CHAPTER 17

READY MADE GARMENTS

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INTRODUCTION

The garment industry has new opportunities to expand sales and increase production under NAFTA. The three countries' manufacturers can make use of economies of scale and take advantage of complementary resources to enhance export potential. However, there might also be a need for adjustment and rationalisation of some firms.

Canada's apparel industry consists of 2,000 mostly small firms, most of which are located in the provinces of Quebec and Ontario. The Canadian apparel industry has gone through restructuring, and has had difficulty competing with imports from low-wage countries. However, it has met with some success in manufacturing moderate- to better-quality apparel products, especially for small runs and special requirements of private label programs. However, the future is likely to see an increase in low-cost imports.

The Mexican garment industry consists of 11,000 firms. There are two segments in this industry; one manufactures clothing mainly for the Mexican market, and is composed of many small, inefficient firms. The other segment makes higher quality apparel, mainly for export, in more efficient plants. These plants, often maquiladoras, are located mainly along the border with the United States.

There is great international competition, primarily from Asia, in Mexico's apparel sector. As incomes rise in Mexico, so should demand in this segment of the economy.

The US participates in the Multifibre Arrangement, which allows for the imposition of quotas on imports of textile products when these threaten to disrupt domestic markets. This industry is the principal customer for the raw wool supply in the US. The apparel industry in the US is highly competitive due to the large number of producers and the high level of imported products, especially those from low-wage countries. Forty percent of the volume of apparel purchased in the US is of foreign origin.

CANADA

Tariffs (%)

Items:	MFN	GPT	US/Mexico
Apparel, knitted or crocheted	24.3 (BPT = 18 for some)	X	7.5-20
Apparel, not knitted or crocheted	19.6-28.8 (BPT = 18-20.3 for some)	X, 0-10	6-24

X - same as MFN tariff

The importation of clothing to Canada is controlled by a series of quotas and import licenses. An import permit is needed for every shipment of items of clothing and textiles that appear on the Import Control List. Therefore, first determine whether or not the item requires a permit, then, whether it is subject to quota control. There are quota controls from many countries for most products on the Import Control List. Trade agreements allocate the quotas to the country's respective manufacturers and suppliers. Please refer to the section on documentation requirements below for more details.

Standards

There are standards for labelling (outlined in the labelling section, below) and fibre content determination. The amount of textile fibre present in a textile fibre article must be determined according to the test methods contained in the National Standard of Canada, Textile Test Methods. More information about the test methods may be obtained from the Canadian General Standards Board (CGSB), in the addresses section of this guide.

There are also voluntary requirements for care labelling. The National Standard lists recommended test methods to assess appearance changes; these tests must be performed in accordance with the National Standard of Canada - Textile Test Methods. A copy of this Standard may also be obtained from the CGSB.

Manufacturers are not required to make garments that conform to specific size codes; however, where a size has been identified, it must be accurate. Information on size designations should consult the CGSB.

Products made in whole or in part of textile fibres must meet a basic minimum flammability standard as set out in the Standard Method of Test for Flammability of

Clothing Textiles, according to the Hazardous Products Act. In addition, there exists a basic, minimum flammability standard for carpets and rugs. Products which do not meet the established requirements cannot be sold, advertised or imported into Canada. Information on the Hazardous Products Act may be obtained from the Chemical Hazards Division at Health Canada, listed in Section III of this guide.

Labelling

Importers should pay strict attention to labelling requirements on garments imported into Canada: delays or service charges result when labels are not properly located, not correctly affixed to the garments, or do not provide the required information. The shipment is refused release until the importer's shipment complies.

Industry Canada's Textile Labelling Act and Textile Labelling and Advertising Regulations provide basic labelling requirements for consumer textile articles sold in Canada. The Act prohibits a dealer from selling, advertising, or importing into Canada, consumer textile articles unless they are labelled with fibre content and dealer identification in accordance with the Act and Regulations, and from making misleading representations relating to textile fibre products.

The basic requirements are that the label have:

- fibre content information expressed in percentages by mass
  - each fibre present in an amount of at least 5 % of the product must be shown by its generic name, in order of predominance and stated as a percentage of the total fibre mass of the article; those making up less than 5 % may be identified as "other fibre(s)"
  - if article has more than one section, percentage to be shown for each section (including linings, interlinings, paddings or fillings)
  - if reused or reprocessed fibres are used, these must be listed as such
  - if mixed or unknown or miscellaneous fibres are used, these must be listed assuch
  - when only one fibre is contained, the words "all" or "pure" may be used instead of 100%;

- dealer identity information
  - name and address, or, for a dealer in Canada, their identification number ("CA Number) obtained by applying to Industry Canada.

