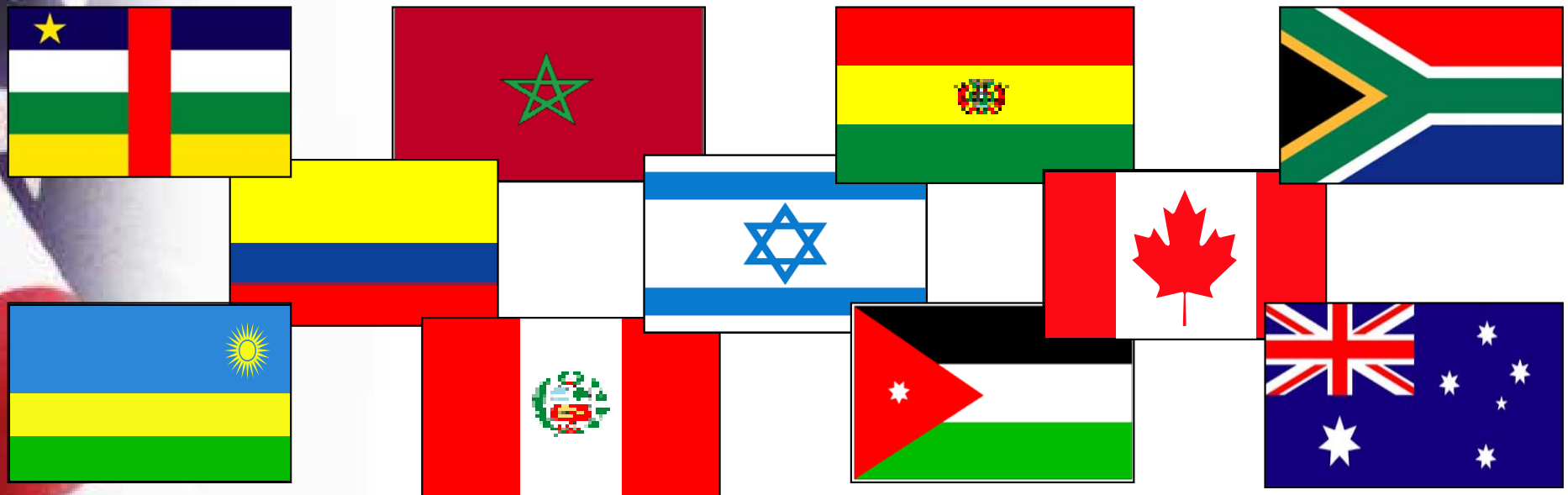




U.S. Customs and Border Protection



May 11, 2010
Los Angeles, California



The Textile Import Industry

	FY2006	FY2007	FY2008	FY2009	%CHG FY08-09
Importers	70.6K	70.1K	68.4K	69.1K	1%
Lines	8.8M	9.6M	9.9M	10.2M	3%
Value	\$102.5B	\$107.8B	\$106.7B	\$95.4B	-11%
Duty	\$10.3B	\$11.3B	\$11.2B	\$10.2B	-9%

FY09	Industry Total	All Imports	% Overall
Importers	69.1K	312.8K	22%
Lines	10.2M	95.7M	11%
Value	\$95.4B	\$1.7T	6%
Duty	\$10.2B	\$22.1B	46%



Textile/Apparel Supplier Countries by Value

2008

1	China	35%
2	Mexico	6%
3	India	5%
4	Vietnam	5%
5	Indonesia	4%
6	Bangladesh	3%
7	Pakistan	3%
8	Honduras	3%
9	Canada	3%
10	Italy	2%
11	Cambodia	2%
12	Thailand	2%
13	Hong Kong	2%
14	El Salvador	1%
15	Korea	1%

2009

1	China	40%
2	Mexico	6%
3	Vietnam	6%
4	India	5%
5	Indonesia	4%
6	Bangladesh	4%
7	Pakistan	3%
8	Honduras	2%
9	Canada	2%
10	Cambodia	2%
11	Italy	2%
12	Thailand	2%
13	El Salvador	1%
14	Sri Lanka	1%
15	Philippines	1%



