

110TH CONGRESS
2D SESSION

S. 2776

To provide duty-free treatment for certain goods from designated Reconstruction Opportunity Zones in Afghanistan and Pakistan, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 13, 2008

Ms. CANTWELL (for herself, Mr. HATCH, Mr. BOND, Mr. LIEBERMAN, and Mr. HAGEL) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide duty-free treatment for certain goods from designated Reconstruction Opportunity Zones in Afghanistan and Pakistan, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Afghanistan and Paki-
5 stan Reconstruction Opportunity Zones Act of 2008”.

6 **SEC. 2. DEFINITIONS; PURPOSES.**

7 (a) DEFINITIONS.—In this Act:

8 (1) AGREEMENT ON TEXTILES AND CLOTH-
9 ING.—The term “Agreement on Textiles and Cloth-

ing” means the Agreement on Textiles and Clothing referred to in section 101(d)(4) of the Uruguay Round Agreements Act (19 U.S.C. 3511(d)(4)).

(2) CATEGORY; TEXTILE AND APPAREL CATEGORY NUMBER.—The terms “category” and “textile and apparel category number” mean the number assigned under the U.S. Textile and Apparel Category System of the Office of Textiles and Apparel of the Department of Commerce, as listed in the HTS under the applicable heading or subheading (as in effect on September 1, 2007).

(3) ENTERED.—The term “entered” means entered, or withdrawn from warehouse for consumption, in the customs territory of the United States.

(4) ENTITY.—The term “entity” means—

(A) a natural person, corporation, company, business association, partnership, society, trust, any other nongovernmental entity, organization, or group, whether or not for profit;

(B) any governmental entity or instrumentality of a government; and

(C) any successor, subunit, or subsidiary of any entity described in subparagraph (A) or (B).

1 (5) HTS.—The term “HTS” means the Har-
2 monized Tariff Schedule of the United States.

3 (6) NAFTA.—The term “NAFTA” means the
4 North American Free Trade Agreement concluded
5 between the United States, Mexico, and Canada on
6 December 17, 1992.

7 (7) RECONSTRUCTION OPPORTUNITY ZONE.—
8 The term “Reconstruction Opportunity Zone” means
9 any area that—

10 (A) encompasses portions of the territory
11 of—

12 (i) Afghanistan; or

13 (ii) 1 or more of the following areas of
14 Pakistan:

15 (I) the Federally Administered
16 Tribal Areas;

17 (II) areas of Pakistan-adminis-
18 tered Kashmir that the President de-
19 termines were harmed by the earth-
20 quake of October 8, 2005;

21 (III) areas of Baluchistan that
22 are within 100 miles of Pakistan’s
23 border with Afghanistan; and

24 (IV) the North West Frontier
25 Province;

1 (B) has been designated by the competent
2 authorities in Afghanistan or Pakistan, as the
3 case may be, as an area in which merchandise
4 may be introduced without payment of duty or
5 excise tax; and

6 (C) has been designated by the President
7 as a Reconstruction Opportunity Zone pursuant
8 to subsection (b).

9 (b) PURPOSES.—The purposes of this Act are—

10 (1) to stimulate economic activity and develop-
11 ment in Afghanistan and the border region of Paki-
12 stan, critical fronts in the struggle against violent
13 extremism;

14 (2) to reflect the strong support that the
15 United States has pledged to Afghanistan and Paki-
16 stan for their sustained commitment in the global
17 war on terrorism;

18 (3) to support the 3-pronged United States
19 strategy in Afghanistan and the border region of
20 Pakistan that leverages political, military, and eco-
21 nomic tools, with Reconstruction Opportunity Zones
22 as a critical part of the economic component of that
23 strategy; and

24 (4) to offer a vital opportunity to improve liveli-
25 hoods, promote good governance, and extend and

1 strengthen the Governments of Afghanistan and
 2 Pakistan.

3 **SEC. 3. DESIGNATION OF RECONSTRUCTION OPPORTUNITY**
 4 **ZONES.**

5 (a) **AUTHORITY TO DESIGNATE.**—The President is
 6 authorized to designate an area within Afghanistan or
 7 Pakistan described in section 2(a), (7) (A) and (B) as a
 8 Reconstruction Opportunity Zone if the President deter-
 9 mines that—

10 (1) Afghanistan or Pakistan, as the case may
 11 be, meets the eligibility criteria set forth in sub-
 12 section (c);

13 (2) Afghanistan or Pakistan, as the case may
 14 be, meets the eligibility criteria set forth in sub-
 15 section (c) of section 502 of the Trade Act of 1974
 16 (19 U.S.C. 2462(c)) for designation as a beneficiary
 17 developing country under that section and is not in-
 18 eligible under subsection (b) of such section; and

19 (3) designation of the area as a Reconstruction
 20 Opportunity Zone is appropriate taking into account
 21 the factors listed in subsection (c).