Fibre content information must be in English and French, except in areas where only one official language is used in consumer purchases. Dealer identification and country of origin (when required) only need to be in one of the official languages. The province of Quebec has additional requirements concerning all products marketed therein, which should be obtained from the Office de la Langue Francaise, found under Section III of this guide.

Provision for care information is not mandatory, but where provided, Industry Canada verifies that the care information provided on the label is accurate and presented in the correct manner, responds to any complaints received, and may take actions as a result of misuse of symbols. The Canadian Care Labelling Program relates to the properties of colourfastness, dimensional stability, effect of bleach, and maximum safe ironing temperature. The method of care applies to the entire article, including components.

The program is based on five symbols in the three "traffic light" colours; words in both English and French may be used to give special instructions not covered by the appropriate symbol. The five symbols, in order in which they are to be used, are the wash tub (washing), triangle (bleaching), square (drying), iron (pressing), and circle (dry-cleaning). The colours to be used are red (stop), amber (be careful), and green (go ahead). A red crossed-out symbol may only be used when the manufacturer can provide proof that the treatment it represents would damage the textile article. These symbols and their variations are outlined in section 8 of the National Standard of Canada - Care Labelling of Textiles, which may be obtained at the CGSB.

There are certain articles of clothing that are required to be marked with country of origin at the time of importation. The items included are:

- women's undergarments;
- knitted garments;
- raincoats and plastic rainwear; and
- wearing apparel made wholly or substantially of natural or synthetic textile fibres.

The goods are to be marked (or stamped, branded, labelled) as to indicate the country of origin in either English or French, and should be as permanent as the nature of goods permit, in a conspicuous place on the garment.

Information to be included is the name of the country of origin (i.e. country where goods substantially manufactured), or name of manufacturer with name of city and province/state, or the name of an internationally-known city preceded by the words "Made in", "Produced in", "Printed in", or similar words. For more information on marking requirements, contact Revenue Canada, Customs and Excise, Commercial, Verification and Enforcement, under Section III of this guide.

Packaging

When a consumer textile article is sold in a wrapper, package or container and the label attached to the article is clearly visible, there is no other labelling necessary. If the label is not visible, the information required to be show must be repeated on the package in the manner outlined above.

For all other pre-packaged products, according to the Consumer Packaging and Labelling Act and Regulations, all packages must be manufactured, constructed, or displayed in such a manner that a consumer may not reasonably be misled with respect to the quality or quantity of the product it contains. Labels on pre-packaged products must show:

- the identity and principal place of business of the person by or for whom the pre-packaged product was manufactured or produced for resale;
- the identity of the pre-packaged product in terms of its common or generic name or in terms of its function;
- such information respecting the nature, quality, age, size, material content, composition, geographic origin, performance, use or method of manufacture or production of the pre-packaged product as may be prescribed.

Questions on the Act may be directed to the Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

The influence of fashion on consumer purchases is rising, although the price of apparel remains an important consideration. Since adult consumers are becoming increasingly price-sensitive and knowledgeable about the clothing they buy, they are deciding to purchase more carefully based on product value. Canadian manufacturers compete on quality, style and price, especially in the medium to higher price ranges.

The market is dominated by a limited number of large department stores and chain stores (which usually focus on particular product lines) that are also significant importers. Discount stores are rising in popularity at the expense of the large department stores. There are too many retailers for the amount of product; consequently, this means that relationship between supplier and retailer should become more competitive. Large Canadian retailers prefer to buy directly from foreign producers and manufacturers. Smaller retailers do not usually have volumes which would justify buying direct.

The latest available data suggests that the import market for apparel into Canada is US $1.7 billion.

Marketing factors are similar to those mentioned for the United States, later in this chapter.

Documentation

Goods imported into Canada have mandatory documentation requirements. These are:

- Form B3, Canada Customs Coding (two copies required for an automated Customs office, three if not). It is important to fill in this form properly, especially since it is here where the importer shows the tariff treatment for his goods;
- cargo control document - manifest, waybill or other approved document that must be obtained from carrier or forwarder (two copies);
- commercial invoice, indicating the buyer and seller of the goods, price paid or payable, adequate description, including quantity, of goods contained in the shipment, together with a Canada Custom invoice containing the remaining required data (two copies), or a fully completed Canada Customs invoice, or an invoice containing all data listed by Customs.

