

111TH CONGRESS  
1ST SESSION

# H. R. 3039

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

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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

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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 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  
20 thousands of jobs.

21 (5) The Philippines' textile and apparel indus-  
22tries, like that of their counterparts in the United  
23 States, 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-  
12 ippines, 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-

1 poses of this paragraph, reference in such chapter  
2 rule to “6104.12.00” shall be deemed to be ref-  
3 erence to “6104.19.60”.

4 (2) Any apparel article that is of a type listed  
5 in chapter rule 3(a), 4(a), or 5(a) for chapter 62 of  
6 HTS, as such chapter rules are contained in para-  
7 graph 9 of section A of the Annex to Proclamation  
8 8213 of the President of December 20, 2007.

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

11 (A) Playsuits and sunsuits.

12 (B) Babies’ garments and clothing acces-  
13 sories.

14 (C) Women’s and girls’ cotton coats.

15 (D) Cotton dresses.

16 (E) Manmade fiber dresses.

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

19 (G) Cotton nightwear and pajamas.

20 (H) Manmade fiber nightwear and paja-  
21 mas.

22 (I) Women’s and girls’ wool coats.

23 (J) Wool dresses.

24 (K) Wool skirts.

25 (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-  
6ippines of apparel articles eligible for pref-  
7erential 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-  
24rics, 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.).

○