



H.R. 6111

Initial Summary of the Trade Provisions

December 13, 2006

The tax and trade legislation passed by Congress on December 9, 2006 contains six major trade provisions. Please find below a detailed description of each of the provisions, particularly as they relate to the U.S. footwear, apparel and textiles industries.

Please note that the list of all of the temporary duty suspensions for U.S. imports of footwear and various textiles can be found at the end of this summary.

Extension of the Andean Trade Preferences Act (ATPA)

ATPA was set to expire on December 31, 2006. Meanwhile, Congress will not consider the proposed free trade agreements with Colombia or Peru until sometime in 2007 at the earliest.

H.R. 6111 does the following:

1. Extends ATPA for all four beneficiary countries – Colombia, Peru, Bolivia and Ecuador – through June 30, 2007 and
2. Allows for a further extension of ATPA for another six months (through December 31, 2007) for all four countries (but only meaningful with respect to Peru and Colombia) if:
 - a. an FTA implementing bill is enacted into law before June 30, 2007 and
 - b. the President determines that the beneficiary country has also approved such a trade agreement.

Permanent Normal Trade Relations (PNTR) for Vietnam

Vietnam will formally join the World Trade Organization (WTO) on January 11, 2007. In order for U.S. manufacturers, farmers and service providers to benefit from the opening of the Vietnamese market required by the WTO, Congress must grant Vietnam PNTR. PNTR is NOT a free trade agreement. PNTR does NOT change current tariffs on U.S. footwear, apparel or textile tariffs from Vietnam, but it does guarantee that the United States cannot arbitrarily re-impose higher tariffs on U.S. imports from Vietnam at some point in the future.

H.R. 6111:

1. Grants permanent normal trade relations (PNTR) to Vietnam, thereby eliminating the annual evaluation of Vietnam's emigration practices under the Jackson-Vanik provisions in U.S. law and

2. Establishes a subsidies enforcement mechanism to ensure that the Administration acts quickly and decisively if Vietnam grants any prohibited subsidies to its textile and apparel industry in violation of the terms of its accession to the World Trade Organization (WTO).

Except as mentioned in point #2, the United States must eliminate all quotas on U.S. apparel and textile imports from Vietnam no later than the date of Vietnam's WTO accession (January 11, 2007). Quotas can only be re-imposed under the mechanism mentioned in point #2.

This mechanism allows the United States to petition a WTO arbiter only within the first year after Vietnam's WTO accession if the United States believes Vietnam is providing WTO-prohibited subsidies (mostly export subsidies) to its apparel and textile industries. If the arbiter agrees with the United States, the United States is then allowed to re-impose quotas on U.S. apparel and textile Vietnam in retaliation for a period of up to one-year. The quotas would be placed on all products that were under quota in 2006 at 2006 levels.

Please note that H.R. 6111 does NOT address the deal made between the Bush administration and two textile state Senators regarding where the Bush administration promises to monitor – and possibly self-initiate anti-dumping cases against – U.S. apparel and textile imports from Vietnam.

New Trade Preferences for Apparel from Haiti

H.R. 6111 enacts into law the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 (HOPE). HOPE expands the benefits for U.S. apparel imports from Haiti beyond what Haiti currently receives under the Caribbean Basin Trade Partnership Act (CBTPA). The purpose of the legislation is to provide support for Haiti as it emerges from political turmoil with a new democratically elected government. Haiti's apparel industry is its only viable industry outside of agriculture, but has suffered in recent years due to the political turmoil as well as enactment of the U.S./Central America-Dominican Republic Free Trade Agreement (CAFTA).