22 (b) **ELIGIBILITY CRITERIA.**—Afghanistan or Paki-
 23 stan, as the case may be, meets the eligibility criteria set
 24 forth in this subsection if that country—

1 (1) has established, or is making continual
2 progress toward establishing—

3 (A) a market-based economy that protects
4 private property rights, incorporates an open
5 rules-based trading system, and minimizes gov-
6 ernment interference in the economy through
7 measures such as price controls, subsidies, and
8 government ownership of economic assets;

9 (B) the rule of law, political pluralism, and
10 the right to due process, a fair trial, and equal
11 protection under the law;

12 (C) economic policies to—

13 (i) reduce poverty;

14 (ii) increase the availability of health
15 care and educational opportunities;

16 (iii) expand physical infrastructure;

17 (iv) promote the development of pri-
18 vate enterprise; and

19 (v) encourage the formation of capital
20 markets through microcredit or other pro-
21 grams;

22 (D) a system to combat corruption and
23 bribery, such as ratifying and implementing the
24 United Nations Convention Against Corruption;
25 and

1 (E) protection of internationally recognized
2 worker rights, as defined in section 507(4) of
3 the Trade Act of 1974 (19 U.S.C. 2467(4));

4 (2) is eliminating or has eliminated barriers to
5 trade and investment, including by—

6 (A) providing national treatment and
7 measures to create an environment conducive to
8 domestic and foreign investment;

9 (B) protecting intellectual property; and

10 (C) resolving bilateral trade and invest-
11 ment disputes;

12 (3) does not engage in activities that undermine
13 United States national security or foreign policy in-
14 terests;

15 (4) does not engage in gross violations of inter-
16 nationally recognized human rights;

17 (5) does not provide support for acts of inter-
18 national terrorism; and

19 (6) cooperates in international efforts to elimi-
20 nate human rights violations and terrorist activities.

21 (c) ADDITIONAL FACTORS.—In determining whether
22 to designate an area in Afghanistan or Pakistan as a Re-
23 construction Opportunity Zone, the President shall take
24 into account—

1 (1) an expression by the government of the
2 country of its desire to have a particular area des-
3 ignated as a Reconstruction Opportunity Zone under
4 this Act;

5 (2) whether the government of the country has
6 provided the United States with a monitoring and
7 enforcement plan outlining specific steps the country
8 will take to cooperate with the United States to—

9 (A) facilitate legitimate cross-border com-
10 merce;

11 (B) ensure that articles for which duty-free
12 treatment is sought pursuant to this Act satisfy
13 the applicable rules of origin described in sec-
14 tion 4 (c) and (d) or section 5 (c) and (d),
15 whichever is applicable;

16 (C) prevent unlawful transshipment, as de-
17 scribed in section 6(b)(3); and

18 (D) protect internationally recognized
19 worker rights, as defined in section 507(4) of
20 the Trade Act of 1974 (19 U.S.C. 2467(4));

21 (3) the potential for such designation to create
22 local employment and to promote local and regional
23 economic development;

24 (4) the physical security of the proposed Recon-
25 struction Opportunity Zone;

(5) the economic viability of the proposed Reconstruction Opportunity Zone, including—

(A) whether there are commitments to finance economic activity proposed for the Reconstruction Opportunity Zone; and

(B) whether there is existing or planned infrastructure for power, water, transportation, and communications in the area;

(6) whether such designation would be compatible with and contribute to the foreign policy and national security objectives of the United States, taking into account the information provided under subsection (e); and

(7) the views of interested persons submitted pursuant to subsection (e).

(d) INFORMATION RELATING TO COMPATIBILITY WITH AND CONTRIBUTION TO FOREIGN POLICY AND NATIONAL SECURITY OBJECTIVES OF THE UNITED STATES.—In determining whether designation of a Reconstruction Opportunity Zone would be compatible with and contribute to the foreign policy and national security objectives of the United States in accordance with subsection (c)(6), the President shall take into account whether Afghanistan or Pakistan, as the case may be, has provided the United States with a plan outlining specific steps it

1 will take to verify the ownership and nature of the activi-
 2 ties of entities to be located in the proposed Reconstruc-
 3 tion Opportunity Zone. The specific steps outlined in a
 4 country's plan shall include a mechanism by which a com-
 5 petent authority of the country—

6 (1) collects from each entity operating in, or
 7 proposing to operate in, a Reconstruction Oppor-
 8 tunity Zone, information including—

9 (A) the name and address of the entity;

10 (B) the name and location of all facilities
 11 owned or operated by the entity that are oper-
 12 ating in or proposed to be operating in a Recon-
 13 struction Opportunity Zone;

14 (C) the name, nationality, date and place
 15 of birth, and position title of each person who
 16 is an owner, director, or officer of the entity;
 17 and

18 (D) the nature of the activities of each en-
 19 tity;

20 (2) updates the information required under
 21 paragraph (1) as changes occur; and

22 (3) provides such information promptly to the
 23 Secretary of State.

24 (e) OPPORTUNITY FOR PUBLIC COMMENT.—Before
 25 the President designates an area as a Reconstruction Op-

1 opportunity Zone pursuant to subsection (a), the President
 2 shall afford an opportunity for interested persons to sub-
 3 mit their views concerning the designation.

4 (f) NOTIFICATION TO CONGRESS.—Before the Presi-
 5 dent designates an area as a Reconstruction Opportunity
 6 Zone pursuant to subsection (a), the President shall notify
 7 Congress of the President’s intention to make the designa-
 8 tion, together with the reasons for making the designation.

9 **SEC. 4. DUTY-FREE TREATMENT FOR CERTAIN NONTEX-**
 10 **TILE AND NONAPPAREL ARTICLES.**

11 (a) IN GENERAL.—The President is authorized to
 12 proclaim duty-free treatment for—

13 (1) any article from a Reconstruction Oppor-
 14 tunity Zone that the President has designated as an
 15 eligible article under section 503(a)(1)(A) of the
 16 Trade Act of 1974 (19 U.S.C. 2463(a)(1)(A));

17 (2) any article from a Reconstruction Oppor-
 18 tunity Zone located in Afghanistan that the Presi-
 19 dent has designated as an eligible article under sec-
 20 tion 503(a)(1)(B) of the Trade Act of 1974 (19
 21 U.S.C. 2463(a)(1)(B)); or

22 (3) any article from a Reconstruction Oppor-
 23 tunity Zone that is not a textile or apparel article,
 24 regardless of whether the article has been designated
 25 as an eligible article under section 503(a)(1)(A) or

1 (B) of the Trade Act of 1974 (19 U.S.C.
 2 2463(a)(1)(A) or (B)), if, after receiving the advice
 3 of the International Trade Commission pursuant to
 4 subsection (b), the President determines that such
 5 article is not import-sensitive in the context of im-
 6 ports from a Reconstruction Opportunity Zone.

