



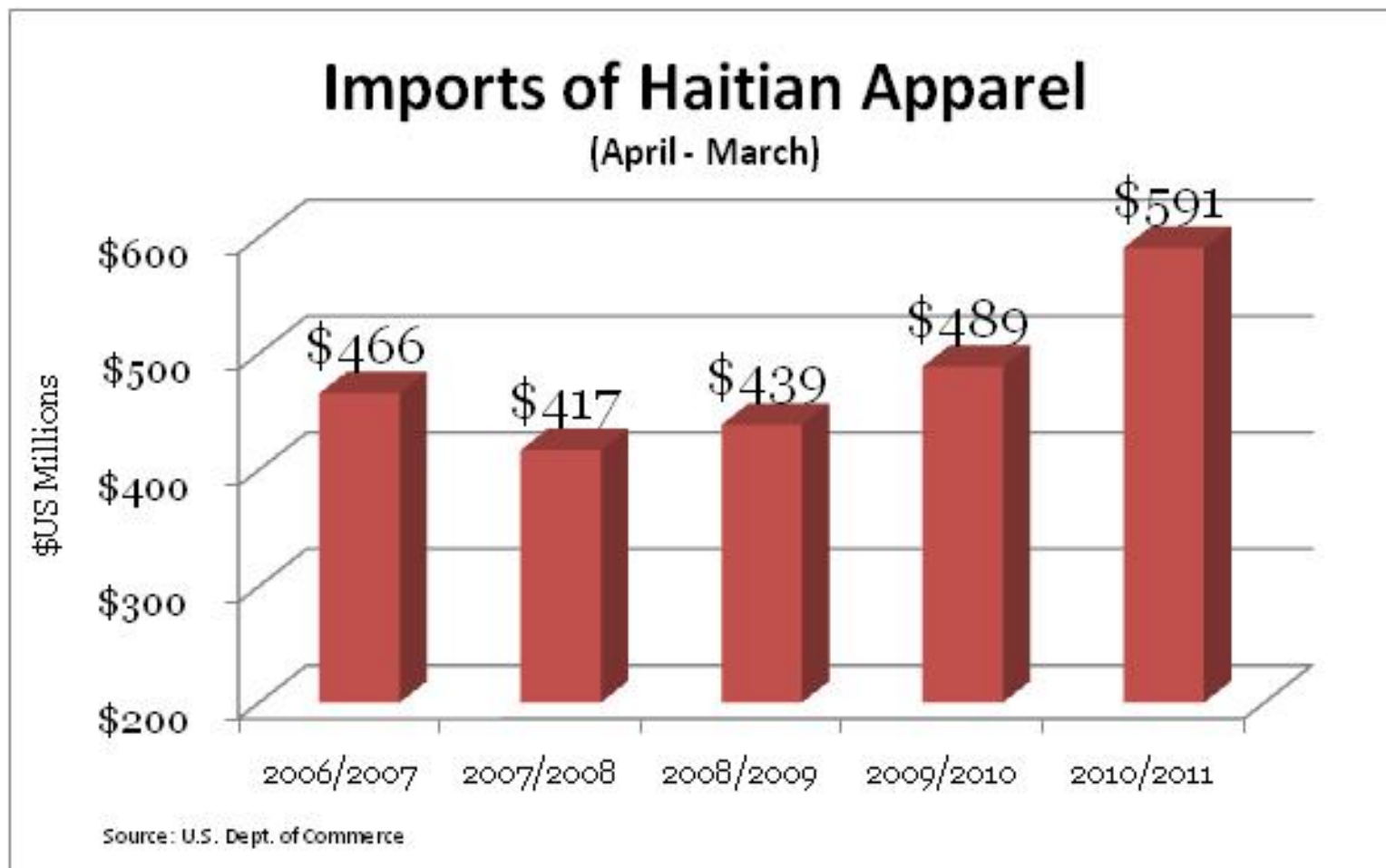
INTERNATIONAL
TRADE
ADMINISTRATION

Trade Preference Programs for Haitian Textiles and Apparel



U.S. Department of Commerce,
Office of Textiles & Apparel (OTEXA)

Imports of Haitian Apparel are Increasing!