Specifically, HOPE provides:

1. Three Additional Preference Programs

- A. Value Added Rule** Duty free for any apparel wholly assembled or knit to shape in Haiti provided that the cost of the materials and direct processing from Haiti, the United States, trade preference countries (Andean, AGOA, CBTPA), and FTA countries meets an applicable percentage;
 - a. Value added preferences may be claimed for individual entries or on an aggregate basis.
 - i. The costs of foreign materials (i.e., from countries not listed above) are deducted from the cost of any originating inputs and
 - ii. Cost of foreign materials declared in short supply pursuant to a trade preference program or an FTA count toward the applicable percentage;
 - b. Applicable percentage rates:
 - i. 50 percent during first, second, and third years;
 - ii. 55 percent during fourth year; and
 - iii. 60 percent during fifth year;

- c. Special rules for aggregate basis:
 - i. Entries from the woven apparel TPL described below are not included in the aggregate calculation. Entries of brassieres, made under other preferences programs or made under other general import programs may be included if the entity making the calculation elects to do so at the time the calculation is made and
 - ii. In first year, calculation is based on imports during the first applicable year. In subsequent years, calculation is based on imports during the preceding applicable year;
- d. Compliance: If entities or individual entries are found non compliant with the value added rule, then future entries may not enter under the value added rule until they meet the applicable percentage plus 10 percent of a preceding applicable year. If they meet this higher threshold, they may be eligible for refund of duties paid during that year;
- e. Total imports entered under value added rule limited to the following percentage of total apparel imports during preceding year:
 - i. Initial applicable year – 1 percent;
 - ii. Second applicable year – 1.25 percent;
 - iii. Third applicable year – 1.5 percent;
 - iv. Fourth applicable year – 1.75 percent; and
 - v. Fifth applicable year – 2 percent.

B. **Woven Apparel Tariff Preference Level (TPL):** Duty free for woven apparel up to the following TPL (not subject to the value added cap):

- a. 50 million SME during each of first and second applicable one year period and
- b. 33.5 million SME during third applicable one year period.

C. **Brassieres:** Duty free for brassieres (HTS 6212.10) meeting a U.S./Haiti cut and sew rule or origin (subject to the value added cap).

2. New Benefits subject to additional conditionality.

- a. AGOA style conditionality that relates to market based economy, rule of law, elimination of non tariff barriers, respect for human rights, respect for workers rights, anti-corruption and no threat to U.S. foreign policy or security interests and
- b. President must make determination within 90 days from date of enactment (Note: A colloquy in the Senate suggests Congress may try to pass legislation to postpone this deadline an additional 9 months).

3. Benefits expire five years after enactment of HOPE bill. (**Note:** Benefits for Haiti under CBTPA expire on Sept. 30, 2008.)

Extension of and Modifications to the Apparel & Textile Provisions in the African Growth & Opportunity Act (AGOA)

The least developed country (LDC) third country fabric provision in AGOA had already been reduced by half on October 1, 2006 and would have been eliminated altogether on October 1, 2007. H.R. 6111:

1. Extends the LDC third country fabric provision through September 30, 2012;
2. Modifies the LDC third country fabric cap to 3.5 percent (of previous year's total apparel imports) through September 30, 2012;
3. Creates a Special Rule for Products Available in Commercial Quantities (Abundant Supply):
 - a. ITC petition process to identify fabrics/yarns that are available in commercial quantities (i.e., abundant supply) in Africa. ITC may also de-designate fabrics and yarns previously identified as being in abundant supply;
 - b. ITC will identify any items in abundant supply and designate the quantity available for an applicable year;
 - c. At the beginning of any applicable year, for any item in which an abundant supply is in effect, ITC will determine to what extent the subject item was used in preferential imports during the preceding year. If the subject item was not used, the quantity available shall be increased for the subsequent year;
 - d. President may restrict imports of garments containing fabrics and yarns subject to abundant supply determination unless the garments are made from subject fabrics/yarns from AGOA countries or the quantities designated by the ITC have been exhausted. Restriction becomes mandatory if the quantity of the subject item is not used during 2 consecutive one year periods; and
 - e. Denim (as defined by HTS 5209.42.00) – in an amount equal to 30 million SMEs – is determined to be in abundant supply for the 1 year period beginning October 1, 2006;
4. Provides duty free access for other textile articles (HTS Chapters 50 to 60 and 63) that are products of lesser developed countries and are wholly formed in one or more such countries from fibers, yarns, fabrics, fabric components or components knit-to-shape that are the product of one or more such countries; and
5. Clarifies that AGOA termination date is September 30, 2015.