7 (b) ADVICE CONCERNING CERTAIN ELIGIBLE ARTI-
 8 CLES.—Before proclaiming duty-free treatment for an ar-
 9 ticle pursuant to subsection (a)(3), the President shall
 10 publish in the Federal Register and provide the Inter-
 11 national Trade Commission a list of articles which may
 12 be considered for such treatment. The provisions of sec-
 13 tions 131 through 134 of the Trade Act of 1974 (19
 14 U.S.C. 2151 through 2154) shall apply to any designation
 15 under subsection (a)(3) in the same manner as such sec-
 16 tions apply to action taken under section 123 of the Trade
 17 Act of 1974 (19 U.S.C. 2133) regarding a proposed trade
 18 agreement.

19 (c) GENERAL RULES OF ORIGIN.—

20 (1) IN GENERAL.—The duty-free treatment
 21 proclaimed with respect to an article described in
 22 paragraph (1) or (3) of subsection (a) shall apply to
 23 any article subject to such proclamation which is the
 24 growth, product, or manufacture of 1 or more Re-
 25 construction Opportunity Zones if—

1 (A) that article is imported directly from a
2 Reconstruction Opportunity Zone into the cus-
3 toms territory of the United States; and

4 (B)(i) with respect to an article that is an
5 article of a Reconstruction Opportunity Zone in
6 Pakistan, the sum of—

7 (I) the cost or value of the materials
8 produced in 1 or more Reconstruction Op-
9 portunity Zones in Pakistan or Afghani-
10 stan,

11 (II) the direct costs of processing op-
12 erations performed in 1 or more Recon-
13 struction Opportunity Zones in Pakistan or
14 Afghanistan, and

15 (III) the cost or value of materials
16 produced in the United States, determined
17 in accordance with paragraph (2),

18 is not less than 35 percent of the appraised
19 value of the article at the time it is entered into
20 the United States; or

21 (ii) with respect to an article that is an ar-
22 ticle of a Reconstruction Opportunity Zone in
23 Afghanistan, the sum of—

24 (I) the cost or value of the materials
25 produced in 1 or more Reconstruction Op-

portunity Zones in Pakistan or Afghanistan,

(II) the cost or value of the materials produced in 1 or more countries that are members of the South Asian Association for Regional Cooperation,

(III) the direct costs of processing operations performed in 1 or more Reconstruction Opportunity Zones in Pakistan or Afghanistan, and

(IV) the cost or value of materials produced in the United States, determined in accordance with paragraph (2),

is not less than 35 percent of the appraised value of the article at the time it is entered into the United States.

(2) DETERMINATION OF 35 PERCENT FOR ARTICLES FROM RECONSTRUCTION OPPORTUNITY ZONES IN PAKISTAN AND AFGHANISTAN.—If the cost or value of materials produced in the customs territory of the United States is included with respect to an article described in paragraph (1)(B), for purposes of determining the 35 percent appraised value requirement under clause (i) or (ii) of paragraph (1)(B), not more than 15 percent of the appraised

1 value of the article at the time the article is entered
 2 into the United States may be attributable to the
 3 cost or value of such United States materials.

4 (d) RULES OF ORIGIN FOR CERTAIN ARTICLES OF
 5 RECONSTRUCTION OPPORTUNITY ZONES IN AFGHANI-
 6 STAN.—

7 (1) IN GENERAL.—The duty-free treatment
 8 proclaimed with respect to an article described in
 9 paragraph (2) of subsection (a) shall apply to any
 10 article subject to such proclamation which is the
 11 growth, product, or manufacture of 1 or more Re-
 12 construction Opportunity Zones in Afghanistan if—

13 (A) that article is imported directly from a
 14 Reconstruction Opportunity Zone in Afghani-
 15 stan into the customs territory of the United
 16 States; and

17 (B) with respect to that article, the sum
 18 of—

19 (i) the cost or value of the materials
 20 produced in 1 or more Reconstruction Op-
 21 portunity Zones in Afghanistan,

22 (ii) the cost or value of the materials
 23 produced in 1 or more countries that are
 24 members of the South Asian Association
 25 for Regional Cooperation,

(iii) the direct costs of processing operations performed in 1 or more Reconstruction Opportunity Zones in Afghanistan, and

(iv) the cost or value of materials produced in the United States, determined in accordance with paragraph (2),

is not less than 35 percent of the appraised value of the product at the time it is entered into the United States.

(2) DETERMINATION OF 35 PERCENT FOR ARTICLES FROM RECONSTRUCTION OPPORTUNITY ZONES IN PAKISTAN AND AFGHANISTAN.—If the cost or value of materials produced in the customs territory of the United States is included with respect to an article described in paragraph (1)(B), for purposes of determining the 35 percent appraised value requirement under paragraph (1)(B), not more than 15 percent of the appraised value of the article at the time the article is entered into the United States may be attributable to the cost or value of such United States materials.