Administration and Enforcement of Trade Preference Programs

- U.S. Customs and Border Protection (CBP) is charged with administration and enforcement of all trade preference program requirements.
- CBP requires visas for all entries claiming duty-free treatment under HOPE/HOPE II/HELP provisions.
- There is no visa required for entries under CBTPA programs.
- While you may make general inquiries about the requirements under preference programs, CBP only makes definitive assessments as to eligibility through a formal request for an advance ruling, which applies prospectively, not retroactively.
- Further information and documentation requirements may be found on CBP's website: www.cbp.gov

Textile & Apparel Trade Preference Programs - Haiti

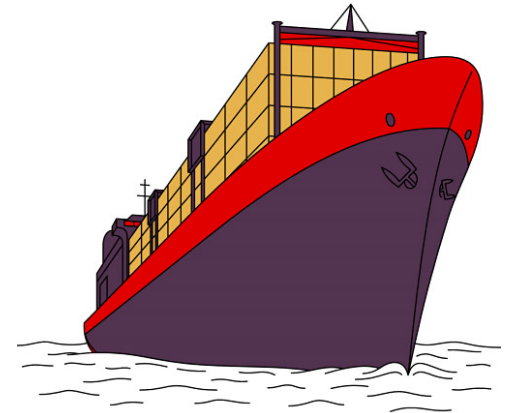
The United States has enacted several laws to encourage economic development in Haiti by offering trade preferences for certain textile and apparel articles produced in Haiti. These trade preferences are incorporated in four acts:

- **CBTPA:** An expansion of the 1983 Caribbean Basin Economic Recovery Act (CBERA), the Caribbean Basin Trade Partnership Act was enacted on October 1, 2000.
- **HOPE:** An amendment to CBERA/CBTPA, the Haiti Hemispheric Opportunity through Partnership Encouragement Act was signed into law on December 20, 2006 and became effective March 20, 2007.
- **HOPE II:** An amendment to CBERA/HOPE, Title V of the Tax Relief and Health Care Act of 2006 and Title XV, Subtitle D, Part I, of the Food, Conservation, and Energy Act of 2008, enacted in September 2008.
- **HELP:** An amendment to CBERA/HOPE/HOPE II, the Haiti Economic Lift Program Act of 2010 was signed into law on May 24, 2010 and became fully effective November 1, 2010.

General Requirements for Trade Preferences

All of the trade preferences for imports of textile and apparel from Haiti have certain requirements in common:

- Apparel must be either wholly assembled, knit, or knit-to-shape in Haiti, and/or, in some cases, certain trade agreement partners or other preference program beneficiary countries.
- If yarns or fabrics are required to be sourced from a specific country(ies), those inputs must be wholly formed from that country.
- Under all trade preference programs, qualifying goods may be exported from either Haiti or the Dominican Republic.



General Definitions



- **Knit-to-shape:** A good is “knit-to-shape” if 50 percent or more of the exterior surface area of the good is formed by major parts that have been knitted or crocheted directly to the shape used in the good, excluding minor cutting, trimming, or sewing of those major parts.
- **Wholly assembled:** A good is “wholly assembled” in Haiti if all components, of which there must be at least two, pre-existed in essentially the same condition as found in the finished good and were combined to form the finished good in Haiti, excluding minor attachments, minor embellishments and minor subassemblies

CBTPA Trade Preferences for Apparel

Under CBTPA, imports of certain apparel, textile luggage and hand-made folklore articles, manufactured in Haiti or 17 other Caribbean countries, may qualify for duty-free treatment under certain conditions.

Unlimited duty-free treatment is available for apparel under several categories, each with specific origin requirements:

- U.S. yarn and fabric, cut in U.S. and assembled in CBTPA
- U.S. yarn and fabric, cut in U.S., further processed
- U.S. yarn, fabric and thread, cut in CBTPA
- Brassieres cut and sewn in US and/or CBTPA

CBTPA Preference Programs under Quota

CBTPA provides duty-free treatment for certain apparel goods, but imports are limited by annual quotas:

- Knit apparel articles (not socks or non-underwear T-shirts), of U.S. yarn, CBTPA knit fabric or knit-to-shape, cut and sewn in CBTPA.
 - Quota limit: 970 million SMEs (latest fill rate: 8.8%)
- Non-underwear T-shirts, of U.S. yarn, CBTPA fabric, cut and sewn in CBTPA.
 - Quota limit: 12 million dozen (latest fill rate: 35.4%)

Qualification of Goods from Former CBTPA Countries

- Certain countries that had originally been beneficiaries under CBTPA no longer qualify for preferences under those programs because they now have preferences under the DR-CAFTA.
- Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua are “former beneficiary countries.”
- INPUTS: To the extent that raw materials and other inputs are permitted from current CBTPA beneficiary countries, they are also permitted from former beneficiary countries.
- PROCESSING: Except for processing in the DR, to the extent that processing is permitted in current CBTPA beneficiary countries, it is also permitted in former beneficiary countries but the final product must be a product of a current beneficiary country. **Origin-conferring processing must take place in a current beneficiary country.**