Extension and Modification of Generalized System of Preferences (GSP) Program

GSP, under certain conditions, allows duty-free access for U.S. imports of a wide-variety of products from developing countries. Currently, GSP does not provide any benefits to U.S. imports of footwear, apparel and most textiles because they are deemed “sensitive” products. GSP had been scheduled to expire on December 31, 2006.

While there was an effort last summer and fall to try to add apparel and textile products to GSP and there was a last minute effort to try to add footwear to GSP, both efforts failed. H.R. 6111 extends and, if anything, further restricts the benefits under GSP.

Specifically, H.R. 6111:

1. Extends GSP for two years, consistent with the President's budget request and
2. After a six-month delay, tightens rules on competitive need limit waivers to tailor the program for use by lesser developed countries that need help exporting to the United States. President is given discretion to end waivers on products that constitute 150 percent of the competitive need limit or 75 percent of U.S. imports of that product.

Miscellaneous Trade Bill – Temporary Duty Suspensions or Reductions

The Miscellaneous Trade Bill (MTB) provisions of H.R. 6111 temporarily eliminate or reduce duties on ALL U.S. imports of the following footwear, cashmere, yarn and fiber items, even if they are imported from China.

The duty suspensions/reductions will likely be implemented on goods entered or withdrawn from warehouse for consumption starting on or around January 1, 2007 (15 days from when the President signs H.R. 6111 into law) and will remain in place through December 31, 2009.

CURRENT HTS	DUTY SUSPENSION HTS HEADING	DESCRIPTION	CURRENT RATE	RATE JAN 1, 2007
5102.11.10	9902.22.76	Fine animal hair of Kashmir (cashmere) goats, not processed in any manner beyond the degreased or carbonized condition	5.1¢/clean kg	FREE
5102.11.90	9902.22.77	Fine animal hair of Kashmir (cashmere) goats	4.9¢/kg +4.0%	FREE
5108.10.80	9902.03.02	Yarn of carded cashmere of 6 run or finer (equivalent to 19.35 metric yarn system)	FREE (Expires 12/31/06)	FREE
5108.20.80	9902.03.01	Yarn of combed cashmere or yarn of camel hair	FREE (Expires 12/31/06)	FREE
5403.31	9902.26.12 OR 9902.54.03	Artificial filament single yarn (other than sewing thread), not put up for retail sale, of viscose rayon, untwisted or with a twist not exceeding 120 turns/m	10.0%	FREE
5403.32	9902.54.04	Single yarn of viscose rayon, with a twist exceeding 120 turns/m	10.0%	FREE
5503.30	9902.25.62	Acrylic or modacrylic staple fibers, not carded, combed, or otherwise processed for spinning	3.7%	4.3%
5503.20.00.15 (PART)	9902.55.03	Bi-component staple fibers of elastere-sp, measuring less than 3.5 decitex	4.3%	FREE
5504.10	9902.25.59	Staple fibers of viscose rayon, not carded, combed, or otherwise processed for spinning	4.3%	3.4%

5504.10 (PART)	9902.23.33	Staple fibers of viscose rayon, not carded, combed, or otherwise processed for spinning, measuring 1.67 to 16.67 decitex and having a fiber length each measuring 20 mm or more but not over 150 mm	4.3%	FREE
5507.00 (PART)	9902.23.34	Staple fibers of rayon, carded, combed, or otherwise processed for spinning, the foregoing presented in the form of top	5.0%	FREE
6401.10 (PART)	9902.23.08	Boots constructed by hand of natural rubber, the foregoing with steel toes and incorporating ballistic nylon for cut protection, with self-cleaning lug soles or with “caulked” soles for slip and fall protection	37.5%	FREE
6401.92.90.60 (PART)	9902.23.85	Vulcanized rubber lug bottom boots for actual use in fishing waders	37.5%	FREE
6402.30.30	9902.22.53	Footwear with outer soles and uppers of rubber or plastics, incorporating a protective metal toecap, having uppers of which over 90 percent of the external surface area (including any accessories or reinforcements such as those mentioned in note 4(a) to chapter 64) is rubber or plastics	6.0%	FREE
6402.91.50.10 (PART) & 6402.91.50.20 (PART)	9902.23.76	Men’s footwear (except vulcanized footwear and footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper), valued over \$20/pair, whose height from the bottom of the outer sole to the top of the upper does not exceed 8 inches (20.32 cm), designed to be worn in lieu of, but not over, other footwear as a protection against water, oil, grease or chemicals or cold or inclement weather where such protection includes protection against water that is imparted by the use of a coated or laminated textile fabric	37.5%	FREE

