

112TH CONGRESS  
1ST SESSION

# S. 1244

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

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IN THE SENATE OF THE UNITED STATES

JUNE 22, 2011

Mr. INOUE (for himself, Mr. BLUNT, Mr. REID, and Mr. AKAKA) 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 ties. The Philippines holds enduring political  
2 and security significance to the United States. The  
3 2 countries have partnered very successfully in com-  
4 bating terrorism in Southeast Asia.

5 (2) The United States and the Philippines  
6 maintain a fair trading relationship that should be  
7 expanded to the mutual benefit of both countries. In  
8 2010, United States exports to the Philippines were  
9 valued at \$7,375,000,000, and United States im-  
10 ports from the Philippines were valued at  
11 \$7,960,000,000.

12 (3) United States textile exports to the Phil-  
13 ippines were valued at just over \$48,000,000 in  
14 2010, consisting mostly of industrial, specialty,  
15 broadwoven, and nonwoven fabrics. The potential for  
16 export growth in this area can sustain and create  
17 thousands of jobs.

18 (4) The Philippines' textile and apparel indus-  
19 tries, like that of their counterparts in the United  
20 States, share the same challenges and risks stem-  
21 ming from the end of the textile and apparel quota  
22 system and from the end of United States safe-  
23 guards that continued to control apparel imports  
24 from the People's Republic of China until January  
25 1, 2009.

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

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

22           (7) A program that provides preferential duty  
23 treatment for certain apparel articles of the Phil-  
24 ippines will provide a strong incentive for Philippine  
25 apparel manufacturers to use United States fabrics,

1 which will open new opportunities for the United  
2 States textile industry and increase opportunities for  
3 United States yarn manufacturers. At the same  
4 time, the United States would be provided a more  
5 diverse range of sourcing opportunities.

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

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

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

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

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

22 **SEC. 3. DEFINITIONS.**

23 In this Act:

24 (1) CLASSIFICATION UNDER THE HTS.—The  
25 term “classification under the HTS” means, with re-

1 spect to an article, the 6-digit subheading or 10-digit  
2 statistical reporting number under which the article  
3 is classified in the HTS.

4 (2) DOBBY WOVEN FABRIC.—The term “dobby  
5 woven fabric” means fabric, other than jacquard  
6 fabric, woven with the use of a doobby attachment  
7 that raises or lowers the warp threads during the  
8 weaving process to create patterns including, stripes,  
9 and checks and similar designs.

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

13 (4) HTS.—The term “HTS” means the Har-  
14 monized Tariff Schedule of the United States.

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

1           (6) WHOLLY ASSEMBLED.—An article is “whol-  
2 ly assembled” in the Philippines or the United  
3 States if—

4           (A) all components of the article pre-ex-  
5 isted in essentially the same condition as the  
6 components exist in the finished article and the  
7 components were combined to form the finished  
8 article in the Philippines or the United States;  
9 and

10          (B) the article is comprised of at least 2  
11 components.

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

20 **SEC. 4. TRADE BENEFITS.**

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

24           (1) Men’s and boys’ cotton shirts, T-shirts and  
25 tank tops (other than underwear T-shirts and tank

1 tops), pullovers, sweatshirts, tops, and similar arti-  
2 cles classifiable under subheading 6105.10, 6105.90,  
3 6109.10, 6110.20, 6110.90, 6112.11, or 6114.20 of  
4 the HTS.

5 (2) Women's and girls' cotton shirts, blouses,  
6 T-shirts and tank tops (other than underwear T-  
7 shirts and tank tops), pullovers, sweatshirts, tops,  
8 and similar articles classifiable under subheading  
9 6106.10, 6106.90, 6109.10, 6110.20, 6110.90,  
10 6112.11, 6114.20, or 6117.90 of the HTS.

11 (3) Men's and boys' cotton trousers, breeches,  
12 and shorts classifiable under subheading 6103.10,  
13 6103.42, 6103.49, 6112.11, 6113.00, 6203.19,  
14 6203.42, 6203.49, 6210.40, 6211.20, 6211.32 of the  
15 HTS.

16 (4) Women's and girls' cotton trousers, breech-  
17 es, and shorts classifiable under subheading  
18 6104.19, 6104.62, 6104.69, 6112.11, 6113.00,  
19 6117.90, 6204.12, 6204.19, 6204.62, 6204.69,  
20 6210.50, 6211.20, 6211.42, or 6217.90 of the HTS.

21 (5) Men's and boys' cotton underpants, briefs,  
22 underwear-type T-shirts and singlets, thermal under-  
23 shirts, other undershirts, and similar articles classifi-  
24 able under subheading 6107.11, 6109.10, 6207.11,  
25 or 6207.91 of the HTS.