Revenue Canada requires that knitted garments and other apparel imported into Canada be clearly labelled as to their country of origin, in English or French; this must be clearly located on the product. If the consumer will ultimately buy the good in a container, then it is acceptable that the container only be marked. Canadian importers are responsible for ensuring that the goods they are importing comply with the marking requirements at the time they import the goods.

As noted in the Tariffs section above, the importation of clothing into Canada is controlled by quotas and import licenses. Those companies exporting their garments to Canada must obtain an import permit from the Textiles & Clothing Trade Policy Division, Department of Foreign Affairs and International Trade for every shipment of items of clothing and textiles that appear on the Import Control List. Delays ensue when import permits are not obtained prior to shipment's arrival, are not valid because of the expiry date, do not contain all of the required information, or do not cover the shipment. The following are the items on the control list which require an import permit:

coats, jackets and rainwear	winter outerwear
male casual and fine wear	female casual and fine wear
trousers, overalls and shorts	tailored collar shirts, men/boys
woven shirts, blouses and similar articles	knitted/crochet shirts and blouses, t-shirts, sweatshirts, similar articles and athletic wear
underwear	sleepwear and bathrobes

jerseys, pullovers, cardigans and sweaters
foundation garments
other coated garments
other garments
swimwear
babies garments
smocks and shop coats
miscellaneous textile articles

There are quota controls from a large number of countries for most products on the Import Control List. The Commonwealth countries included are: Bangladesh, Hong Kong, India, Jamaica, Lesotho, Malaysia, Mauritius, Singapore, Sri Lanka, and Swaziland. Exporters from these countries should contact their country's export authorities or the Department of Foreign Affairs and International Trade, Textiles Export & Import Controls Bureau, listed in Section III of this guide.

If the exporter is in one of the above countries that has a quota, the supplier must hold a quota (also called certificate of origin, export certificate, and so on, depending on the country of origin) from his government to ship that product to Canada. The supplier obtains an export license from the country authorities covering the shipment. This document proves that the quantity involved has been deducted from the quota. The supplier must send the original export license to the Canadian importer who must have it in his possession in order to obtain the necessary import permit from the Department of Foreign Affairs and International Trade to clear the shipment through Customs, or the shipment will not be allowed into Canada.

All importers require a company file number from the Textiles & Clothing Trade Policy Division, Export & Import Controls Bureau, Department of Foreign Affairs and International Trade. This number registers the importer's company and is necessary in order to obtain an import permit.

Trade Associations

Canadian Apparel Manufacturers Institute (CAMI)
Ottawa, Ontario

Canadian Shirts Manufacturers Association
Montreal, Quebec

Children's Apparel Manufacturers' Association
Montreal, Quebec

Men's Clothing Manufacturers Association
Montreal, Quebec

Quebec Outerwear Knitters Association
Montreal, Quebec

Trade Fairs

Mode Accessories International Exposition
January, September
Toronto

Outerwear Expo
March
Montreal

MEXICO

Tariffs (%)

Items:	General	US/Canada
Apparel, knitted or crocheted	20	A/B/C/1/2
Apparel, not knitted or crocheted	20	A/B/C/1/2

A - duties fully eliminated on January 1, 1994
B - duties removed in five equal stages of 20% annually to full elimination by 1998
C - duties removed in ten equal stages of 10% annually to full elimination by 2003

Standards

There are voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume I, Classification A. A sampling of the range of standards applicable to this sector include size designation of garments, wool content determination tests, colour fastness determination methods, tolerance methods for knitted clothes, shrinkage determination methods, fire resistance determination for textile products, graphical symbolism for care of piece goods and clothing, and other standards. The exporter is strongly urged to contact the Direccion General de Normas at SECOFI, the relevant Mexican sector association, or a knowledgeable Mexican importer, about the most current standards applicable to his product.

Labelling

According to Mexico's Ley de Proteccion al Consumidor (consumer protection law), apparel must meet specific labelling requirements, which are enforced at the border. But, they do not have to be accompanied by a certificate of compliance. For these products, labels must be affixed to the product and not just to the packaging.

The minimum labelling requirements for garments are:

- name of exporter;
- materials (general or specific definition and, if applicable, finishing);
- country of origin;
- name and address of importer; and

- Federal Taxpayer Number of the importer and/or registration number of the chamber of commerce to which he/she belongs.