Haiti HOPE, HOPE II, and HELP

- In order to further encourage Haitian apparel manufacturing, Haiti HOPE established trade preferences for apparel beyond those provided by CBTPA.
- HOPE established the first preference program for Haitian apparel that allowed duty-free treatment for certain apparel wholly assembled, knit, or knit-to-shape in Haiti, using **yarns and fabrics from any country**, instead of yarns and fabrics from US and/or CBTPA countries.
- HOPE II and HELP further expanded preferences for apparel and certain non-apparel textile goods, and extended almost all programs through September 2020 (NOTE: the value-added TRQ expires in December 2018).

Summary of HOPE, HOPE II and HELP Preferences

- **Value-Added TRQ:** Exported value sourced from Haiti and/or qualifying countries must be at least 50-60%.
- **Woven Apparel TRQ:** may use fabric from any source, up to 70 million (and potentially 200 million under certain conditions).
- **Knit Apparel TRQ:** may use fabric from any source, up to 70 million (and potentially 200 million under certain conditions).
- **Use of Short Supply fibers/yarns or fabrics:** Unlimited duty-free treatment for Haitian manufactured goods using fabric and/or yarns deemed in short supply under ANY other FTA or preference program (all other inputs qualifying).
- **Earned Import Allowance Program:** For every 2 SMEs of qualifying fabric purchased for manufacture of apparel in Haiti, 1 SME of Haitian apparel, using fabric from any source, may enter US duty-free.
- Unlimited duty free treatment for certain specific apparel and non-apparel textile goods (towels, bedspreads and quilts), using fabric of any source. These goods are identified by HTS classification, in the text of HELP.

Value-Added TRQ for Apparel

The exported value of apparel wholly assembled or knit-to-shape in Haiti, must have a certain minimum value of inputs from Haiti, the U.S., or any FTA partner or trade preference beneficiary country.

Step increases in minimum required value-added:

- Until December 19, 2015, at least 50%;
- From December 20, 2015 to December 19, 2017, at least 55%; and
- From December 20, 2017 to December 19, 2018, at least 60%.

The text of the law outlines the calculation of the value of Haitian inputs, including the cost or value of materials plus direct costs of processing operations.

CBP enforces the TRQ, and determines whether imported apparel meets the value-added threshold.

Annual quota is 1.25% of total apparel imports into US, in SMEs.

For the period December 20, 2010 through December 19, 2011, current fill rate is 3%.

Woven Apparel TRQ

- Qualifying goods are of woven fabric, classified under Chapter 62 of the HTS.
- Apparel must be wholly assembled in Haiti, but may use fabric from any source.
- Annual quota limit through September 30, 2020 is 70 million SMEs. Annual period is from October 1st through September 30th. Current fill rate for 2010/2011 period is 16%.
- Should imports within a given annual period exceed 52 million SMEs, the annual quota increases to 200 million, with a sublimit of 70 million SMEs for certain woven apparel.
- The apparel subject to the sublimit is described (by HTS classification) in the text of the Public Law (found on OTEXA's website).

Knit Apparel TRQ

- Qualifying apparel goods are of knit or crocheted fabric, with certain exceptions, classified under Chapter 61 of the HTS.
- Certain apparel (e.g. men's and boys' t-shirts, sweatshirts) does not qualify – generally, these are provided preferential treatment under CBTPA.
- Apparel must be wholly assembled or knit-to-shape in Haiti, but may use fabric or knit components from any source.
- Annual quota limit through September 30, 2020 is 70 million SMEs. Annual period is from October 1st through September 30th. Current fill rate is 18%.
- Should imports within a given annual period exceed 52 million SMEs, the annual quota increases to 200 million, with a sublimit of 85 million SMEs for certain woven apparel.
- The apparel subject to the sublimit is described (by HTS classification) in the text of the Public Law (found on OTEXA's website).

Exceptions to the Rule of Origin: Short Supply



- Under CBTPA, if a fiber, yarn or fabric that has been determined to be not commercially available in the US or CBTPA beneficiary countries, apparel using the product may still qualify for duty-free treatment.
- Under HOPE/HOPE II/HELP, if a fiber, yarn or fabric has been determined to be not commercially available under **any** free trade agreement or preference program, apparel using the product may still qualify for duty-free treatment.

Unlimited Duty-Free Treatment for Certain Textile and Apparel Goods

Certain textile and apparel goods, wholly assembled or knit-to-shape in Haiti, may use fabric from any country.