1           (6) Men’s and boys’ manmade fiber underpants,  
2           briefs, underwear-type T-shirts and singlets, thermal  
3           undershirts, other undershirts, and similar articles  
4           classifiable under subheading 6107.12, 6109.90,  
5           6207.19, or 6207.99 of the HTS.

6           (7) Men’s and boys’ manmade fiber shirts, T-  
7           shirts and tank tops (other than underwear T-shirts  
8           and tank tops), pullovers, sweatshirts, tops, and  
9           similar articles classifiable under subheading  
10          6105.20, 6105.90, 6110.30, 6110.90, 6112.12,  
11          6112.19, or 6114.30 of the HTS.

12          (8) Women’s and girls’ manmade fiber shirts,  
13          blouses, T-shirts and tank tops (other than under-  
14          wear T-shirts and tank tops), pullovers, sweatshirts,  
15          tops, and similar articles classifiable under sub-  
16          heading 6106.20, 6106.90, 6110.30, 6110.90,  
17          6112.12, 6112.19, 6114.30, or 6117.90 of the HTS.

18          (9) Men’s and boys’ manmade fiber trousers,  
19          breeches, and shorts classifiable under subheading  
20          6103.43, 6103.49, 6112.12, 6112.19, 6112.20,  
21          6113.00, 6203.43, 6203.49, 6210.40, 6211.20, or  
22          6211.33 of the HTS.

23          (10) Women’s and girls’ manmade fiber trou-  
24          sers, breeches, and shorts classifiable under sub-  
25          heading 6104.63, 6104.69, 6112.12, 6112.19,



1 6112.20, 6113.00, 6117.90, 6204.63, 6204.69,  
2 6210.50, 6211.20, 6211.43, or 6217.90 of the HTS.

3 (11) Men's and boys' manmade fiber shirts  
4 classifiable under subheading 6205.30, 6205.90, or  
5 6211.33 of the HTS.

6 (12) Cotton brassieres and other body support  
7 garments classifiable under subheading 6212.10,  
8 6212.20, or 6212.30 of the HTS.

9 (13) Manmade fiber brassieres and other body  
10 support garments classifiable under subheading  
11 6212.10, 6212.20, or 6212.30 of the HTS.

12 (14) Manmade fiber swimwear classifiable  
13 under subheading 6112.31, 6112.41, 6211.11, or  
14 6211.12 of the HTS.

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

18 (16) Men's and boys' manmade fiber coats,  
19 overcoats, carcoats, capes, cloaks, anoraks (including  
20 ski-jackets), windbreakers, padded sleeveless jackets  
21 with attachments for sleeves, and similar articles  
22 classifiable under subheading 6101.30, 6101.90,  
23 6112.12, 6112.19, 6112.20, or 6113.00 of the HTS.

24 (17) Women's and girls' manmade fiber coats,  
25 overcoats, carcoats, capes, cloaks, anoraks (including

1 ski-jackets), windbreakers, padded sleeveless jackets  
2 with attachments for sleeves, and similar articles  
3 classifiable under subheading 6102.30, 6102.90,  
4 6104.33, 6104.39, 6112.12, 6112.19, 6112.20,  
5 6113.00, or 6117.90 of the HTS.

6 (18) Gloves, mittens, and mitts of manmade fi-  
7 bers classifiable under subheading 6116.10,  
8 6116.93, 6116.99, or 6216.00 of the HTS.

9 (b) DUTY-FREE TREATMENT FOR CERTAIN ELIGI-  
10 BLE APPAREL ARTICLES.—

11 (1) DUTY-FREE TREATMENT.—Subject to para-  
12 graphs (2) and (3), an eligible apparel article shall  
13 enter the United States free of duty if the article is  
14 wholly assembled in the United States or the Phil-  
15ippines, or both, and if the component determining  
16 the article's classification under the HTS consists  
17 entirely of—

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

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

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

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

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

20 (c) KNIT-TO-SHAPE APPAREL ARTICLES.—A knit-to-  
21 shape apparel article shall enter the United States free  
22 of duty if it is wholly assembled in the Philippines and  
23 if the component determining the article's classification  
24 under the HTS consists entirely of components knit-to-

1 shape in the Philippines from yarns wholly formed in the  
2 United States.

3 (d) DE MINIMIS RULES.—

4 (1) IN GENERAL.—An article that would other-  
5 wise be ineligible for preferential treatment under  
6 this section because the article contains fibers or  
7 yarns not wholly formed in the United States or in  
8 the Philippines shall not be ineligible for such treat-  
9 ment if the total weight of all such fibers or yarns  
10 is not more than 10 percent of the total weight of  
11 the article.

