

111TH CONGRESS
2D SESSION

S. 3170

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

IN THE SENATE OF THE UNITED STATES

MARCH 25, 2010

Mr. BOND (for himself and Mr. INOUE) introduced the following bill; which was read twice and referred to the Committee on Finance

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 2010” 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 textile and apparel quota
25system and from the end of United States safe-

1 guards that continued to control apparel imports
2 from the People's Republic of China until January
3 1, 2009.

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

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

1 (8) A program that provides preferential duty
2 treatment for certain apparel articles of the Phil-
3 ippines will provide a strong incentive for Philippine
4 apparel manufacturers to use United States fabrics,
5 which will open new opportunities for the United
6 States textile industry and increase opportunities for
7 United States yarn manufactures. At the same time,
8 the United States would be provided a more diverse
9 range of sourcing opportunities.

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

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

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

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

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

1 **SEC. 3. DEFINITIONS.**

2 In this Act:

3 (1) **CLASSIFICATION UNDER THE HTS.**—The
4 term “classification under the HTS” means, with re-
5 spect to an article, the 8-digit subheading under
6 which the article is classified in the HTS.

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

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

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

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

24 (A) all components of the article pre-ex-
25 isted in essentially the same condition as the
26 components exist in the finished article and the

1 components were combined to form the finished
2 article in the Philippines or the United States;
3 and

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

6 (6) WHOLLY FORMED.—A yarn is “wholly
7 formed in the United States” if all of the yarn form-
8 ing and finishing operations, starting with the extru-
9 sion of filaments, strips, film, or sheet, and including
10 slitting a film or sheet into strip, or the spinning of
11 all fibers into yarn, or both, and ending with a fin-
12 ished yarn or plied yarn, takes place in the United
13 States.

14 **SEC. 4. TRADE BENEFITS.**

15 (a) ELIGIBLE APPAREL ARTICLE.—For purposes of
16 this section, an eligible apparel article is any one of the
17 following:

18 (1) Men’s and boys’ cotton shirts, T-shirts and
19 tank tops (other than underwear T-shirts and tank
20 tops), pullovers, sweatshirts, tops, and similar arti-
21 cles classifiable under subheading 6105.10, 6105.90,
22 6109.10, 6110.20, 6110.90, 6112.11, or 6114.20 of
23 the HTS.

24 (2) Women’s and girls’ cotton shirts, blouses,
25 T-shirts and tank tops (other than underwear T-

1 shirts and tank tops), pullovers, sweatshirts, tops,
 2 and similar articles classifiable under subheading
 3 6106.10, 6106.90, 6109.10, 6110.20, 6110.90,
 4 6112.11, 6114.20, or 6117.90 of the HTS.

5 (3) Men's and boys' cotton trousers, breeches,
 6 and shorts classifiable under subheading 6103.10,
 7 6103.42, 6103.49, 6112.11, 6113.00, 6203.19,
 8 6203.42, 6203.49, 6210.40, 6211.20 6211.32 of the
 9 HTS.

10 (4) Women's and girls' cotton trousers, breech-
 11 es, and shorts classifiable under subheading
 12 6104.19, 6104.62, 6104.69, 6112.11, 6113.00,
 13 6117.90, 6204.12, 6204.19, 6204.62, 6204.69,
 14 6210.50, 6211.20, 6211.42, or 6217.90 of the HTS.

15 (5) Men's and boys' cotton underpants, briefs,
 16 underwear-type T-shirts and singlets, thermal under-
 17 shirts, other undershirts, and similar articles classifi-
 18 able under subheading 6107.11, 6109.10, 6207.11,
 19 or 6207.91 of the HTS.

20 (6) Men's and boys' manmade fiber underpants,
 21 briefs, underwear-type T-shirts and singlets, thermal
 22 undershirts, other undershirts, and similar articles
 23 classifiable under subheading 6107.12, 6109.90,
 24 6207.19, or 6207.99 of the HTS.

1 (7) Men's and boys' manmade fiber shirts, T-
2 shirts, tank tops (other than underwear T-shirts and
3 tank tops), pullovers, sweatshirts, tops, and similar
4 articles classifiable under subheading 6105.20,
5 6105.90, 6110.30, 6110.90, 6112.12, 6112.19, or
6 6114.30 of the HTS.

7 (8) Women's and girls' manmade fiber shirts,
8 blouses, T-shirts, tank tops (other than underwear
9 T-shirts and tank tops), pullovers, sweatshirts, tops,
10 and similar articles classifiable under subheading
11 6106.20, 6106.90, 6110.30, 6110.90, 6112.12,
12 6112.19, 6114.30, or 6117.90 of the HTS.

