

111TH CONGRESS
1ST SESSION

H. R. 3039

To provide for preferential duty treatment to certain apparel articles of
the Philippines.

IN THE HOUSE OF REPRESENTATIVES

JUNE 25, 2009

Mr. McDERMOTT (for himself and Mr. BILBRAY) introduced the following bill;
which was referred to the Committee on Ways and Means

A BILL

To provide for preferential duty treatment to certain apparel
articles of the Philippines.

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 “Save Our Industries
5 Act of 2009” or the “SAVE Act”.

6 **SEC. 2. FINDINGS; PURPOSES.**

7 (a) FINDINGS.—Congress finds the following:

8 (1) The United States and the Republic of the
9 Philippines (in this Act referred to as the “Phil-
10 ippines”), a former colony, share deep historical and

1 cultural connections. The United States has devel-
2 oped preferential trading relations with former colo-
3 nies such as the Marshall Islands, the Federated
4 States of Micronesia and the Republic of Palau.

5 (2) The Philippines represents a tremendous
6 economic potential and enduring political and secu-
7 rity significance to the United States.

8 (3) The United States and the Philippines
9 maintain a fair trading relationship that should be
10 expanded to the mutual benefit of both countries. In
11 2008, United States exports to the Philippines were
12 valued at \$8,300,000,000, and United States im-
13 ports from the Philippines were valued at
14 \$8,700,000,000.

15 (4) United States textile exports to the Phil-
16ippines were valued at nearly \$20,000,000 in 2008,
17 consisting mostly of broadwoven, industrial or spe-
18cialty, and nonwoven fabrics. The potential for ex-
19port growth in this area can sustain and create
20thousands of jobs.

21 (5) The Philippines' textile and apparel indus-
22tries, like that of their counterparts in the United
23States, share the same challenges and risks stem-
24ming from the end of the United States quota sys-
25tem and from the end of safeguards that continued

1 to control apparel imports from the People's Repub-
2 lic of China until January 1, 2009.

3 (6) The United States apparel fabrics industry
4 is heavily dependent on sewing outside the United
5 States, and, for the first time, United States textile
6 manufacturers would have a program that utilizes
7 sewing done in an Asian country. In contrast, most
8 sewing of United States fabric occurs in the Western
9 Hemisphere, with about 75 percent of United States
10 fabric exports presently going to countries that are
11 parties to the North American Free Trade Agree-
12 ment and the Dominican Republic-Central America-
13 United States Free Trade Agreement. Increased de-
14 mand for United States fabric in Asia will increase
15 opportunities for the United States industry.

16 (7) Apparel producers in the Western Hemi-
17 sphere are excellent at making basic garments such
18 as T-shirts and standard 5-pocket jeans. However,
19 the needle capability does not exist to make high-
20 fashion, more sophisticated garments such as em-
21 broidered T-shirts and fashion jeans with embellish-
22 ments. Such apparel manufacturing is done almost
23 exclusively in Asia.

24 (8) A program that provides preferential duty
25 treatment for certain apparel articles of the Phil-

1 ippines will provide a strong incentive for Philippine
2 apparel manufacturers to use United States fabrics,
3 which will open new opportunities for the United
4 States textile industry and increase opportunities for
5 United States yarn manufactures. At the same time,
6 the United States would be provided a more diverse
7 range of sourcing opportunities.

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

9 (1) to encourage higher levels of trade in tex-
10 tiles and apparel between the United States and the
11 Philippines and enhance the commercial well-being
12 of their respective industries in times of global eco-
13 nomic hardship;

14 (2) to enhance and broaden the economic, secu-
15 rity, and political ties between the United States and
16 the Philippines;

17 (3) to stimulate economic activity and develop-
18 ment throughout the Philippines, including regions
19 such as Manila and Mindanao; and

20 (4) to provide a stepping stone to an eventual
21 free trade agreement between the United States and
22 the Philippines, either bilaterally or as part of a re-
23 gional agreement.

24 **SEC. 3. DEFINITIONS.**

25 In this Act:

1 (1) CLASSIFICATION UNDER THE HTS.—The
2 term “classification under the HTS” means, with re-
3 spect to an article, the 10-digit subheading under
4 which the article is classified in the HTS.

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

7 (3) ENTERED.—The term “entered” means en-
8 tered, or withdrawn from warehouse for consump-
9 tion, in the customs territory of the United States.

10 (4) KNIT-TO-SHAPE.—An article is “knit-to-
11 shape” if 50 percent or more of the exterior surface
12 area of the article is formed by major parts that
13 have been knitted or crocheted directly to the shape
14 used in the article, with no consideration being given
15 to patch pockets, appliqués, or the like. Minor cut-
16 ting, trimming, or sewing of those major parts shall
17 not affect the determination of whether an article is
18 “knit-to-shape”.

