

## **Appendix III.1.6.1**

### **Special Provisions**

#### **Preferential Tariff Treatment for Non-Originating Goods of the Other Party**

##### **Apparel**

1. (a) Each Party shall apply the rate of duty applicable to originating goods set out in its Schedule to Annex III.3.1 (Tariff Elimination), 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 Appendix III.1.6.2.
- (b) The annual tariff preference levels (TPLs) set out in Schedule 6.B.1 shall be increased annually by two per cent for three consecutive years beginning one year after the entry into force of this Agreement.

##### **Fabric and Made-Up Goods**

2. (a) Each Party shall apply the rate of duty applicable to originating goods set out in its Schedule to Annex III.3.1 (Tariff Elimination), up to the annual quantities specified in Schedule 6.B.2, in SME, to cotton or man-made fibre fabric and cotton or man-made fibre made-up textile goods provided for in Chapters 52 through 55 (excluding goods containing 36% or more by weight of wool or fine animal hair), 58 through 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 fibre 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 or 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 Appendix III.3.1.6.2.
- (b) Each Party shall apply the rate of duty applicable to originating goods set out in its Schedule to Annex III.3.1 (Tariff Elimination), up to the annual quantities specified in Schedule 6.B.2, in SME, to wool fabric and wool made-up textile goods provided for in Chapters 51 through 55 (containing 36% or more by weight of wool or fine animal hair), 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 fibre 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 Appendix III.1.6.2.

### **Spun Yarn**

3. Each Party shall apply the rate of duty applicable to originating goods set out in its Schedule to Annex III.3.1 (Tariff Elimination), up to the annual quantities specified in Schedule 6.B.3, in kilograms (kg), to cotton or man-made fibre yarns provided for in headings 52.05 through 52.07 or 55.09 through 55.11 that are spun in a Party from fibre 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.

4. Textile or apparel goods that enter the territory of a Party under paragraph 1, 2 or 3 shall not be considered to be originating goods.

### **Certification and Verification Requirements**

5. In order that goods may be traded under the TPL regime, prior to the entry into force of this Agreement, the Parties shall:

- (a) Agree on and establish the documentation or certification requirements for the importation of the goods for which the benefit of TPL will be claimed; and
- (b) Notify each other of the method of verification, by the administration of the Party from which the goods are exported, of the eligibility of the goods for TPL status.

### **Review and Consultations**

6. (a) Trade in the goods referred to in paragraphs 1, 2 and 3 shall be monitored by the Parties on request of any Party wishing to adjust any annual TPL, based on the ability to obtain supplies of particular fibres, 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.
- (b) The Parties shall review the rules of origin applicable to textiles and apparel goods, within four 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 of these goods into the WTO. In this review, the Parties will take into account changed circumstances such as technological advances, changes in market conditions and developments with respect to international trade in textiles and apparel.

**Schedule 6.B.1**

**Preferential Tariff Treatment for Non-Originating Apparel**

<b>Imports into Canada:</b>	<b>from Costa Rica</b> 1,300,000 SME
<b>Imports into Costa Rica:</b>	<b>from Canada</b> 1,300,000 SME

**Schedule 6.B.2**

**Preferential Tariff Treatment for Non-Originating  
Fabrics and Made-Up Goods**

<b>Imports into Canada</b>  (a) Cotton or man made fibre fabrics and made up goods  (b) Wool fabrics and made up goods	<b>from Costa Rica</b>  1,000,000 SME  250,000 SME
<b>Imports into Costa Rica</b>  (a) Cotton or man made fibre fabrics and made up goods  (b) Wool fabrics and made up goods	<b>from Canada</b>  1,000,000 SME  250,000 SME

**Schedule 6.B.3**

**Preferential Tariff Treatment for Non-Originating  
Cotton or Man-made Fibre Spun Yarn**

<b>Imports into Canada</b>	<b>from Costa Rica</b> 150,000 kg
<b>Imports into Costa Rica</b>	<b>from Canada</b> 150,000 kg