(e) EXCLUSIONS.—An article shall not be treated as the growth, product, or manufacture of 1 or more Reconstruction Opportunity Zones, and no material shall be in-

1 cluded for purposes of determining the 35 percent ap-
 2 praised value requirement under subsection (c)(1) or
 3 (d)(1), by virtue of having merely undergone—

4 (1) simple combining or packaging operations;
 5 or

6 (2) mere dilution with water or with another
 7 substance that does not materially alter the charac-
 8 teristics of the article or material.

9 (f) DIRECT COSTS OF PROCESSING OPERATIONS.—

10 (1) IN GENERAL.—As used in subsections
 11 (c)(1)(B)(i)(II), (c)(1)(B)(ii)(III), and (d)(1)(B)(iii),
 12 the term “direct costs of processing operations” in-
 13 cludes, but is not limited to—

14 (A) all actual labor costs involved in the
 15 growth, production, manufacture, or assembly
 16 of the article, including—

17 (i) fringe benefits;
 18 (ii) on-the-job training; and
 19 (iii) costs of engineering, supervisory,
 20 quality control, and similar personnel; and

21 (B) dies, molds, tooling, and depreciation
 22 on machinery and equipment which are allo-
 23 cable to the article.

24 (2) EXCLUDED COSTS.—As used in subsections
 25 (c)(1)(B)(i)(II), (c)(1)(B)(ii)(III), and (d)(1)(B)(iii),

1 the term “direct costs of processing operations” does
 2 not include costs which are not directly attributable
 3 to the article or are not costs of manufacturing the
 4 article, such as—

5 (A) profit; and

6 (B) general expenses of doing business
 7 which are either not allocable to the article or
 8 are not related to the growth, production, man-
 9 ufacture, or assembly of the article, such as ad-
 10 ministrative salaries, casualty and liability in-
 11 surance, advertising, and salesmen’s salaries,
 12 commissions, or expenses.

13 (g) REGULATIONS.—The Secretary of the Treasury,
 14 after consultation with the United States Trade Rep-
 15 resentative, shall prescribe such regulations as may be
 16 necessary to carry out this section. The regulations may
 17 provide that, in order for an article to be eligible for duty-
 18 free treatment under this section, the article—

19 (1) shall be wholly the growth, product, or man-
 20 ufacture of 1 or more Reconstruction Opportunity
 21 Zones; or

22 (2) shall be a new or different article of com-
 23 merce which has been grown, produced, or manufac-
 24 tured in 1 or more Reconstruction Opportunity
 25 Zones.

1 **SEC. 5. DUTY-FREE TREATMENT FOR CERTAIN TEXTILE**
 2 **AND APPAREL ARTICLES.**

3 (a) DUTY-FREE TREATMENT.—The President is au-
 4 thorized to proclaim duty-free treatment for any textile or
 5 apparel article described in subsection (b), if—

6 (1) the article is a covered article described in
 7 subsection (b); and

8 (2) the President determines that the country
 9 in which the Reconstruction Opportunity Zone is lo-
 10 cated has satisfied the requirements set forth in sec-
 11 tion 6.

12 (b) COVERED ARTICLES.—A covered article described
 13 in this subsection is an article in 1 of the following cat-
 14 egories:

15 (1) ARTICLES OF RECONSTRUCTION OPPOR-
 16 TUNITY ZONES.—An article that is the product of 1
 17 or more Reconstruction Opportunity Zones and falls
 18 within the scope of 1 of the following textile and ap-
 19 parel category numbers, as set forth in the HTS (as
 20 in effect on September 1, 2007):

237	641	751
330	642	752
331	643	758
333	644	759
334	650	831
335	651	832
336	653	833
341	654	834
342	665	835
350	669	836
351	733	838
353	734	839
354	735	840
360	736	842

361	738	843
362	739	844
363	740	845
369	741	846
465	742	850
469	743	851
630	744	852
631	745	858
633	746	859
634	747	863
635	748	899
636	750	

1 (2) ARTICLES OF RECONSTRUCTION OPPOR-
2 TUNITY ZONES IN AFGHANISTAN.—The article is the
3 product of 1 or more Reconstruction Opportunity
4 Zones in Afghanistan and falls within the scope of
5 1 of the following textile and apparel category num-
6 bers, as set forth in the HTS (as in effect on Sep-
7 tember 1, 2007):

201	439	459
414	440	464
431	442	670
433	444	800
434	445	810
435	446	870
436	448	871
438	

8 (3) CERTAIN OTHER TEXTILE AND APPAREL
9 ARTICLES.—The article is the product of 1 or more
10 Reconstruction Opportunity Zones and falls within
11 the scope of 1 of the following textile and apparel
12 category numbers as set forth in the HTS (as in ef-
13 fect on September 1, 2007) and is covered by the
14 corresponding description for such category:

15 (A) CATEGORY 239.—An article in category
16 239 (relating to cotton and man-made fiber ba-
17 bies' garments) except for baby socks and baby

1 booties described in subheading 6111.20.6050,
2 6111.30.5050, or 6111.90.5050 of the HTS.

3 (B) CATEGORY 338.—An article in category
4 338 (relating to men’s and boys’ cotton knit
5 shirts) if the article is a certain knit-to-shape
6 garment that meets the definition included in
7 Statistical Note 6 to Chapter 61 of the HTS,
8 and is provided for in subheading
9 6110.20.1026, 6110.20.2067 or 6110.90.9067
10 of the HTS.

11 (C) CATEGORY 339.—An article in category
12 339 (relating to women’s and girls’ cotton knit
13 shirts and blouses) if the article is a knit-to-
14 shape garment that meets the definition in-
15 cluded in Statistical Note 6 to Chapter 61 of
16 the HTS, and is provided for in subheading
17 6110.20.1031, 6110.20.2077, or 6110.90.9071
18 of the HTS.