19 (5) WHOLLY ASSEMBLED.—An article is “whol-
20 ly assembled in the Philippines or the United
21 States” if—

22 (A) all components of the article pre-ex-
23 isted in essentially the same condition as found
24 in the finished article and were combined to

1 form the finished article in the Philippines or
2 the United States; and

3 (B) the article is comprised of at least 2
4 components.

5 (6) WHOLLY FORMED.—A yarn is “wholly
6 formed in the United States” if all of the production
7 processes and finishing operations, starting with the
8 extrusion of filaments, strips, film, or sheet, and in-
9 cluding slitting a film or sheet into strip, or the
10 spinning of all fibers into yarn, or both, and ending
11 with a finished yarn or plied yarn, takes place in the
12 United States.

13 **SEC. 4. TRADE BENEFITS.**

14 (a) ARTICLES COVERED.—For purposes of this sec-
15 tion, an eligible apparel article is any of the following:

16 (1) Men’s and boys’ cotton knit shirts.

17 (2) Women’s and girls’ cotton knit shirts and
18 blouses.

19 (3) Men’s and boys’ cotton trousers, breeches,
20 and shorts.

21 (4) Women’s and girls’ cotton trousers, slacks,
22 and shorts.

23 (5) Men’s and boys’ cotton underwear.

24 (6) Men’s and boys’ manmade fiber underwear.

25 (7) Men’s and boys’ manmade fiber knit shirts.

1 (8) Women’s and girls’ manmade fiber knit
2 shirts and blouses.

3 (9) Men’s and boys’ manmade fiber trousers,
4 breeches, and shorts.

5 (10) Women’s and girls’ manmade fiber slacks,
6 breeches, and shorts.

7 (11) Men’s and boys’ non-knit manmade fiber
8 shirts.

9 (12) Brassieres and other body support gar-
10 ments.

11 (13) Manmade fiber brassieres and other body
12 support garments.

13 (14) Manmade fiber swimwear.

14 (15) Cotton swimwear.

15 (b) DUTY-FREE TREATMENT FOR CERTAIN ELIGI-
16 BLE APPAREL ARTICLES.—

17 (1) DUTY-FREE TREATMENT.—Subject to para-
18 graphs (2) and (3), an eligible apparel article shall
19 enter the United States free of duty if the article is
20 wholly assembled in the United States or the Phil-
21 ippines, or both, and if the component determining
22 the article’s classification under the HTS consists
23 entirely of—

24 (A) fabric components cut in the United
25 States or the Philippines, or both, from fabric

1 wholly formed in the United States from yarns
2 wholly formed in the United States;

3 (B) components knit-to-shape in the
4 United States from yarns wholly formed in the
5 United States; or

6 (C) any combination of the fabric compo-
7 nents or components knit-to-shape described in
8 subparagraphs (A) and (B).

9 (2) DYEING, PRINTING, OR FINISHING.—An ap-
10 parel article described in paragraph (1) shall be in-
11 eligible for duty-free treatment under such para-
12 graph if the component determining the article's
13 classification under the HTS comprises any fabric,
14 fabric component, or component knit-to-shape in the
15 United States that was dyed, printed, or finished at
16 any place other than in the United States.

17 (3) OTHER PROCESSES.—An apparel article de-
18 scribed in paragraph (1) shall not be disqualified
19 from eligibility for duty-free treatment under such
20 paragraph because it undergoes stone-washing, en-
21 zyme-washing, acid-washing, permapressing, oven-
22 baking, bleaching, garment-dyeing, screen printing,
23 or other similar processes in either the United
24 States or the Philippines.

1 (c) DUTY REDUCTION FOR CERTAIN ELIGIBLE AP-
2 PAREL ARTICLES.—

3 (1) DUTY REDUCTION.—An eligible apparel ar-
4 ticle shall enter the United States at a reduced rate
5 of duty specified in paragraph (2) if it is wholly as-
6 sembled in the United States or the Philippines, or
7 both, and if the component determining the article’s
8 classification under the HTS consists entirely of—

9 (A) fabric components cut in the United
10 States or the Philippines, or both, from fabric
11 wholly formed in the United States or the Phil-
12ippines, or both, from yarns wholly formed in
13 the United States;

14 (B) components knit-to-shape in the
15 United States or the Philippines, or both, from
16 yarns wholly formed in the United States; or

17 (C) any combination of fabric components
18 or components knit-to-shape that are described
19 in subparagraphs (A) and (B).

