



CAFTA-DR Facts

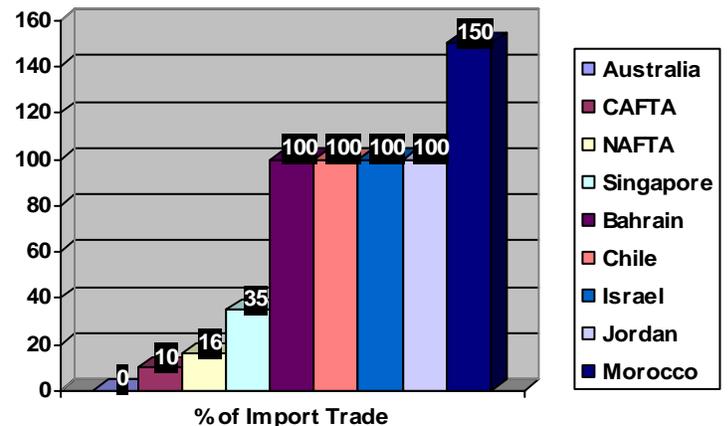
Office of the United States Trade Representative
CAFTA Policy Brief – July 2007

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TEXTILES: United to Compete with Asia

- CAFTA-DR Protects U.S. Jobs: To survive, our textile industry must strengthen its ties to customers in the CAFTA-DR region. The CAFTA-DR is one of the most effective trade agreements ever negotiated in terms of preserving the benefit of the agreement for the Parties (see graph). Since entry into force of the CAFTA-DR more than 90 percent of all apparel made in Central America is sewn from regional fabric and yarn.

Tariff Preference Levels/Flexibility as % of Import Trade,
with FTA Partners



- CAFTA-DR Protects U.S. Exports: Central America is the second largest U.S. textile export market in the world (NAFTA is first). The United States exported \$3.49 billion worth of textiles and apparel to the CAFTA-DR region in 2006.

- CAFTA-DR Gets Tough on Illegal Transshipment: The CAFTA-DR contains strict customs enforcement provisions. Under the CAFTA-DR provisions, U.S. Customs can conduct surprise site visits to Central American and Dominican Republic producers suspected of illegal transshipment. The United States can also undertake a variety of enforcement actions, including denial of entry to suspect goods.

- CAFTA-DR Contains a Special Textile Safeguard: The special CAFTA-DR textile safeguard which allows the United States to re-impose tariffs on textiles and apparel if damage occurs due to import surges.

- CAFTA-DR Lowers Barriers to U.S. Exports: Prior to the CAFTA, tariff rates in the CAFTA-DR region on textile exports were as high as 18%. Under the CAFTA-DR, U.S. exports of textiles are now duty-free, providing our fabric, yarn, and thread manufacturers with the benefits of permanent and expanded duty-free trade.

- CAFTA-DR Has State-of-the-Art Rules of Origin:

- Yarn-Forward Rule: A “yarn-forward” rule ensures that virtually all of the textile and apparel items covered by the FTA utilize U.S. or regional inputs.
- New Benefits for Thread and Elastics: For the first time in a free trade agreement, the CAFTA-DR requires thread and narrow elastic fabrics to originate from the region. As in past agreements, there is a provision to ensure the visible linings originate from the region.