13 (9) Men's and boys' manmade fiber trousers,
14 breeches, and shorts classifiable under subheading
15 6103.43, 6103.49, 6112.12, 6112.19, 6112.20,
16 6113.00, 6203.43, 6203.49, 6210.40, 6211.20, or
17 6211.33 of the HTS.

18 (10) Women's and girls' manmade fiber trou-
19 sers, breeches, and shorts classifiable under sub-
20 heading 6104.63, 6104.69, 6112.12, 6112.19,
21 6112.20, 6113.00, 6117.90, 6204.63, 6204.69,
22 6210.50, 6211.20, 6211.43, or 6217.90 of the HTS.

23 (11) Men's and boys' manmade fiber shirts
24 classifiable under subheading 6205.30, 6205.90, or
25 6211.33 of the HTS.

1 (12) Cotton brassieres and other body support
2 garments classifiable under subheading 6212.10,
3 6212.20, or 6212.30 of the HTS.

4 (13) Manmade fiber brassieres and other body
5 support garments classifiable under subheading
6 6212.10, 6212.20, or 6212.30 of the HTS.

7 (14) Manmade fiber swimwear classifiable
8 under subheading 6112.31, 6112.41, 6211.11, or
9 6211.12 of the HTS.

10 (15) Cotton swimwear classifiable under sub-
11 heading 6112.39, 6112.49, 6211.11, or 6211.12 of
12 the HTS.

13 (16) Men's and boys' manmade fiber coats,
14 overcoats, carcoats, capes, cloaks, anoraks (including
15 ski-jackets), windbreakers, padded sleeveless jackets
16 with attachments for sleeves, and similar articles
17 classifiable under subheading 6101.30, 6101.90,
18 6112.12, 6112.19, 6112.20, or 6113.00 of the HTS.

19 (17) Women's and girls' manmade fiber coats,
20 overcoats, carcoats, capes, cloaks, anoraks (including
21 ski-jackets), windbreakers, padded sleeveless jackets
22 with attachments for sleeves, and similar articles
23 classifiable under subheading 6102.30, 6102.90,
24 6104.33, 6104.39, 6112.12, 6112.19, 6112.20,
25 6113.00, or 6117.90 of the HTS.

1 (b) DUTY-FREE TREATMENT FOR CERTAIN ELIGI-
2 BLE APPAREL ARTICLES.—

3 (1) DUTY-FREE TREATMENT.—Subject to para-
4 graphs (2) and (3), an eligible apparel article shall
5 enter the United States free of duty if the article is
6 wholly assembled in the United States or the Phil-
7ippines, or both, and if the component determining
8 the article's classification under the HTS consists
9 entirely of—

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

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

17 (C) any combination of the fabric or com-
18 ponents knit-to-shape described in subpara-
19 graphs (A) and (B).

20 (2) DYEING, PRINTING, OR FINISHING.—An ap-
21 parel article described in paragraph (1) shall be in-
22 eligible for duty-free treatment under such para-
23 graph if the component determining the article's
24 classification under the HTS comprises any fabric,
25 fabric component, or component knit-to-shape in the

1 United States that was dyed, printed, or finished at
2 any place other than in the United States.

3 (3) OTHER PROCESSES.—An apparel article de-
4 scribed in paragraph (1) shall not be disqualified
5 from eligibility for duty-free treatment under such
6 paragraph because it undergoes stone-washing, en-
7 zyme-washing, acid-washing, permapressing, oven-
8 baking, bleaching, garment-dyeing, screen printing,
9 or other similar processes in either the United
10 States or the Philippines.

11 (c) DUTY REDUCTION FOR CERTAIN ELIGIBLE AP-
12 PAREL ARTICLES.—

13 (1) DUTY REDUCTION.—An eligible apparel ar-
14 ticle shall enter the United States at a reduced rate
15 of duty specified in paragraph (2) if it is wholly as-
16 sembled in the United States or the Philippines, or
17 both, and if the component determining the article's
18 classification under the HTS consists entirely of—

19 (A) fabric cut in the United States or the
20 Philippines, or both, from fabric wholly formed
21 in the United States or the Philippines, or both,
22 from yarns wholly formed in the United States;

23 (B) components knit-to-shape in the
24 United States or the Philippines, or both, from
25 yarns wholly formed in the United States; or

1 (C) any combination of fabric or compo-
2 nents knit-to-shape that are described in sub-
3 paragraphs (A) and (B).