20 (2) REDUCED TARIFF RATE.—An eligible ap-
21 parel article described in paragraph (1) shall be du-
22 tiable at the lesser of—

23 (A) 50 percent of the column 1 rate of
24 duty that applies to the apparel article under
25 its classification under the HTS; or

1 (B) the column 1 rate of duty under the
2 HTS that applies to the article, assessed upon
3 the value of the article, less the cost or value
4 of yarns in the article that are wholly formed
5 in the United States.

6 (d) ARTICLES ELIGIBLE UNDER BOTH CAT-
7 EGORIES.—An eligible apparel article that meets the re-
8 quirements of both subsections (b) and (c) shall be eligible
9 for duty-free treatment under subsection (b).

10 (e) DE MINIMIS.—

11 (1) IN GENERAL.—An otherwise eligible apparel
12 article shall not be ineligible for preferential treat-
13 ment because fibers or yarns used in the production
14 of the component that determines the article's classi-
15 fication under the HTS do not meet the require-
16 ments of subsection (b) or (c), if the total weight of
17 all such fibers or yarns in the component that deter-
18 mines the article's classification under the HTS is
19 not more than 10 percent of the total weight of that
20 component.

21 (2) ELASTOMERIC YARNS.—Notwithstanding
22 paragraph (1), an article described in subsection (b)
23 or (c) that contains elastomeric yarns in the compo-
24 nent of the article that determines the article's clas-
25 sification under the HTS shall be eligible for duty-

1 free treatment under this section only if such elas-
2 tomeric yarns are wholly formed in the United
3 States or the Philippines.

4 (3) DIRECT SHIPMENT.—Any apparel article
5 described in subsection (b) or (c) is an eligible arti-
6 cle only if it is imported directly into the United
7 States from the Philippines.

8 (f) SINGLE TRANSFORMATION RULES.—Any of the
9 following apparel articles that are wholly assembled, or
10 knit-to-shape, in the Philippines from any combination of
11 fabrics, fabric components, components knit-to-shape, or
12 yarns and are imported directly into the United States
13 from the Philippines shall enter the United States free of
14 duty, without regard to the source of the fabric, fabric
15 components, components knit-to-shape, or yarns from
16 which the articles are made:

17 (1) Any apparel article that is of a type listed
18 in chapter rule 3, 4, or 5 for chapter 61 of the HTS
19 (as such chapter rules are contained in paragraph 1
20 of section A of the Annex to Proclamation 8213 of
21 the President of December 20, 2007) as being ex-
22 cluded from the scope of such chapter rule, when
23 such chapter rule is applied to determine whether an
24 apparel article is an originating good for purposes of
25 general note 29(n) to the HTS, except that, for pur-

poses of this paragraph, reference in such chapter rule to “6104.12.00” shall be deemed to be reference to “6104.19.60”.

(2) Any apparel article that is of a type listed in chapter rule 3(a), 4(a), or 5(a) for chapter 62 of HTS, as such chapter rules are contained in paragraph 9 of section A of the Annex to Proclamation 8213 of the President of December 20, 2007.

(3) Any article not described in paragraph (1) or (2) that is any of the following:

(A) Playsuits and sunsuits.

(B) Babies’ garments and clothing accessories.

(C) Women’s and girls’ cotton coats.

(D) Cotton dresses.

(E) Manmade fiber dresses.

(F) Men’s and boys’ cotton, non-knit, shirts.

(G) Cotton nightwear and pajamas.

(H) Manmade fiber nightwear and pajamas.

(I) Women’s and girls’ wool coats.

(J) Wool dresses.

(K) Wool skirts.

(L) Women’s and girls’ wool suits.

1 (M) Women's and girls' wool slacks,
2 breeches, and shorts.

3 (N) Women's and girls' cotton, non-knit,
4 shirts and blouses.

5 (O) Women's and girls' non-knit, man-
6 made fiber shirts and blouses.

7 (P) Women's and girls' manmade fiber
8 suits.

9 (Q) Men's and boys' wool coats.

10 (R) Cotton dressing gowns and robes.

11 (S) Manmade fiber robes and dressing
12 gowns.

13 (T) Women's and girls' manmade fiber
14 coats.

15 (U) Cotton skirts.

16 (V) Manmade fiber skirts.

17 (W) Men's and boys' manmade fiber coats.

18 (X) Women's and girls' cotton underwear.

19 (Y) Women's and girls' manmade fiber un-
20 derwear.

21 (Z) Women's and girls' coats of silk and
22 vegetable blends.

23 (AA) Skirts made of silk and vegetable
24 blends.

1 (g) REVIEW AND REPORT.—The Comptroller General
2 shall, at the end of the 2-year period beginning on the
3 effective date under section 5, review the program estab-
4 lished under this section for the purpose of evaluating the
5 effectiveness of, and making recommendations to Congress
6 for improvements in, the program.