12 (2) ELASTOMERIC YARNS.—Notwithstanding  
13 paragraph (1), an article described in subsection (b)  
14 or (c) that contains elastomeric yarns in the compo-  
15 nent of the article that determines the article's clas-  
16 sification under the HTS shall be eligible for duty-  
17 free treatment under this section only if such elas-  
18 tomeric yarns are wholly formed in the United  
19 States or the Philippines.

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

24 (e) SINGLE TRANSFORMATION RULES.—Any of the  
25 following apparel articles that are cut and wholly assem-

1 bled, or knit-to-shape, in the Philippines from any com-  
2 bination of fabrics, fabric components, components knit-  
3 to-shape, or yarns and are imported directly into the  
4 United States from the Philippines shall enter the United  
5 States free of duty, without regard to the source of the  
6 fabric, fabric components, components knit-to-shape, or  
7 yarns from which the articles are made:

8           (1) Except for brassieres classified in sub-  
9 heading 6212.10 of the HTS, any apparel article  
10 that is of a type listed in chapter rule 3(a), 4(a), or  
11 5(a) for chapter 62 of the HTS, as such chapter  
12 rule is contained in paragraph 9 of section A of the  
13 Annex to Proclamation 8213 of the President of De-  
14 cember 20, 2007, (as amended by Proclamation  
15 8272 of June 30, 2008, or any subsequent procla-  
16 mation by the President).

17           (2) Any article not described in paragraph (1)  
18 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, 6104.39,  
4 6112.11, 6113.00, 6117.90, 6202.12, 6202.19,  
5 6202.92, 6202.99, 6204.12, 6204.19, 6204.32,  
6 6204.39, 6210.30, 6210.50, 6211.20, 6211.42,  
7 or 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 statistical reporting number  
16 6205.20.1000, 6205.20.2021, 6205.20.2026,  
17 6205.20.2031, 6205.20.2061, 6205.20.2076,  
18 6205.90, or 6211.32 of the HTS.

19 (F) Men's and boys' cotton shirts not con-  
20 taining dobby woven fabric classifiable under  
21 statistical reporting number 6205.20.2003,  
22 6205.20.2016, 6205.20.2051, 6205.20.2066 of  
23 the HTS.

24 (G) Manmade fiber pajamas and sleepwear  
25 classifiable under subheading 6107.22, 6107.99,

1 6108.32, 6207.22, 6207.99, or 6208.22 of the  
2 HTS.

3 (H) Women's and girls' wool coats, over-  
4 coats, carcoats, capes, cloaks, anoraks (includ-  
5 ing ski-jackets), windbreakers, padded sleeveless  
6 jackets with attachments for sleeves, and simi-  
7 lar articles classifiable under subheading  
8 6102.10, 6102.30, 6102.90, 6104.31, 6104.33,  
9 6104.39, 6117.90, 6202.11, 6202.13, 6202.19,  
10 6202.91, 6202.93, 6202.99, 6204.31, 6204.33,  
11 6204.39, 6211.20, 6211.41, or 6117.90 of the  
12 HTS.

13 (I) 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 (J) 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 (K) 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           (L) Women's and girls' manmade fiber  
4           coats, jackets, carcoats, capes, cloaks, anoraks  
5           (including ski-jackets), windbreakers, padded  
6           sleeveless jackets with attachments for sleeves,  
7           and similar articles classifiable under sub-  
8           heading 6202.13, 6202.19, 6202.93, 6202.99,  
9           6204.33, 6204.39, 6210.30, 6210.50, 6211.20,  
10          6211.43, or 6217.90 of the HTS.

11          (M) Cotton skirts classifiable under sub-  
12          heading 6104.19, 6104.52, 6104.59, 6204.12,  
13          6204.19, 6204.52, or 6204.59 of the HTS.

14          (N) Manmade fiber skirts classifiable  
15          under subheading 6104.53, 6104.59, 6204.53,  
16          or 6204.59 of the HTS.

17          (O) Men's and boys' manmade fiber coats,  
18          overcoats, carcoats, capes, cloaks, anoraks (in-  
19          cluding ski-jackets), windbreakers, padded  
20          sleeveless jackets with attachments for sleeves,  
21          and similar articles classifiable under sub-  
22          heading 6201.13, 6201.19, 6201.93, 6201.99,  
23          6210.20, 6210.40, 6211.20, or 6211.33 of the  
24          HTS.



1 (P) Women's and girls' manmade fiber  
2 slips, petticoats, briefs, panties, and underwear  
3 classifiable under subheading 6108.11, 6108.22,  
4 6108.92, 6109.90, 6208.11, or 6208.92 of the  
5 HTS.

6 (Q) Gloves, mittens, and mitts of cotton  
7 classifiable under subheading 6116.10, 6116.92,  
8 6116.99, or 6216.00 of the HTS.