19 (D) CATEGORY 359.—An article in cat-
20 egory 359 (relating to other cotton apparel) ex-
21 cept swimwear provided for in subheading
22 6112.39.0010, 6112.49.0010, 6211.11.8010,
23 6211.11.8020, 6211.12.8010, or 6211.12.8020
24 of the HTS.

1 (E) CATEGORY 632.—An article in category
2 632 (relating to man-made fiber hosiery) if the
3 article is panty hose provided for in subheading
4 6115.21.0020 of the HTS.

5 (F) CATEGORY 638.—An article in category
6 638 (relating to men's and boys' man-made
7 fiber knit shirts) if the article is a knit-to-shape
8 garment that meets the definition included in
9 Statistical Note 6 to Chapter 61 of the HTS,
10 and is provided for in subheading
11 6110.30.2051, 6110.30.3051, or 6110.90.9079
12 of the HTS.

13 (G) CATEGORY 639.—An article in category
14 639 (relating to women's and girls' man-made
15 fiber knit shirts and blouses) if the article is a
16 knit-to-shape garment that meets the definition
17 included in Statistical Note 6 to Chapter 61 of
18 the HTS, and is provided for in subheading
19 6110.30.2061, 6110.30.3057, or 6110.90.9081
20 of the HTS.

21 (H) CATEGORY 647.—An article in cat-
22 egory 647 (relating to men's and boys' man-
23 made fiber trousers) if the article is ski/
24 snowboard pants that meets the definition in-
25 cluded in Statistical Note 4 to Chapter 62 of

1 the HTS, and is provided for in subheading
 2 6203.43.3510, 6210.40.5031, or 6211.20.1525
 3 of the HTS.

4 (I) CATEGORY 648.—An article in category
 5 648 (relating to women’s and girls’ man-made
 6 fiber trousers) if the article is ski/snowboard
 7 pants that meets the definition included in Sta-
 8 tistical Note 4 to Chapter 62 of the HTS, and
 9 is provided for in subheading 6204.63.3010,
 10 6210.50.5031, or 6211.20.1555 of the HTS.

11 (J) CATEGORY 659.—An article in category
 12 659 (relating to other man-made fiber apparel)
 13 except for swimwear provided for in subheading
 14 6112.31.0010, 6112.31.0020, 6112.41.0010,
 15 6112.41.0020, 6112.41.0030, 6112.41.0040,
 16 6211.11.1010, 6211.11.1020, 6211.12.1010, or
 17 6211.12.1020 of the HTS.

18 (K) CATEGORY 666.—An article in cat-
 19 egory 666 (relating to other man-made fiber
 20 furnishings) if the article is window shades and
 21 window blinds provided for in subheading
 22 6303.12.0010 or 6303.92.2030 of the HTS.

23 (4) CERTAIN OTHER ARTICLES.—The article is
 24 the product of 1 or more Reconstruction Oppor-
 25 tunity Zones and falls within the scope of 1 of the

1 following statistical reporting numbers of the HTS
 2 (as in effect on September 1, 2007):

4202.12.8010	6210.20.3000	6304.99.1000
4202.12.8050	6210.20.7000	6304.99.2500
4202.22.4010	6210.30.3000	6304.99.4000
4202.22.7000	6210.30.7000	6304.99.6030
4202.22.8070	6210.40.3000	6306.22.9010
4202.92.3010	6210.40.7000	6306.29.1100
4202.92.6010	6210.50.3000	6306.29.2100
4202.92.9010	6210.50.7000	6306.40.4100
4202.92.9015	6211.20.0810	6306.40.4900
5601.29.0010	6211.20.0820	6306.91.0000
5702.39.2090	6211.32.0003	6306.99.0000
5702.49.2000	6211.33.0003	6307.10.2030
5702.50.5900	6211.42.0003	6307.20.0000
5702.99.2000	6211.43.0003	6307.90.7200
5703.90.0000	6212.10.3000	6307.90.7500
5705.00.2090	6212.10.7000	6307.90.8500
6108.22.1000	6212.90.0050	6307.90.8950
6111.90.7000	6213.90.0500	6307.90.8985
6113.00.1005	6214.10.1000	6310.90.1000
6113.00.1010	6216.00.0800	6406.99.1580
6113.00.1012	6216.00.1300	6501.00.6000
6115.29.4000	6216.00.1900	6502.00.2000
6115.30.1000	6216.00.2600	6502.00.4000
6115.99.4000	6216.00.3100	6502.00.9060
6116.10.0800	6216.00.3500	6504.00.3000
6116.10.1300	6216.00.4600	6504.00.6000
6116.10.4400	6217.10.1010	6504.00.9045
6116.10.6500	6217.10.8500	6504.00.9075
6116.10.9500	6301.90.0020	6505.10.0000
6116.92.0800	6302.29.0010	6505.90.8015
6116.93.0800	6302.39.0020	6505.90.9050
6116.99.3500	6302.59.3010	6505.90.9076
6117.10.4000	6302.99.1000	9404.90.2000
6117.80.3010	6303.99.0030	9404.90.8523
6117.80.8500	6304.19.3030	9404.90.9523
6210.10.2000	6304.91.0060	9404.90.9570
6210.10.7000

3 (c) RULES OF ORIGIN FOR CERTAIN COVERED ARTI-
 4 CLES.—

5 (1) GENERAL RULES.—Except with respect to
 6 an article listed in paragraph (2) of subsection (b),
 7 duty-free treatment may be proclaimed for an article
 8 listed in subsection (b) only if the article is imported
 9 directly into the customs territory of the United
 10 States from a Reconstruction Opportunity Zone
 11 and—