4 (2) REDUCED TARIFF RATE.—An eligible ap-
5 parel article described in paragraph (1) shall be sub-
6 ject to duty in an amount that is equal to 50 percent
7 of the column 1 rate of duty that applies to the ap-
8 parel article under its classification under the HTS.

9 (d) ARTICLES ELIGIBLE UNDER BOTH SUBSECTION
10 (b) AND SUBSECTION (c).—An eligible apparel article that
11 meets the requirements of both subsections (b) and (c)
12 shall be eligible for duty-free treatment under subsection
13 (b).

14 (e) DE MINIMIS.—

15 (1) IN GENERAL.—An eligible apparel article
16 that is otherwise eligible for preferential treatment
17 under this section shall not be ineligible for such
18 preferential treatment because fibers or yarns used
19 in the production of the component that determines
20 the article's classification under the HTS do not
21 meet the requirements of subsection (b) or (c), if the
22 total weight of all such fibers or yarns in the compo-
23 nent that determines the article's classification
24 under the HTS is not more than 10 percent of the
25 total weight of that component.

1 (2) ELASTOMERIC YARNS.—Notwithstanding
 2 paragraph (1), an article described in subsection (b)
 3 or (c) that contains elastomeric yarns in the compo-
 4 nent of the article that determines the article’s clas-
 5 sification under the HTS shall be eligible for duty-
 6 free treatment under this section only if such elas-
 7 tomeric yarns are wholly formed in the United
 8 States or the Philippines.

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

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

22 (1) Any apparel article that is of a type listed
 23 in chapter rule 3, 4, or 5 for chapter 61 of the HTS
 24 (as such chapter rules are contained in paragraph 1
 25 of section A of the Annex to Proclamation 8213 of

the President of December 20, 2007) as being excluded from the scope of such chapter rule, when such chapter rule is applied to determine whether an apparel article is an originating good for purposes of general note 29(n) to the HTS, except that, for purposes of this paragraph, a reference in any such chapter rule to “6104.12.00” shall be deemed to be a reference to “6104.19.60”.

(2) Except for brassieres classified in subheading 6212.10 of the HTS, any apparel article that is of a type listed in chapter rule 3(a), 4(a), or 5(a) for chapter 62 of the HTS, as such chapter rule is 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) Baby garments, clothing accessories, and headwear classifiable under subheading 6111.20, 6111.30, 6111.90, 6209.20, 6209.30, 6209.90, or 6505.90 of the HTS.

(B) Women’s and girls’ cotton coats, overcoats, carcoats, capes, cloaks, anoraks (including ski-jackets), windbreakers, padded sleeveless jackets with attachments for sleeves, and simi-

lar articles classifiable under subheading
 6102.20, 6102.90, 6104.19, 6104.32, 6112.11,
 6113.00, 6117.90, 6202.12, 6202.19, 6202.92,
 6202.99, 6204.12, 6204.19, 6204.32, 6204.39,
 6210.30, 6210.50, 6211.20, 6211.42, or
 6217.90 of the HTS.

(C) Cotton dresses classifiable under sub-
 heading 6104.42, 6104.49, 6204.42, or 6204.49
 of the HTS.

(D) Manmade fiber dresses classifiable
 under subheading 6104.43, 6104.44, 6104.49,
 6204.43, 6204.44, or 6204.49 of the HTS.

(E) Men's and boys' cotton shirts classifi-
 able under subheading 6205.20, 6205.90, or
 6211.32 of the HTS.

(F) Cotton pajamas and sleepwear classifi-
 able under subheading 6107.21, 6107.91,
 6108.31, 6207.21, 6207.91, or 6208.21 of the
 HTS.

(G) Manmade fiber pajamas and sleepwear
 classifiable under subheading 6107.22, 6107.99,
 6108.32, 6207.22, 6207.99, or 6208.22 of the
 HTS.

(H) Women's and girls' wool coats, over-
 coats, carcoats, capes, cloaks, anoraks (includ-

1 ing ski-jackets), windbreakers, padded sleeveless
 2 jackets with attachments for sleeves, and simi-
 3 lar articles classifiable under subheading
 4 6102.10, 6102.30, 6102.90, 6104.31, 6104.33,
 5 6117.90, 6202.11, 6202.13, 6202.19, 6202.91,
 6 6202.93, 6202.99, 6204.31, 6204.33, 6204.39,
 7 6211.20, 6211.41, or 6117.90 of the HTS.

