competitive advantage over non-NAFTA suppliers. U.S. companies are encouraged to learn about the rules affecting the maquiladora industry and to comply with the necessary requirements to become potential suppliers, including the preparation of the NAFTA Certificates of Origin that would grant them the benefit of exporting their

products duty-free into Mexico.

Product Standards and Technical Regulations

The NAFTA provides that testing facilities, inspection agencies, and certification bodies of the United States, Canada and Mexico may be accredited in another NAFTA country without obligation to establish facilities in the other country.

U.S. exporters can get product certification for both the United States and Canada by submitting their product to only one organization. This eliminates the time and expense of obtaining separate certifications for each market. A list of U.S. testing and certification organizations that have received accreditation from the SCC - Standards Council of Canada is available on the [SCC website](#).

Additional Resources

[U.S. Customs and Border Protection - U.S. NAFTA website](#)

Textiles and Apparel specific 'Informed Compliance Publication' of the U.S. Customs Service "What Every Member of the Trade Community Should Know about: NAFTA for Textiles and Textile Articles"



compliance.pdf

[Canada Customs and Revenue Agency - NAFTA Information](#)

Tel: 613-941-0965; Fax: 613-941-8138

(For specific information on exporting to Canada under NAFTA)

NAFTA Information--Canadian Customs

Telephone: (204) 983-3500 or 506-636-5064

Comments: Customs and Excise information

Embassy of Mexico- Washington, DC - NAFTA Desk

Tel.: 202-728-1700

(For specific information on exporting to Mexico under NAFTA)

[NAFTA Secretariat](#)

[Export.gov](#)

[USTR](#)