1 (A) the article is wholly the growth, prod-
 2 uct, or manufacture of 1 or more Reconstruc-
 3 tion Opportunity Zones;

4 (B) the article is a yarn, thread, twine,
 5 cordage, rope, cable, or braiding, and—

6 (i) the constituent staple fibers are
 7 spun in, or

8 (ii) the continuous filament fiber is
 9 extruded in,
 10 1 or more Reconstruction Opportunity Zones;

11 (C) the article is a fabric, including a fab-
 12 ric classifiable under chapter 59 of the HTS,
 13 and the constituent fibers, filaments, or yarns
 14 are woven, knitted, needled, tufted, felted, en-
 15 tangled, or transformed by any other fabric-
 16 making process in 1 or more Reconstruction
 17 Opportunity Zones; or

18 (D) the article is any other textile or ap-
 19 parel article that is cut (or knit-to-shape) and
 20 sewn or otherwise assembled in 1 or more Re-
 21 construction Opportunity Zones from its compo-
 22 nent pieces.

23 (2) SPECIAL RULES.—

24 (A) CERTAIN MADE-UP ARTICLES, TEXTILE
 25 ARTICLES IN THE PIECE, AND CERTAIN OTHER

1 TEXTILES AND TEXTILE ARTICLES.—Notwith-
 2 standing paragraph (1)(D) and except as pro-
 3 vided in subparagraphs (C) and (D) of this
 4 paragraph, subparagraph (A), (B), or (C) of
 5 paragraph (1), as appropriate, shall determine
 6 whether a good that is classifiable under 1 of
 7 the following headings or subheadings of the
 8 HTS shall be considered to meet the rules of
 9 origin of this subsection: 5609, 5807, 5811,
 10 6209.20.50.40, 6213, 6214, 6301, 6302, 6303,
 11 6304, 6305, 6306, 6307.10, 6307.90, 6308,
 12 and 9404.90.

13 (B) CERTAIN KNIT-TO-SHAPE TEXTILES
 14 AND TEXTILE ARTICLES.—Notwithstanding
 15 paragraph (1)(D) and except as provided in
 16 subparagraphs (C) and (D) of this paragraph,
 17 a textile or apparel article that is wholly formed
 18 on seamless knitting machines or by hand-knit-
 19 ting in 1 or more Reconstruction Opportunity
 20 Zones shall be considered to meet the rules of
 21 origin of this subsection.

22 (C) CERTAIN DYED AND PRINTED TEX-
 23 TILES AND TEXTILE ARTICLES.—Notwith-
 24 standing paragraph (1)(D), an article classifi-
 25 able under subheading 6117.10, 6213.00,

1 6214.00, 6302.22, 6302.29, 6302.52, 6302.53,
 2 6302.59, 6302.92, 6302.93, 6302.99, 6303.92,
 3 6303.99, 6304.19, 6304.93, 6304.99,
 4 9404.90.85, or 9404.90.95 of the HTS, except
 5 for an article classifiable under 1 of such sub-
 6 headings as of cotton or of wool or consisting
 7 of fiber blends containing 16 percent or more
 8 by weight of cotton, shall be considered to meet
 9 the rules of origin of this subsection if the fab-
 10 ric in the article is both dyed and printed in 1
 11 or more Reconstruction Opportunity Zones, and
 12 such dyeing and printing is accompanied by 2
 13 or more of the following finishing operations:
 14 bleaching, shrinking, fulling, napping, decatizing,
 15 permanent stiffening, weighting, permanent em-
 16 bossing, or moireing.

17 (D) FABRICS OF SILK, COTTON, MAN-MADE
 18 FIBER, OR VEGETABLE FIBER.—Notwith-
 19 standing paragraph (1)(C), a fabric classifiable
 20 under the HTS as of silk, cotton, man-made
 21 fiber, or vegetable fiber shall be considered to
 22 meet the rules of origin of this subsection if the
 23 fabric is both dyed and printed in 1 or more
 24 Reconstruction Opportunity Zones, and such
 25 dyeing and printing is accompanied by 2 or

1 more of the following finishing operations:
 2 bleaching, shrinking, fulling, napping, decating,
 3 permanent stiffening, weighting, permanent em-
 4 bossing, or moireing.

5 (d) RULES OF ORIGIN FOR COVERED ARTICLES
 6 THAT ARE PRODUCTS OF 1 OR MORE RECONSTRUCTION
 7 OPPORTUNITY ZONES IN AFGHANISTAN.—

8 (1) GENERAL RULES.—Duty-free treatment
 9 may be proclaimed for an article listed in paragraph
 10 (2) of subsection (b) only if the article is imported
 11 directly into the customs territory of the United
 12 States from a Reconstruction Opportunity Zone in
 13 Afghanistan and—

14 (A) the article is wholly the growth, prod-
 15 uct, or manufacture of 1 or more Reconstruc-
 16 tion Opportunity Zones in Afghanistan,

17 (B) the article is a yarn, thread, twine,
 18 cordage, rope, cable, or braiding, and—

19 (i) the constituent staple fibers are
 20 spun in, or

21 (ii) the continuous filament fiber is
 22 extruded in,

23 1 or more Reconstruction Opportunity Zones in
 24 Afghanistan;

(C) the article is a fabric, including a fabric classifiable under chapter 59 of the HTS, and the constituent fibers, filaments, or yarns are woven, knitted, needled, tufted, felted, entangled, or transformed by any other fabric-making process in 1 or more Reconstruction Opportunity Zones in Afghanistan; or

(D) the article is any other textile or apparel article that is cut (or knit-to-shape) and sewn or otherwise assembled in 1 or more Reconstruction Opportunity Zones in Afghanistan from its component pieces.