9 (R) Other men's or boys' garments classifi-  
10 able under statistical reporting number  
11 6211.32.0081 of the HTS.

12 (f) REVIEW AND REPORT.—

13 (1) IN GENERAL.—The Comptroller General of  
14 the United States shall, not later than 3 years after  
15 the date of the enactment of this Act, and every 3  
16 years thereafter, review the effectiveness of this sec-  
17 tion in supporting the use of United States fabrics  
18 and make recommendations necessary to improve or  
19 expand the provisions of this section to ensure sup-  
20 port for the use of United States fabrics.

21 (2) RECOMMENDATIONS.—After the second re-  
22 view required under paragraph (1), the Comptroller  
23 General shall make a determination regarding  
24 whether this section is effective in supporting the

1 use of United States fabrics and recommend to Con-  
2 gress whether or not this section should be renewed.

3 (g) ENFORCEMENT.—Preferential treatment under  
4 this section shall not be provided to textile and apparel  
5 articles that are imported from the Philippines unless the  
6 President certifies to Congress that the Philippines is  
7 meeting the following conditions:

8 (1) A valid original textile visa issued by the  
9 Philippines is provided to U.S. Customs and Border  
10 Protection with respect to any article for which pref-  
11 erential treatment is claimed. The visa issued is in  
12 the standard 9-digit format required under the Elec-  
13 tronic Visa Information System (ELVIS) and meets  
14 all reporting requirements of ELVIS.

15 (2) The Philippines is implementing the Elec-  
16 tronic Visa Information System (ELVIS) to assist in  
17 the prevention of transshipment of apparel articles  
18 and the use of counterfeit documents relating to the  
19 importation of apparel articles into the United  
20 States.

21 (3) The Philippines is enforcing the Memo-  
22 randum of Understanding between the United States  
23 of America and the Republic of the Philippines Con-  
24 cerning Cooperation in Trade in Textile and Apparel  
25 Goods, signed on August 23, 2006.

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

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

17           (6) The Philippines agrees to require Phil-  
18 ippines producers and exporters of articles eligible  
19 for preferential treatment under this section to  
20 maintain, for at least 5 years after the date of ex-  
21 port, complete records of the production and the ex-  
22 port of such articles, including records of yarns, fab-  
23 rics, fabric components, and components knit-to-  
24 shape and used in the production of such articles.

1           (7) The Philippines agrees to provide, on a  
2 timely basis, at the request of U.S. Customs and  
3 Border Protection, documentation establishing the  
4 country of origin of articles eligible for preferential  
5 treatment under this section, as used by that coun-  
6 try in implementing an effective visa system.

7           (8) The Philippines is to establish, within 60  
8 days after the date of the President's certification  
9 under this paragraph, procedures that allow the Of-  
10 fice of Textiles and Apparel of the Department of  
11 Commerce (OTEXA) to obtain information when  
12 fabric wholly formed in the United States is ex-  
13 ported to the Philippines to allow for monitoring and  
14 verification before the imports of apparel articles  
15 containing the fabric for which preferential treat-  
16 ment is sought under this section reach the United  
17 States. The information provided upon export of the  
18 fabrics shall include, among other things, the name  
19 of the importer of the fabric in the Philippines, the  
20 8-digit HTS subheading covering the apparel articles  
21 to be made from the fabric, and the quantity of the  
22 apparel articles to be made from the fabric for im-  
23 portation into the United States.

24           (9) The Philippines has enacted legislation or  
25 promulgated regulations to allow for the seizure of

1 merchandise physically transiting the territory of the  
2 Philippines and that appears to be destined for the  
3 United States in circumvention of the provisions of  
4 this Act.

5 (h) CUSTOMS PROCEDURES.—

6 (1) IN GENERAL.—

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

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

1           (2) DEFINITION OF TRANSSHIPMENT.—For  
2 purposes of paragraph (1) and subsection (g), trans-  
3 shipment has occurred when preferential treatment  
4 for an apparel article under this section has been  
5 claimed on the basis of material false information  
6 concerning the country of origin, manufacture, proc-  
7 essing, cutting, or assembly of the article or of any  
8 fabric, fabric component, or component knit-to-shape  
9 from which the apparel article was cut and assem-  
10 bled. For purposes of this paragraph, false informa-  
11 tion is material if disclosure of the true information  
12 would have meant that the article is or was ineligible  
13 for preferential treatment under this section.

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

21 **SEC. 5. EFFECTIVE DATE.**

22           This Act shall apply to articles entered, or withdrawn  
23 from warehouse for consumption, on or after the 15th day  
24 after the date on which the President issues the proclama-  
25 tion required by section 4(i).

1 **SEC. 6. TERMINATION.**

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

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

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