

112TH CONGRESS  
1ST SESSION

# S. 105

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

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## IN THE SENATE OF THE UNITED STATES

JANUARY 25 (legislative day, JANUARY 5), 2011

Mr. ENSIGN introduced the following bill; which was read twice and referred to the Committee on Finance

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## 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 2011” 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-  
16 ippines were valued at nearly \$20,000,000 in 2008,  
17 consisting mostly of broadwoven, industrial or spe-  
18 cialty, and nonwoven fabrics. The potential for ex-  
19 port growth in this area can sustain and create  
20 thousands of jobs.

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

1 guards that controlled apparel imports from the  
2 People's Republic 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 manufacturers. At the same  
6       time, the United States would be provided a more  
7       diverse 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 8-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, appliques, 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 the  
24 components exist in the finished article and the  
25 components were combined to form the finished

1 article in the Philippines or the United States;  
2 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 yarn form-  
7 ing and finishing operations, starting with the extru-  
8 sion of filaments, strips, film, or sheet, and including  
9 slitting a film or sheet into strip, or the spinning of  
10 all fibers into yarn, or both, and ending with a fin-  
11 ished yarn or plied yarn, takes place in the United  
12 States.

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

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

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

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

1 and similar articles classifiable under subheading  
2 6106.10, 6106.90, 6109.10, 6110.20, 6110.90,  
3 6112.11, 6114.20, or 6117.90 of the HTS.

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

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

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

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

24 (7) Men's and boys' manmade fiber shirts, T-  
25 shirts, tank tops (other than underwear T-shirts and

1 tank tops), pullovers, sweatshirts, tops, and similar  
2 articles classifiable under subheading 6105.20,  
3 6105.90, 6110.30, 6110.90, 6112.12, 6112.19, or  
4 6114.30 of the HTS.

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

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

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

21 (11) Men's and boys' manmade fiber shirts  
22 classifiable under subheading 6205.30, 6205.90, or  
23 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’s 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 Presidential Proclama-

1 tion 8213 of December 20, 2007 (72 Fed. Reg.  
2 73555)) as being excluded from the scope of such  
3 chapter rule, when such chapter rule is applied to  
4 determine whether an apparel article is an origi-  
5 nating good for purposes of General Note 29(n) to  
6 the HTS, except that, for purposes of this para-  
7 graph, a reference in any such chapter rule to  
8 “6104.12.00” shall be deemed to be a reference to  
9 “6104.19.60”.

10 (2) Except for brassieres classified in sub-  
11 heading 6212.10 of the HTS, any apparel article  
12 that is of a type listed in chapter rule 3(a), 4(a), or  
13 5(a) for chapter 62 of the HTS, as such chapter  
14 rule is contained in paragraph 9 of section A of the  
15 Annex to Presidential Proclamation 8213 of Decem-  
16 ber 20, 2007.

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

19 (A) Baby garments, clothing accessories,  
20 and headwear classifiable under subheading  
21 6111.20, 6111.30, 6111.90, 6209.20, 6209.30,  
22 6209.90, or 6505.90 of the HTS.

23 (B) Women’s and girls’ cotton coats, over-  
24 coats, carcoats, capes, cloaks, anoraks (includ-  
25 ing ski-jackets), windbreakers, padded sleeveless

1 jackets with attachments for sleeves, and simi-  
2 lar articles classifiable under subheading  
3 6102.20, 6102.90, 6104.19, 6104.32, 6112.11,  
4 6113.00, 6117.90, 6202.12, 6202.19, 6202.92,  
5 6202.99, 6204.12, 6204.19, 6204.32, 6204.39,  
6 6210.30, 6210.50, 6211.20, 6211.42, or  
7 6217.90 of the HTS.

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

11 (D) Manmade fiber dresses classifiable  
12 under subheading 6104.43, 6104.44, 6104.49,  
13 6204.43, 6204.44, or 6204.49 of the HTS.

14 (E) Men's and boys' cotton shirts classifi-  
15 able under subheading 6205.20, 6205.90, or  
16 6211.32 of the HTS.

17 (F) Cotton pajamas and sleepwear classifi-  
18 able under subheading 6107.21, 6107.91,  
19 6108.31, 6207.21, 6207.91, or 6208.21 of the  
20 HTS.

21 (G) Manmade fiber pajamas and sleepwear  
22 classifiable under subheading 6107.22, 6107.99,  
23 6108.32, 6207.22, 6207.99, or 6208.22 of the  
24 HTS.

1 (H) Women's and girls' wool coats, over-  
2 coats, carcoats, capes, cloaks, anoraks (includ-  
3 ing ski-jackets), windbreakers, padded sleeveless  
4 jackets with attachments for sleeves, and simi-  
5 lar articles classifiable under subheading  
6 6102.10, 6102.30, 6102.90, 6104.31, 6104.33,  
7 6117.90, 6202.11, 6202.13, 6202.19, 6202.91,  
8 6202.93, 6202.99, 6204.31, 6204.33, 6204.39,  
9 6211.20, 6211.41, or 6117.90 of the HTS.

10 (I) Wool skirts classifiable under sub-  
11 heading 6104.51, 6104.53, 6104.59, 6204.51,  
12 6204.53, or 6204.59 of the HTS.

13 (J) Women's and girls' wool trousers,  
14 breeches, and shorts classifiable under sub-  
15 heading 6104.61, 6104.63, 6104.69, 6117.90,  
16 6204.61, 6204.63, 6204.69, 6211.20, 6211.41,  
17 or 6217.90 of the HTS.