(2) SPECIAL RULES.—

(A) CERTAIN MADE-UP ARTICLES, TEXTILE ARTICLES IN THE PIECE, AND CERTAIN OTHER TEXTILES AND TEXTILE ARTICLES.—Notwithstanding paragraph (1)(D) and except as provided in subparagraphs (C) and (D) of this paragraph, subparagraph (A), (B), or (C) of paragraph (1), as appropriate, shall determine whether a good that is classifiable under 1 of the following headings or subheadings of the HTS shall be considered to meet the rules of origin of this subsection: 5609, 5807, 5811, 6209.20.50.40, 6213, 6214, 6301, 6302, 6303,

6304, 6305, 6306, 6307.10, 6307.90, 6308,
and 9404.90.

(B) CERTAIN KNIT-TO-SHAPE TEXTILES
AND TEXTILE ARTICLES.—Notwithstanding
paragraph (1)(D) and except as provided in
subparagraphs (C) and (D) of this paragraph,
a textile or apparel article that is wholly formed
on seamless knitting machines or by hand-knit-
ting in 1 or more Reconstruction Opportunity
Zones in Afghanistan shall be considered to
meet the rules of origin of this subsection.

(C) CERTAIN DYED AND PRINTED TEX-
TILES AND TEXTILE ARTICLES.—Notwith-
standing paragraph (1)(D), an article classifi-
able under subheading 6117.10, 6213.00,
6214.00, 6302.22, 6302.29, 6302.52, 6302.53,
6302.59, 6302.92, 6302.93, 6302.99, 6303.92,
6303.99, 6304.19, 6304.93, 6304.99,
9404.90.85, or 9404.90.95 of the HTS, except
for an article classifiable under 1 of such sub-
headings as of cotton or of wool or consisting
of fiber blends containing 16 percent or more
by weight of cotton, shall be considered to meet
the rules of origin of this subsection if the fab-
ric in the article is both dyed and printed in 1

1 or more Reconstruction Opportunity Zones in
 2 Afghanistan, and such dyeing and printing is
 3 accompanied by 2 or more of the following fin-
 4 ishing operations: bleaching, shrinking, fulling,
 5 napping, decating, permanent stiffening,
 6 weighting, permanent embossing, or moireing.

7 (D) FABRICS OF SILK, COTTON, MAN-MADE
 8 FIBER OR VEGETABLE FIBER.—Notwith-
 9 standing paragraph (1)(C), a fabric classifiable
 10 under the HTS as of silk, cotton, man-made
 11 fiber, or vegetable fiber shall be considered to
 12 meet the rules of origin of this subsection if the
 13 fabric is both dyed and printed in 1 or more
 14 Reconstruction Opportunity Zones in Afghani-
 15 stan, and such dyeing and printing is accom-
 16 panied by 2 or more of the following finishing
 17 operations: bleaching, shrinking, fulling, nap-
 18 ping, decating, permanent stiffening, weighting,
 19 permanent embossing, or moireing.

20 (e) REGULATIONS.—The Secretary of the Treasury,
 21 after consultation with the United States Trade Rep-
 22 resentative, shall prescribe such regulations as may be
 23 necessary to carry out this section.

1 **SEC. 6. PROTECTIONS AGAINST UNLAWFUL TRANS-**
2 **SHIPMENT.**

3 (a) **DUTY-FREE TREATMENT CONDITIONED ON EN-**
4 **FORCEMENT MEASURES.—**

5 (1) **IN GENERAL.**—The duty-free treatment de-
6 scribed in section 5 shall not be provided to covered
7 articles that are imported from a Reconstruction Op-
8 portunity Zone in a country unless the President de-
9 termines that country meets the following criteria:

10 (A) The country has adopted effective do-
11 mestic law and enforcement procedures applica-
12 ble to covered articles to prevent unlawful
13 transshipment of the articles and the use of
14 false documents relating to the importation of
15 the articles into the United States.

16 (B) The country has enacted legislation or
17 promulgated regulations that would permit U.S.
18 Customs and Border Protection verification
19 teams to have the access necessary to inves-
20 tigate thoroughly allegations of unlawful trans-
21 shipment through such country.

22 (C) The country agrees to provide U.S.
23 Customs and Border Protection with a monthly
24 report on shipments of covered articles from
25 each facility engaged in the production of those

1 articles in a Reconstruction Opportunity Zone
2 in that country.

3 (D) The country will cooperate fully with
4 the United States to address and take action
5 necessary to prevent circumvention, as de-
6 scribed in Article 5 of the Agreement on Tex-
7 tiles and Clothing.

8 (E) The country agrees to require each en-
9 tity engaged in the production or manufacture
10 of a covered article in a Reconstruction Oppor-
11 tunity Zone in that country to register with the
12 competent government authority, to provide
13 that authority with the following information,
14 and to update that information as changes
15 occur:

16 (i) The name and address of the enti-
17 ty, including the location of all textile or
18 apparel facilities owned or operated by that
19 entity in Afghanistan or Pakistan.

20 (ii) The telephone number, facsimile
21 number, and electronic mail address of the
22 entity.

23 (iii) The names and nationalities of
24 the owners, directors, and corporate offi-
25 cers, and their positions within the entity.

1 (iv) The number of employees the en-
2 tity employs and their occupations.

3 (v) A general description of the cov-
4 ered articles the entity produces and the
5 entity's production capacity.