7 (h) ENFORCEMENT.—

8 (1) PRESIDENTIAL CERTIFICATION OF CONDI-
9 TIONS.—No apparel article shall be afforded the
10 preferential treatment under this section unless the
11 President certifies to Congress that the Philippines
12 is meeting the following conditions:

13 (A) The Philippines reestablishes the Elec-
14 tronic Visa Information System (ELVIS) to
15 further assist with prevention of transshipment
16 of apparel articles and the use of counterfeit
17 documents relating to the importation of ap-
18 parel articles into the United States.

19 (B) The Philippines continues to enforce
20 the Memorandum of Understanding between
21 the United States of America and the Republic
22 of the Philippines Concerning Cooperation in
23 Trade in Textile and Apparel Goods, signed on
24 August 23, 2006.

1 (C) The Philippines agrees to provide, on
2 a timely basis at the request of U.S. Customs
3 and Border Protection, and consistently with
4 the manner in which the records are kept in the
5 Philippines, a report on exports from the Phil-
6 ippines of apparel articles eligible for pref-
7 erential treatment under this section, and on
8 imports into the Philippines of yarns, fabrics,
9 fabric components, or components knit-to-shape
10 that are wholly formed in the United States.

11 (D) The Philippines agrees to cooperate
12 fully with the United States to address and
13 take action necessary to prevent circumvention
14 as provided in Article 5 of the Agreement on
15 Textiles and Clothing referred to in section
16 101(d)(4) of the Uruguay Round Agreements
17 Act (19 U.S.C. 3511(d)(4)).

18 (E) The Philippines agrees to require its
19 producers and exporters of articles eligible for
20 preferential treatment under this section to
21 maintain, for at least 3 years after export, com-
22 plete records of the production and the export
23 of such articles, including records of yarns, fab-
24 rics, fabric components, and components knit-

1 to-shape and used in the production of such ar-
2 ticles.

3 (F) The Philippines agrees to report, on a
4 timely basis, at the request of U.S. Customs
5 and Border Protection, documentation estab-
6 lishing the country of origin of articles eligible
7 for preferential treatment under this section, as
8 used by that country in reimplementing an ef-
9 fective visa system.

10 (G) The Philippines is to establish, within
11 60 days after the date of the President's certifi-
12 cation under this paragraph, procedures that
13 allow the Office of Textiles and Apparel of the
14 Department of Commerce (OTEXA) to obtain
15 information when fabric wholly formed in the
16 United States is exported to the Philippines to
17 allow for monitoring and verification before the
18 imports of apparel articles containing the fabric
19 for which preferential treatment is sought
20 under this section reach the United States. The
21 information provided upon export of the fabrics
22 shall include, among other things, the name of
23 the importer of the fabric in the Philippines,
24 the 10-digit HTS subheading of the apparel ar-
25 ticles to be made from the fabric, and the quan-

1 tity of the apparel articles to be made from the
2 fabric for importation into the United States.

3 (2) DEFINITION OF TRANSHIPMENT.—As used
4 in paragraph (1), transshipment has occurred when
5 preferential treatment for an apparel article under
6 this section has been claimed on the basis of mate-
7 rial false information concerning the country of ori-
8 gin, manufacture, processing, or assembly of the ar-
9 ticle or of any fabric, fabric component, or compo-
10 nent knit-to-shape from which the apparel article
11 was assembled. For purposes of this paragraph,
12 false information is material if disclosure of the true
13 information would have meant that the article is or
14 was ineligible for preferential treatment under this
15 section.

16 (i) PROCLAMATION AUTHORITY.—The President
17 shall issue a proclamation to carry out this section not
18 later than 60 days after the date of the enactment of this
19 Act. The President shall consult with the Committee on
20 Ways and Means of the House of Representatives and the
21 Committee on Finance of the Senate in preparing such
22 proclamation.

23 **SEC. 5. EFFECTIVE DATE.**

24 This Act shall apply to articles entered, or withdrawn
25 from warehouse for consumption, on or after the 15th day

1 after the date on which the President issues the proclama-
2 tion under section 4(i).

3 **SEC. 6. TERMINATION.**

4 (a) IN GENERAL.—The preferential duty treatment
5 provided under this Act shall remain in effect for a period
6 of 10 years beginning on the effective date provided in
7 section 5.

8 (b) GSP ELIGIBILITY.—The preferential duty treat-
9 ment provided under this Act shall terminate if and when
10 the Philippines becomes ineligible for designation as a ben-
11 efiary developing country under title V of the Trade Act
12 of 1974 (19 U.S.C. 2461 et seq.).

○