8 (I) Wool skirts classifiable under sub-
 9 heading 6104.51, 6104.53, 6104.59, 6204.51,
 10 6204.53, or 6204.59 of the HTS.

11 (J) Women's and girls' wool trousers,
 12 breeches, and shorts classifiable under sub-
 13 heading 6104.61, 6104.63, 6104.69, 6117.90,
 14 6204.61, 6204.63, 6204.69, 6211.20, 6211.41,
 15 or 6217.90 of the HTS.

16 (K) Women's and girls' cotton shirts and
 17 blouses classifiable under subheading 6206.10,
 18 6206.30, 6206.90, 6211.42, or 6217.90 of the
 19 HTS.

20 (L) Women's and girls' manmade fiber
 21 shirts, blouses, shirt-blouses, sleeveless tank
 22 styles, and similar upper body garments classi-
 23 fiable under subheading 6206.10, 6206.40,
 24 6206.90, 6211.43, or 6217.90 of the HTS.

1 (M) Men's and boys' wool coats, overcoats,
 2 carcoats, capes, cloaks, anoraks (including ski-
 3 jackets), windbreakers, padded sleeveless jack-
 4 ets with attachments for sleeves, and similar ar-
 5 ticles classifiable under subheading 6101.30,
 6 6101.90, 6201.11, 6201.13, 6201.19, 6201.91,
 7 6201.93, 6201.99, 6211.20, or 6211.39 of the
 8 HTS.

9 (N) Women's and girls' manmade fiber
 10 coats, overcoats, carcoats, capes, cloaks,
 11 anoraks (including ski-jackets), windbreakers,
 12 padded sleeveless jackets with attachments for
 13 sleeves, and similar articles classifiable under
 14 subheading 6202.13, 6202.19, 6202.93,
 15 6202.99, 6204.33, 6204.39, 6210.30, 6210.50,
 16 6211.20, 6211.43, or 6217.90 of the HTS.

17 (O) Cotton skirts classifiable under sub-
 18 heading 6104.19, 6104.52, 6104.59, 6204.12,
 19 6204.19, 6204.52, or 6204.59 of the HTS.

20 (P) Manmade fiber skirts classifiable
 21 under subheading 6104.53, 6104.59, 6204.53,
 22 or 6204.59 of the HTS.

23 (Q) Men's and boys' manmade fiber coats,
 24 overcoats, carcoats, capes, cloaks, anoraks (in-
 25 cluding ski-jackets), windbreakers, padded

1 sleeveless jackets with attachments for sleeves,
 2 and similar articles classifiable under sub-
 3 heading 6201.13, 6201.19, 6201.93, 6201.99,
 4 6210.20, 6210.40, 6211.20, or 6211.33 of the
 5 HTS.

6 (R) Women's and girls' cotton slips, petti-
 7 coats, briefs, panties, and underwear classifiable
 8 under subheading 6108.19, 6108.21, 6108.91,
 9 6109.10, 6208.19, or 6208.91 of the HTS.

10 (S) Women's and girls' manmade fiber
 11 slips, petticoats, briefs, panties, and underwear
 12 classifiable under subheading 6108.11, 6108.22,
 13 6108.92, 6109.90, 6208.11, or 6208.92 of the
 14 HTS.

15 (g) REVIEW AND REPORT.—The Comptroller General
 16 of the United States shall, not later than 24 months after
 17 the date of the enactment of this Act, review the program
 18 established under this section for the purpose of evalu-
 19 ating the effectiveness of, and making recommendations
 20 to Congress for improvements in, the program.

21 (h) ENFORCEMENT.—

22 (1) PRESIDENTIAL CERTIFICATION OF CONDI-
 23 TIONS.—No apparel article shall be afforded the
 24 preferential treatment under this section unless the

1 President certifies to Congress that the Philippines
2 is meeting the following conditions:

3 (A) The Philippines has reestablished the
4 Electronic Visa Information System (ELVIS) to
5 assist with prevention of transshipment of ap-
6 parel articles and the use of counterfeit docu-
7 ments relating to the importation of apparel ar-
8 ticles into the United States.

9 (B) The Philippines is enforcing the
10 Memorandum of Understanding between the
11 United States of America and the Republic of
12 the Philippines Concerning Cooperation in
13 Trade in Textile and Apparel Goods, signed on
14 August 23, 2006.

15 (C) The Philippines agrees to provide, on
16 a timely basis at the request of U.S. Customs
17 and Border Protection, and consistently with
18 the manner in which the records are kept in the
19 Philippines, a report on exports from the Phil-
20 ippines of apparel articles eligible for pref-
21 erential treatment under this section, and on
22 imports into the Philippines of yarns, fabrics,
23 fabric components, or components knit-to-shape
24 that are wholly formed in the United States.

