



# CAFTA-DR Facts

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## *Textiles in the CAFTA-DR*

### *Details of the Agreement*

Specific textiles provisions make the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) work for regional textiles manufacturers.

**Yarn-forward Rule of Origin:** The Parties to the CAFTA-DR agreed to a “yarn forward” rule, meaning that only apparel using yarn and fabric from the United States, Central America and the Dominican Republic qualifies for duty-free benefits.

**Short Supply Process:** The CAFTA-DR contains a new and more agile short supply process that includes tighter timelines than in earlier short supply processes, allows items to be deemed in partial short supply, and provides for items to be added to and removed from the short supply list.

**Cumulation:** The CAFTA-DR Parties agreed to “cumulation” with Mexico and Canada for woven apparel, allowing a limited volume of inputs from Mexico and Canada to be used in Central American/Dominican apparel that will still qualify for duty-free benefits in the United States. Cumulation is subject to a 100 million square meter equivalent (SME) annual cap. This cap can grow to 200 million square meters. However, this increase is tied to growth in CAFTA-DR trade. Under the overall cap of 100 million SME, there is a 1-million SME cap on wool, 20-million SME cap on blue denim, and 45-million SME cap on cotton and man-made bottom-weights. In order to participate in cumulation, Mexico and Canada must provide reciprocal benefits to U.S., Central American and Dominican Republic textile and apparel exports. Canada and Mexico also must agree to strengthened Customs enforcement measures. It benefits U.S. companies with investments in Mexico and Canada and helps to integrate production in the region as a counterbalance to Asian producers.

**Tough Customs Enforcement Procedures:** The CAFTA-DR contains strict Customs enforcement provisions. Under the provisions, U.S. Customs authorities can conduct surprise site visits to Central American producers and the United States can undertake a variety of enforcement actions (up to and including a bar of entry of suspect goods).

**Textile-specific Safeguard:** The CAFTA-DR contains a special textile safeguard, allowing the U.S. to impose tariffs on certain goods when injury occurs due to import surges.

**New Benefits for Thread, Elastics and Pocket Fabric:** For the first time in a free trade agreement, the CAFTA-DR requires thread, narrow elastic fabrics and pocketing fabric to originate in the region. As in past agreements, there is a provision to ensure visible linings originate in the region.

**Flexibilities:** Instead of resorting to large TPLs, the CAFTA-DR contains several narrowly-tailored provisions to address specific concerns of industry.