Apparel Supplier Countries by Value

2008

1	China	32%
2	Vietnam	7%
3	Mexico	6%
4	Indonesia	5%
5	Bangladesh	4%
6	India	4%
7	Honduras	4%
8	Cambodia	3%
9	Hong Kong	3%
10	Thailand	2%
11	Italy	2%
12	El Salvador	2%
13	Pakistan	2%
14	Sri Lanka	2%
15	Philippines	2%

2009

1	China	36%
2	Vietnam	8%
3	Indonesia	6%
4	Mexico	5%
5	Bangladesh	5%
6	India	4%
7	Honduras	3%
8	Cambodia	3%
9	Pakistan	2%
10	El Salvador	2%
11	Thailand	2%
12	Sri Lanka	2%
13	Guatemala	2%
14	Italy	2%
15	Philippines	2%



Trade Preference Programs

- **Unilateral/Bilateral/Multilateral Preference Programs**
 - African Growth and Opportunity Act
 - Qualifying Industrial Zones; Jordan/Israel/Egypt
 - Caribbean Basin Trade Partnership Act
 - Haiti HOPE 1 and 2
 - Andean Trade Promotion and Drug Eradication Act
 - Free Trade Agreements (Israel, NAFTA, Jordan, Chile, Singapore, Australia, Morocco, CAFTA, Bahrain, Oman, Peru)
- **Unique Qualifying Rules for Each**





Textile Enforcement

- **Textile Production Verification Team 2009 (Preference Claims)**
 - **Visited 11 Countries**
 - **Visited 223 Factories to Validate FTA/Trade Preference Claims**
 - **Number of Factories Compliant: 111**
 - **Number of Factories Non Compliant: 96**
 - **45% Non-Compliance Rate**



Trade Preference FTA Activity

FY08 TRADE AGREEMENT TOTALS		
Trade Agreement	Total Value	% of Total Value
CAFTA	\$6.2B	31.0%
NAFTA-MX	\$5.8B	29.0%
NAFTA-CA	\$2.6B	12.8%
QIZ	\$1.5B	7.7%
ATPDEA	\$1.2B	5.8%
AGOA	\$1.1B	5.6%
CBTPA	\$594.0M	3.0%
ILFTA	\$413.3M	2.1%
JOFTA	\$198.3M	1.0%
BHFTA	\$141.1M	0.7%
SGFTA	\$98.8M	0.5%
HAITI HOPE	\$73.5M	0.4%
MAFTA	\$50.4M	0.3%
AUFTA	\$46.9M	0.2%
CLFTA	\$10.6M	0.1%
CBERA	\$4.5M	0.02%
Total	\$20.1B	100%

FY09 TRADE AGREEMENT TOTALS		
Trade Agreement	Total Value	% of Total Value
CAFTA	\$5.6B	32.1%
NAFTA-MX	\$5.2B	29.6%
NAFTA-CA	\$2.0B	11.5%
QIZ	\$1.4B	8.1%
AGOA	\$1.0B	5.8%
ATPDEA	\$0.7B	4.3%
CBTPA	\$420.5M	2.4%
ILFTA	\$361.0M	2.1%
JOFTA	\$194.8M	1.1%
BHFTA	\$157.4M	0.9%
PEFTA	\$114.2M	0.7%
HAITI HOPE	\$110.6M	0.6%
SGFTA	\$63.4M	0.4%
MAFTA	\$26.8M	0.2%
AUFTA	\$23.9M	0.1%
CLFTA	\$7.9M	0.04%
CBERA	\$2.2M	0.01%
OMFTA	\$0.0M	0.00%
Total	\$17.5B	100%



Enforcement Challenges Post 1/1/09

- **Significant Shift Away from China Quota Enforcement**
 - **FTA/Trade Preference Claims**
 - **Continue to Use Textile Production Verification Team Visits**
 - **Port Verifications**
 - **Continue to Initiate Special Enforcement Operations**
 - **Continue to Work with Foreign Counterparts to Exchange and Reconcile Trade Data**
 - **Continue to Work and Expand Interaction with U.S. Mills to Ensure Validity of Claims**
 - **Altered Affidavits**
 - **Misrepresentation of Information**