<p>6402.91.50.45 (PART) & 6402.91.50.50 (PART)</p>	<p>9902.23.75</p>	<p>Women's footwear with outer soles and uppers of rubber or plastics (except footwear of vulcanized rubber and footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper), valued over \$20/pair, covering the ankle, whose height from the bottom of the outer sole to the top of the upper does not exceed 8 inches (20.32 cm), such footwear designed to be worn in lieu of, but not over, other footwear as a protection against water, oil, grease or chemicals or cold or inclement weather where such protection includes protection against water that is imparted by the use of a coated or laminated textile fabric</p>	<p>37.5%</p>	<p>FREE</p>
<p>6402.91.50.90 (PART)</p>	<p>9902.23.74</p>	<p>Footwear (other than for men or women, and other than vulcanized footwear and footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper), valued over \$20/pair, whose height from the bottom of the outer sole to the top of the upper does not exceed 7 inches (17.78 cm), designed to be worn in lieu of, but not over, other footwear as a protection against water, oil, grease or chemicals or cold or inclement weather where such protection includes protection against water that is imparted by the use of a coated or laminated textile fabric</p>	<p>37.5%</p>	<p>FREE</p>
<p>6402.99.18.55</p>	<p>9902.22.47</p>	<p>Other work footwear for women, with outer soles and uppers of rubber or plastics, other than house slippers and other than tennis shoes, basketball shoes, gym shoes, training shoes and the like</p>	<p>6.0%</p>	<p>FREE</p>
<p>6402.99.20.10 (PART) & 6402.99.20.20 (PART)</p>	<p>9902.23.77</p>	<p>Men's footwear (except vulcanized footwear and footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper), valued over \$20/pair, designed to be worn in lieu of, but not over, other footwear as a protection against water, oil, grease or chemicals or cold or inclement weather where such protection includes protection against water that is imparted by the use of a coated or laminated textile fabric</p>	<p>37.5%</p>	<p>FREE</p>

6402.99.20.45 (PART) & 6402.99.20.50 (PART)	9902.23.78	Women's footwear (except vulcanized footwear and footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper), valued over \$20/pair, designed to be worn in lieu of, but not over, other footwear as a protection against water, oil, grease or chemicals or cold or inclement weather where such protection includes protection against water that is imparted by the use of a coated or laminated textile fabric	37.5%	FREE
6402.99.20.90 (PART)	9902.23.79	Footwear (other than for men or women, and other than vulcanized footwear and footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper), valued over \$20/pair, designed to be worn in lieu of, but not over, other footwear as a protection against water, oil, grease or chemicals or cold or inclement weather where such protection includes protection against water that is imparted by the use of a coated or laminated textile fabric	37.5%	FREE
6403.51.90.41	9902.22.49	Footwear with outer soles of leather and uppers of leather, covering the ankle, other than for women	10.0%	FREE
6403.99.60.25 (PART) & 6403.99.90.15 (PART)	9902.22.52	Work footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather, not covering the ankle	8.5% (For 6403.99.60.25) & 10% (For 6403.99.90.15)	FREE
6404.11.20.60	9902.90.01	Sports footwear; tennis shoes, basketball shoes, gym shoes, training shoes and the like, all the foregoing with outer soles of rubber or plastics and uppers of textile materials for women	10.5%	FREE
6404.11.90.10 & 6404.11.90.40 & 6404.11.90.70	9902.64.04	Ski boots, cross country ski footwear or snowboard boots, the foregoing valued over \$12/pair, with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	4% (Expires 12/31/06)	FREE
6404.19.20.30 (PART)	9902.25.60	Men's footwear (except vulcanized footwear and footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper), valued over \$20/pair, covering the ankle, whose height from the bottom of the outer sole to the top of	37.5%	12.8%