Please consult SECOFI for more details regarding specific labelling requirements for Mexico.

Packaging

There are no official packaging requirements for imported products to Mexico. Please check with your Mexican broker or importer for developments in this area.

Marketing and Distribution

In Mexico, price is an important consideration in Mexican apparel buying decisions. This becomes less important as incomes rise; middle and upper income Mexicans consider style and quality more in their purchasing decisions.

Rising income in Mexico is evidenced by the growth of the retail sector. The growth in department and speciality stores in Mexico means that there are more speciality clothing stores in which to sell and purchase garments.

Documentation

Goods imported into Mexico must be accompanied by standard documentation, as follows:

- commercial invoice (in Spanish, if prepared in English, the Spanish translation may follow original text on invoice or translation may accompany invoice), including the original and several copies;
- packing list (if more than one package shipped) with at least four copies;
- bills of lading; one original for importer and one for customs broker.

The invoice must be complete and accurate. It must include:

- place and date of issue;
- complete name and addresses of the buyer or importer in Mexico, and the exporter;
- description of merchandise, including marks, numbers, types, and quantities;
- freight and insurance charges;

- price and total value of shipment;
- signature (manual), name, and title of exporter; and
- shipper's invoice number and customer's order number.

The invoice should be sent ahead to the importer/broker/agent, in order to obtain special permits (if necessary) if shipped by sea or land, or it should accompany goods if shipped by air.

The packing list includes:

- number of packages, and detailed list of goods in each package;
- net, gross, and legal weight of each package and total shipment, in metric units, along with volume or measurements of each package and total shipment.

The bill of lading has information such as:

- types of packages in shipment and their weights and measurements;
- names and addresses of the shipper and importer, or customs broker;
- ports of origin and destination;
- description of goods;
- list of charges, including freight;
- number of bills of lading in full set; and
- carrier's official acknowledgement of receipt on board of goods for shipment.

Trade Associations

Camara Nacional de la Industria del Vestido
(Garment industry national chamber)
Mexico City Tel. (5) 588-7822, 588-7664
Fax (5) 578-6210

Trade Fairs

Encuentro con la Moda
October
Guadalajara

Exhimoda Primavera-Verano/Otono-Invierno
January/July
Guadalajara

Expo Fashion
May/October
Mexico City

Expotela
February/March
Mexico City

Sede de la Moda
August
Mexico City

Semana Internacional de la Moda
January/June
Monterrey

UNITED STATES

Tariffs (%)

Items:	General	GSP	CBI	Canada/Mexico
Apparel, knitted or crocheted	4-34.6	0-34.6	0-34.6	0-20
Apparel, not knitted or crocheted	0-30.4	0-30.4	0-30.4	0-20

There are import controls on certain garments, including those made of wool. Information concerning specific import controls in effect may be obtained from US Customs.

The Caribbean Basin Initiative Special Access Program applies for certain products which are made of US formed and cut fabric and accompanied by a properly certified form ITA-370P.

Standards

A garment may not be imported into the US if it fails to conform to an applicable flammability standard issued under the Flammable Fabrics Act, administered by the Consumer Product Safety Commission (CPSC). The standard also specifies the test procedures for textile fabrics. Please contact the CPSC, under Section III of this guide, for more information.

The US Department of Agriculture sets out official grades for wool, set out in their regulations.

Labelling

The Textile Fibre Products Identification Act specifies the following labelling required for garments:

- generic names and percentages by weight of fibres present in the product, in amounts of more than 5 % in order of predominance by weight, with any percentage of fibre(s) required to be designated as "other fibre(s)" (those fibres with 5 % or less) appearing last;
- name of manufacturer or name or registered identification issued by the Federal Trade Commission (FTC) of persons marketing or handling the product;
- name of country where processed or manufactured.

Products containing woollen fibre must be labelled according to the Wool Products Labelling Act (administered by the FTC) as follows:

- the percentage of the total fibre weight of the wool product, not exceeding 5 % of the total fibre weight of wool, recycled wool, and each fibre other than wool if such fibre is 5 % or more, and the aggregate of all other fibres;
- the maximum percent of total weight of the wool product, of any nonfibrous loading, filling, or other such matter; and
- the name of the manufacturer or person marketing (importer) the product in the US; if the importer has a registered identification number from the FTC, that number may be used instead.