6 (vi) The number and type of machines
7 the entity uses to produce textile or ap-
8 parel articles at each facility.

9 (vii) The approximate number of
10 hours the machines operate per week.

11 (viii) The identity of any supplier to
12 the entity of textile or apparel goods, or
13 fabrics, yarns, or fibers used in the produc-
14 tion of those goods.

15 (ix) The name of, and contact infor-
16 mation for, each of the entity's customers
17 in the United States.

18 (F) The country agrees to provide to U.S.
19 Customs and Border Protection on a timely
20 basis all of the information received by the com-
21 petent government authority in accordance with
22 subparagraph (E) and to provide U.S. Customs
23 and Border Protection with an annual update
24 of that information.

(G) The country agrees to require that all producers and exporters of covered articles in a Reconstruction Opportunity Zone in that country maintain complete records of the production and the export of covered articles, including materials used in the production, for at least 5 years after the production or export (as the case may be).

(H) The country agrees to provide, on a timely basis, at the request of U.S. Customs and Border Protection, documentation establishing the eligibility of covered articles for duty-free treatment under section 5.

(2) DOCUMENTATION ESTABLISHING ELIGIBILITY OF ARTICLES FOR DUTY-FREE TREATMENT.—For purposes of paragraph (1)(H), documentation establishing the eligibility of a covered article for duty-free treatment under section 5 includes documentation such as production records, information relating to the place of production, the number and identification of the types of machinery used in production, and the number of workers employed in production.

(b) CUSTOMS PROCEDURES AND ENFORCEMENT.—

(1) IN GENERAL.—

1 (A) REGULATIONS.—The Secretary of the
 2 Treasury, after consultation with the United
 3 States Trade Representative, shall promulgate
 4 regulations setting forth customs procedures
 5 similar in all material respects to the require-
 6 ments of article 502(1) of the NAFTA as im-
 7 plemented pursuant to United States law, which
 8 shall apply to any importer that claims duty-
 9 free treatment for an article under section 5.

10 (B) DETERMINATION.—In order for arti-
 11 cles produced in a Reconstruction Opportunity
 12 Zone to qualify for the duty-free treatment
 13 under section 5, there shall be in effect a deter-
 14 mination by the President that Afghanistan or
 15 Pakistan, as the case may be—

16 (i) has implemented and follows, or
 17 (ii) is making substantial progress to-
 18 ward implementing and following,
 19 procedures and requirements similar in all ma-
 20 terial respects to the relevant procedures and
 21 requirements under chapter 5 of the NAFTA.

22 (2) PENALTIES.—If the President determines,
 23 based on sufficient evidence, that an entity has en-
 24 gaged in unlawful transshipment described in para-
 25 graph (3), the President shall deny for a period of

1 5 years beginning on the date of the determination
 2 all benefits under section 5 to the entity, any suc-
 3 cessor of the entity, and any other entity owned or
 4 operated by the principals of the entity.

5 (3) UNLAWFUL TRANSSHIPMENT DESCRIBED.—

6 For purposes of this section, unlawful transshipment
 7 occurs when duty-free treatment for a covered article
 8 has been claimed on the basis of material false infor-
 9 mation concerning the country of origin, manufac-
 10 ture, processing, or assembly of the article or any of
 11 its components. For purposes of the preceding sen-
 12 tence, false information is material if disclosure of
 13 the true information would mean or would have
 14 meant that the article is or was ineligible for duty-
 15 free treatment under section 5.

16 **SEC. 7. LIMITATIONS ON PROVIDING DUTY-FREE TREAT-**
 17 **MENT.**

18 (a) IN GENERAL.—

19 (1) PROCLAMATION.—Except as provided in
 20 paragraph (2), and subject to subsection (b) and the
 21 conditions described in sections 3 through 6, the
 22 President shall exercise the President's authority
 23 under this Act, and the President shall proclaim any
 24 duty-free treatment pursuant to that authority.

1 (2) WAIVER.—The President may waive the ap-
2 plication of duty-free treatment under this Act if the
3 President determines that providing such treatment
4 is inconsistent with the national interests of the
5 United States. In making such determination, the
6 President shall consider—

7 (A) obligations of the United States under
8 international agreements;

9 (B) the national economic interests of the
10 United States; and

11 (C) the foreign policy interests of the
12 United States, including the economic develop-
13 ment of Afghanistan and the border region of
14 Pakistan.

15 (b) WITHDRAWAL, SUSPENSION, OR LIMITATION OF
16 DUTY-FREE TREATMENT.—

17 (1) IN GENERAL.—The President may with-
18 draw, suspend, or limit the application of the duty-
19 free treatment proclaimed under this Act. In taking
20 any action to withdraw, suspend, or limit duty-free
21 treatment, the President shall consider the factors
22 set forth in section 3 (b) and (c) of this Act, and
23 section 502 (b) and (c) of the Trade Act of 1974
24 (19 U.S.C. 2462(b) and (c)).

1 (2) NOTICE TO CONGRESS.—The President
2 shall advise Congress—

3 (A) of any action the President takes to
4 withdraw, suspend, or limit the application of
5 duty-free treatment with respect to Reconstruc-
6 tion Opportunity Zones in Afghanistan or Paki-
7 stan; and

8 (B) if either Afghanistan or Pakistan fails
9 to adequately take the actions described in sec-
10 tion 3 (b) and (c) of this Act or section 502 (b)
11 and (c) of the Trade Act of 1974.

12 **SEC. 8. TERMINATION OF BENEFITS.**

13 Duty-free treatment provided under this Act shall re-
14 main in effect through September 30, 2023.

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