		the upper does not exceed 8 inches (20.32 cm), designed to be worn in lieu of, but not over, other footwear as a protection against water, oil, grease or chemicals or cold or inclement weather where such protection includes protection against water that is imparted by the use of a coated or laminated textile fabric		
6404.19.20.30 (PART)	9902.25.61	Men's footwear (except vulcanized footwear and footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper), valued over \$20/pair, not covering the ankle, designed to be worn in lieu of, but not over, other footwear as a protection against water, oil, grease or chemicals or cold or inclement weather where such protection includes protection against water that is imparted by the use of a coated or laminated textile fabric	37.5%	15.2%
6404.19.20.60 (PART)	9902.23.82	Women's footwear (except vulcanized footwear and footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper), valued over \$20/pair, covering the ankle, whose height from the bottom of the outer sole to the top of the upper does not exceed 8 inches (20.32 cm), such footwear designed to be worn in lieu of, but not over, other footwear as a protection against water, oil, grease or chemicals or cold or inclement weather where such protection includes protection against water that is imparted by the use of a coated or laminated textile fabric	37.5%	FREE
6404.19.20.60 (PART)	9902.23.83	Women's footwear (except vulcanized footwear and footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper), valued over \$20/pair, not covering the ankle, designed to be worn in lieu of, but not over, other footwear as a protection against water, oil, grease or chemicals or cold or inclement weather where such protection includes protection against water that is imparted by the use of a coated or laminated textile fabric	37.5%	FREE
6404.19.20.90 (PART)	9902.23.80	Footwear (other than for men or women and other than vulcanized footwear and footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper), valued over \$20/pair, not covering the ankle, designed to be worn	37.5%	FREE

		in lieu of, but not over, other footwear as a protection against water, oil, grease or chemicals or cold or inclement weather where such protection includes protection against water that is imparted by the use of a coated or laminated textile fabric		
6404.19.20.90 (PART)	9902.23.81	Footwear (other than for men or women, and other than vulcanized footwear and footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper), valued over \$20/pair, covering the ankle, whose height from the bottom of the outer sole to the top of the upper does not exceed 7 inches (17.78 cm), designed to be worn in lieu of, but not over, other footwear as a protection against water, oil, grease or chemicals or cold or inclement weather where such protection includes protection against water that is imparted by the use of a coated or laminated textile fabric	37.5%	FREE
6404.19.30.40 & 6404.19.30.80	9902.22.50	Footwear with outer soles of rubber or plastics and uppers of textile materials other than of vegetable fibers, with open toes or open heels, the foregoing other than house slippers and other than footwear for women	12.5%	FREE
6404.19.30.60	9902.25.63	Footwear for women with outer soles of rubber or plastics and uppers of textile materials other than of vegetable fibers, with open toes or open heels or of the slipon type	12.5%	1.5%
6404.20.20.60 & 6404.20.20.90	9902.22.88	Footwear, other than for men, with outer soles of leather or composition leather and uppers of textile materials, valued not over \$2.50 per pair	15.0%	FREE
6404.20.40.90	9902.22.51	Footwear with outer soles of leather or composition leather and uppers of textile materials, valued over \$2.50 per pair, the foregoing other than for men or women	10.0%	FREE
6404.20.60.40 & 6404.20.60.80	9902.22.09	Footwear for persons other than women, with outer soles of leather or composition leather and with uppers of textile materials	37.5%	FREE
6405.10.00.90	9902.22.46	Other footwear with uppers of leather or composition leather, for persons other than for men or women	10.0%	FREE
6405.90.90 (PART)	9902.23.84	Vulcanized rubber felt-bottom boots for actual use in fishing waders	12.5%	FREE