Verifying Trade Preference Claims

- **Verifications Will NOT Require the Detention of the Merchandise**
- **A Sample from the Immediate Shipment May Be Required; This Requires an Examination**
- **CBP Will Request the Mill's Affidavit via a CPB 28 Request for Information**
- **CBP Will Contact the Mill Regarding the Veracity of the Document and the Information Contained on the Affidavit Including Quantity and Type of Yarn and Fabric**



Verifying Trade Preference Claims

- **CBP Does NOT Support the Use of Blanket Certificates**
- **Affidavits Must Contain Contact Information**
- **The Yarn Producer Must Prepare the Affidavit**
- **Affidavits Must Contain Specific Information**
 - **Type of Yarn/Fabric**
 - **Should Link to Other Supporting Documents; Contracts; Invoices; Purchase Order Numbers**



Verifying Trade Preference Claims

- **Document Requirements for Claims Requiring U.S./Regional Yarn or Fabric**
 - **Records that Demonstrate the Goods Were Made in the U.S./Region**
 - **Purchase Orders**
 - **Invoices**
 - **Delivery Notices**
 - **Transportation and Export Records**
 - **Entry Documents Showing Goods Crossing the Border into the Country of Final Production**



Verifying Trade Preference Claims

- **If Documents Do Not Substantiate the Claim of Preference the Duty-Free Treatment Will Be Denied.**
- **Prior Claims May Be Reviewed for Sufficiency and CBP Will Determine if a Pattern of Non-Compliance Exists**
- **Penalties May Be Assessed, as Appropriate**



Special Enforcement Initiatives

- **Use of Short Supply Claims in CAFTA**
 - **FY 08 and 09: 474 lines with a total value of \$12.8 M for 38 different importers were reviewed.**
 - **243 (51%) of those lines were determined to be non-compliant.**
 - **\$1.4 M in revenue to be recovered has been identified.**
- **Pocketing Fabric**
 - **22 Targeted Entry Reviews; Loss of Revenue \$70K**
- **FTA Annual Verification Initiative**



Special Enforcement Initiatives

- **China Undervaluation**
 - **Right to Make Entry**
 - **Ownership of the Merchandise/Financial Interest**
 - **Knowledge of the Shipment**
 - **Exercise Reasonable Care—Country of Origin, Classification/Description of Goods and Value**



Special Enforcement Initiatives

- 19 U.S.C. 1484
- ...information shall be transmitted either by the owner, or purchaser of the merchandise or...a person holding a valid license...
- *A nominal importer does not have the right to make entry.*
- The importer must exercise reasonable care



Special Enforcement Initiatives

- **18 U.S.C. 1001**
- **... falsifies, conceals, covers up by any trick, scheme, or device a material fact;**
- **Makes any materially false, fictitious, or fraudulent statement or representation, or**
- **Makes or uses any false writing or document...**
- **Shall be fined, imprisoned not more than 5 years...**



Special Enforcement Initiatives

- **18 U.S.C. 1002**
- **Ditto for Possession of false papers to defraud the United States**



Doing Business Using DDP/LDP

- **Don't!!!! But If You Insist...**
 - **Make a Surprise Visit to the IoRs Address**
 - **Does it Exist?**
 - **Is Anyone There?**
 - **Is It "Virtual" Office Space?**
 - **Do They Know Details about the Transaction?**
 - **How Many Layers Are in the Transaction**



Doing Business Using DDP/LDP

- **Ask for and Review the Customs Entry**
 - Does the Information on the Entry Match Your Purchase Order?
 - Description?
 - Quantity?
 - Value?
- **Who Is the Broker? Has the Broker Met the Importer of Record? Who is Orchestrating the Transaction? Importer? Freight Forwarder?**



Thank You



U.S. Customs and Border Protection



California Fashion Association