1 (D) The Philippines agrees to cooperate
2 fully with the United States to address and
3 take action necessary to prevent circumvention
4 as provided in Article 5 of the Agreement on
5 Textiles and Clothing referred to in section
6 101(d)(4) of the Uruguay Round Agreements
7 Act (19 U.S.C. 3511(d)(4)).

8 (E) The Philippines agrees to require Phil-
9 ippines producers and exporters of articles eligi-
10 ble for preferential treatment under this section
11 to maintain, for at least 5 years after the date
12 of export, complete records of the production
13 and the export of such articles, including
14 records of yarns, fabrics, fabric components,
15 and components knit-to-shape and used in the
16 production of such articles.

17 (F) The Philippines agrees to provide, on
18 a timely basis, at the request of U.S. Customs
19 and Border Protection, documentation estab-
20 lishing the country of origin of articles eligible
21 for preferential treatment under this section, as
22 used by that country in reimplementing an ef-
23 fective visa system.

24 (G) The Philippines is to establish, within
25 60 days after the date of the President's certifi-

1 cation under this paragraph, procedures that
2 allow the Office of Textiles and Apparel of the
3 Department of Commerce (OTEXA) to obtain
4 information when fabric wholly formed in the
5 United States is exported to the Philippines to
6 allow for monitoring and verification before the
7 imports of apparel articles containing the fabric
8 for which preferential treatment is sought
9 under this section reach the United States. The
10 information provided upon export of the fabrics
11 shall include, among other things, the name of
12 the importer of the fabric in the Philippines,
13 the 8-digit HTS subheading covering the ap-
14 parel articles to be made from the fabric, and
15 the quantity of the apparel articles to be made
16 from the fabric for importation into the United
17 States.

18 (H) The Philippines has enacted legislation
19 or promulgated regulations to allow for the sei-
20 zure of merchandise physically transiting the
21 territory of the Philippines and appears to be
22 destined for the United States in circumvention
23 of the provisions of this Act.

24 (i) CUSTOMS PROCEDURES.—

25 (1) IN GENERAL.—

1 (A) PENALTIES FOR EXPORTERS.—If the
2 President determines, based on sufficient evi-
3 dence, that an exporter has engaged in trans-
4 shipments as defined in paragraph (2), then the
5 President shall deny for a period of 5 years all
6 benefits under section 4 to such exporter, any
7 successor of such exporter, and any other entity
8 owned or operated by the principal of the ex-
9 porter.

10 (B) PENALTIES FOR IMPORTERS.—If the
11 President determines, based on sufficient evi-
12 dence, that an importer has engaged in trans-
13 shipments as defined in paragraph (2), then the
14 President shall deny for a period of 5 years all
15 benefits under section 4 to such importer, any
16 successor of such importer, or any entity owned
17 or operated by the principal of the importer.

18 (2) DEFINITION OF TRANSHIPMENT.—As used
19 in paragraph (1), transshipment has occurred when
20 preferential treatment for an apparel article under
21 this section has been claimed on the basis of mate-
22 rial false information concerning the country of ori-
23 gin, manufacture, processing, or assembly of the ar-
24 ticle or of any fabric, fabric component, or compo-
25 nent knit-to-shape from which the apparel article

1 was assembled. For purposes of this paragraph,
 2 false information is material if disclosure of the true
 3 information would have meant that the article is or
 4 was ineligible for preferential treatment under this
 5 section.

6 (j) PROCLAMATION AUTHORITY.—The President
 7 shall issue a proclamation to carry out this section not
 8 later than 60 days after the date of the enactment of this
 9 Act. The President shall consult with the Committee on
 10 Ways and Means of the House of Representatives and the
 11 Committee on Finance of the Senate in preparing such
 12 proclamation.

13 **SEC. 5. EFFECTIVE DATE.**

14 This Act shall apply to articles entered, or withdrawn
 15 from warehouse for consumption, on or after the 15th day
 16 after the date on which the President issues the proclama-
 17 tion required by section 4(j).

18 **SEC. 6. TERMINATION.**

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

23 (b) GSP ELIGIBILITY.—The preferential duty treat-
 24 ment provided under this Act shall terminate if and when
 25 the Philippines becomes ineligible for designation as a ben-

1 eficiary developing country under title V of the Trade Act
2 of 1974 (19 U.S.C. 2461 et seq.).

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