The FTC also requires manufacturers and importers to attach care instructions to garments; these do not have to be attached when they enter the US, but must be attached before sold in the US. The label, which must remain legible throughout the useful life of the product, must have either a washing or a dry-cleaning instruction (if both can be done, only one of these instructions is necessary). Labels must be fastened so they can be easily found. If labels cannot be readily seen because of packaging, additional care information must appear on the outside of the package or on a hang tag fastened on the product. Care symbols may be used, but only in addition to words. Washing instructions include:

- indicating whether the product is hand or machine washable;
- water temperature setting if use of hot water will harm the product;
- mentioning which type of bleach harms the product, if any;
- whether the product should be dried by machine or another method -- indicate temperature setting if high temperature will harm the product;
- ironing information, if ironing needed on regular basis - indicate temperature setting if high temperature will harm the product; and
- warnings, if a certain washing procedure will harm product, or if care procedure on one product could cause harm to another product being washed with it.

Dry-cleaning instructions include:

- specifying which solvents are safe to use, if other solvents would harm the product;
- warnings about any part of the dry-cleaning process that would harm the product, if any.

Provisions of both Acts, and more information on textiles labelling, may be obtained from the FTC, under Section III of this guide.

Packaging

An important function of packaging is to pack the product in a way to enable US Customs to examine, weigh, measure, and release the goods promptly. Therefore, show the exact quantity of each item of goods in each box or other package, put marks and numbers on each package, and show those marks on your invoice opposite the itemisation of goods contained in the corresponding package.

Care labels must appear on the outside of the package or on a hang tag on the product, if labels cannot be easily seen because of packaging.

Marketing and Distribution

The size of the import market into the United States for apparel is approximately US $31.2 billion.

Although there are many suppliers and international competitors in the US garments market, there are opportunities for niche suppliers and new buying arrangements. Key success factors for manufacturers in this market are reliability, quality, competitive pricing, and timely delivery for the US consumer as well as the importer or buyer.

US importers and buyers are demanding, there is little room for delay or error. These importers and buyers look for reliable, creditable sources of supply.

Documentation

Within five working days of the date of arrival of a shipment at a US port of entry, entry documents must be filed, which consist of:

- a commercial invoice, or pro forma invoice when the commercial invoice cannot be produced;
- packing lists, if appropriate;
- evidence of right to make entry (bill of lading, air waybill, shipping receipt, carrier's certificate); and
- Entry Manifest, Customs Form 7533; or Application and Special Permit for Immediate Delivery, Customs Form 3461; or other form of merchandise release required by the district director.

As mentioned above, garments must be marked with their country of origin.

Manufacturers subject to quotas should consult with US Customs for any required documentation for importation of their product.

For the Caribbean Basin Initiative Special Access Program, mentioned in the tariff section above, products must be accompanied by a properly certified form ITA-370P.

Trade Associations

American Apparel Manufacturers Association
Arlington, Virginia Tel. (703) 524-1864
Fax (703) 522-6741

American Textile Manufacturers Institute
Washington Tel. (202) 862-0500
Fax (202) 862-0570

Apparel Retailers of America
Washington Tel. (202) 347-1932

The Fashion Association
New York Tel. (212) 683-5665
Fax (212) 545-1709

Knitwear Division - American Apparel Manufacturers Association
New Jersey Tel. (201) 966-6265
Fax (201) 966-5436

National Knitwear & Sportswear Association
New York Tel. (212) 683-7520
Fax (212) 532-0766

Sporting Goods Manufacturers Association
North Palm Beach, Florida Tel. (407) 842-4100
Fax (407) 863-8984

US Association of Importers of Textiles & Apparel
New York Tel. (212) 463-0089
Fax (212) 463-0583

Wool Bureau
New York Tel. (212) 986-6222
Fax (212) 557-5985

Wool Manufacturers Council
Boston Tel. (617) 542-8220
Fax (617) 542-2199
Woolknit Associates
New York Tel. (212) 683-7785

Trade Fairs

Fashion Accessories Expo
January, May, August - New York
February, August - Las Vegas

International Fashion Boutique Show
January, June, August, October
New York

International Fashion Fabric Exhibition
March, October
New York

International Jeanswear & Sportswear Show
March, September
Miami

International Kids Fashion Show
January, March, August, October
New York

Magic International
February, August
Las Vegas

New York Premier Collections
February, September
New York

The Supershow
February
Atlanta, Georgia

Yarn Fair International
(sponsored by National Knitwear & Sportswear Association)
Various US locations

SOURCES OF INFORMATION ABOUT THIS SECTOR

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