18 (K) Women's and girls' cotton shirts and  
19 blouses classifiable under subheading 6206.10,  
20 6206.30, 6206.90, 6211.42, or 6217.90 of the  
21 HTS.

22 (L) Women's and girls' manmade fiber  
23 shirts, blouses, shirt-blouses, sleeveless tank  
24 styles, and similar upper body garments classi-

1           fiable under subheading 6206.10, 6206.40,  
2           6206.90, 6211.43, or 6217.90 of the HTS.

3           (M) Men's and boys' wool coats, overcoats,  
4           carcoats, capes, cloaks, anoraks (including ski-  
5           jackets), windbreakers, padded sleeveless jack-  
6           ets with attachments for sleeves, and similar ar-  
7           ticles classifiable under subheading 6101.30,  
8           6101.90, 6201.11, 6201.13, 6201.19, 6201.91,  
9           6201.93, 6201.99, 6211.20, or 6211.39 of the  
10          HTS.

11          (N) Women's and girls' manmade fiber  
12          coats, overcoats, carcoats, capes, cloaks,  
13          anoraks (including ski-jackets), windbreakers,  
14          padded sleeveless jackets with attachments for  
15          sleeves, and similar articles classifiable under  
16          subheading 6202.13, 6202.19, 6202.93,  
17          6202.99, 6204.33, 6204.39, 6210.30, 6210.50,  
18          6211.20, 6211.43, or 6217.90 of the HTS.

19          (O) Cotton skirts classifiable under sub-  
20          heading 6104.19, 6104.52, 6104.59, 6204.12,  
21          6204.19, 6204.52, or 6204.59 of the HTS.

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

1           (Q) Men’s and boys’ manmade fiber coats,  
2           overcoats, carcoats, capes, cloaks, anoraks (in-  
3           cluding ski-jackets), windbreakers, padded  
4           sleeveless jackets with attachments for sleeves,  
5           and similar articles classifiable under sub-  
6           heading 6201.13, 6201.19, 6201.93, 6201.99,  
7           6210.20, 6210.40, 6211.20, or 6211.33 of the  
8           HTS.

9           (R) Women’s and girls’ cotton slips, petti-  
10          coats, briefs, panties, and underwear classifiable  
11          under subheading 6108.19, 6108.21, 6108.91,  
12          6109.10, 6208.19, or 6208.91 of the HTS.

13          (S) Women’s and girls’ manmade fiber  
14          slips, petticoats, briefs, panties, and underwear  
15          classifiable under subheading 6108.11, 6108.22,  
16          6108.92, 6109.90, 6208.11, or 6208.92 of the  
17          HTS.

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

24          (h) ENFORCEMENT.—

1           (1) PRESIDENTIAL CERTIFICATION OF CONDI-  
2           TIONS.—No apparel article shall be afforded the  
3           preferential treatment under this section unless the  
4           President certifies to Congress that the Philippines  
5           is meeting the following conditions:

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

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

18                  (C) The Philippines agrees to provide, on  
19          a timely basis at the request of U.S. Customs  
20          and Border Protection, and consistent with the  
21          manner in which the records are kept in the  
22          Philippines, a report on exports from the Phil-  
23          ippines of apparel articles eligible for pref-  
24          erential treatment under this section, and on  
25          imports into the Philippines of yarns, fabrics,

1 fabric components, or components knit-to-shape  
2 that are wholly formed in the United States.

3 (D) The Philippines agrees to cooperate  
4 fully with the United States to address and  
5 take action necessary to prevent circumvention  
6 as provided in Article 5 of the Agreement on  
7 Textiles and Clothing referred to in section  
8 101(d)(4) of the Uruguay Round Agreements  
9 Act (19 U.S.C. 3511(d)(4)).

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

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

1           (G) The Philippines is to establish, within  
2           60 days after the date of the President's certifi-  
3           cation under this paragraph, procedures that  
4           allow the Office of Textiles and Apparel of the  
5           Department of Commerce (OTEXA) to obtain  
6           information when fabric wholly formed in the  
7           United States is exported to the Philippines to  
8           allow for monitoring and verification before the  
9           imports of apparel articles containing the fabric  
10          for which preferential treatment is sought  
11          under this section reach the United States. The  
12          information provided upon export of the fabrics  
13          shall include, among other things, the name of  
14          the importer of the fabric in the Philippines,  
15          the 8-digit HTS subheading covering the ap-  
16          parel articles to be made from the fabric, and  
17          the quantity of the apparel articles to be made  
18          from the fabric for importation into the United  
19          States.

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

1 (i) CUSTOMS PROCEDURES.—

2 (1) IN GENERAL.—

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

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

20 (2) DEFINITION OF TRANSSHIPMENT.—As used  
21 in paragraph (1), transshipment has occurred when  
22 preferential treatment for an apparel article under  
23 this section has been claimed on the basis of mate-  
24 rial false information concerning the country of ori-  
25 gin, manufacture, processing, or assembly of the ar-

1        ticle or of any fabric, fabric component, or compo-  
2        nent knit-to-shape from which the apparel article  
3        was assembled. For purposes of this paragraph,  
4        false information is material if disclosure of the true  
5        information would have meant that the article is or  
6        was ineligible for preferential treatment under this  
7        section.

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

15       **SEC. 5. EFFECTIVE DATE.**

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

20       **SEC. 6. TERMINATION.**

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

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

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