- Certain apparel:
 - Brassieres,
 - Certain headwear,
 - Certain sleepwear, and
 - Certain knit apparel (added in HELP)
- Certain non-apparel textile goods:
 - Luggage,
 - Towels, and
 - Bedspreads and quilts
- The specific goods that qualify under this program are described (by HTS classification) in the Public Law (found on OTEXA's website).

Earned Import Allowance Program (EIAP)

- For a certain number of SMEs of qualifying fabric shipped to Haiti for production of apparel, qualifying apparel producers may export 1 SME of apparel wholly formed or knit-to-shape in Haiti, from Haiti or the Dominican Republic, duty free, regardless of the source of the fabric.
- For requests to deposit import allowance credits from October 1, 2008 through May 23, 2010, qualifying producers earn an import allowance of 1 SME for every 3 SMEs of qualifying fabric.
- For requests after May 23, 2010, qualifying producers earn an import allowance of 1 SME for every 2 SMEs of qualifying fabric.
- Import allowances granted before May 24, 2010 will not be adjusted to reflect a “2 for 1” credit.

Earned Import Allowance Overview: Qualifying Apparel Producer



Qualifying Apparel Producer: An individual, corporation, partnership, association, or other entity or group that exercises direct, daily operational control over the apparel production process in Haiti; or an individual, corporation, partnership, association or other entity that is not a producer and that controls the apparel production process in Haiti through a contractual relationship or other indirect means.

Earned Import Allowance Overview:

Qualifying Knit Fabric

- Fabric or knit-to-shape components wholly formed or knit-to-shape in the United States, specified FTA partner countries, or countries designated as beneficiaries of certain trade preference programs, from yarns wholly formed in the United States.
- Fabric or knit-to-shape components must be purchased on or after October 1, 2008, for production of apparel in Haiti.
- Fabrics or knit to shape components are not ineligible if they:
 - Contain nylon filament yarn;
 - Total weight of non-U.S. yarns is less than 10% of the total weight of the fabric or knit-to-shape component; or
 - Contain yarns deemed in short supply.



Earned Import Allowance Overview: Qualifying Woven Fabric

- Fabric wholly formed in the United States from yarns wholly formed in the United States.
- Fabric must be purchased on or after October 1, 2008, expressly for production of apparel in Haiti.
- Fabrics are not ineligible if:
 - They contain nylon filament yarn;
 - The total weight of non-U.S. yarns is less than 10% of the total weight of the fabric; or
 - They contain yarns deemed in short supply.



Establishing an Account



- Qualifying apparel producers may submit requests to open accounts, deposit credits and have certificates issued through an interactive online system available through OTEXA's website.
- To establish an account, applicants must submit a request to OTEXA that includes name, address, contact information and other relevant information.
- OTEXA will review the request and verify that the applicant qualifies under HOPE II provisions and Commerce's implementing procedures.
- After the account is opened, qualifying apparel producers may review available balances and account activity online.

Earned Import Allowance Overview: Depositing Credits for Qualifying Fabrics

- Qualifying apparel producers can deposit credits with purchases of qualifying fabrics intended for production of apparel in Haiti.
- Requests to deposit credits must be supported by documentation indicating description and quantity of fabric, the manufacturer, and that fabric is intended for production of apparel in Haiti, among other requirements.
- OTEXA will review requests to deposit credits. Once approved, OTEXA will add the amount to account balance.
- Requests must be made online. Supporting documentation may be submitted online (preferred) or by fax.



Earned Import Allowance Overview: Requesting a Certificate

- A qualifying producer may go online to request an earned import allowance certificate.
- If there is a sufficient balance in the account, a certificate will be automatically generated.
- The amount of the requested withdrawal will be deducted from the account balance.
- The earned import allowance certificate must be presented to U.S. Customs and Border Protection with other necessary documentation.
- If the account balance is insufficient, the online system will automatically decline the request.

Verification of Requests

- OTEXA will review all requests and supporting documentation to determine eligibility of producers and fabrics in question.
- OTEXA may request additional documentation from producers or any entity named in documents to verify the accuracy of requests.
- OTEXA may impose penalties for fraudulent submissions.



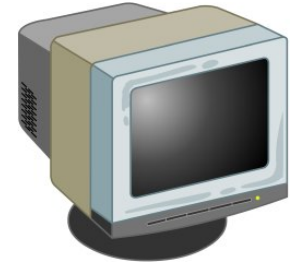
Haiti HOPE II Online System

- Qualifying producers and their approved designates may access the EIAP online system through OTEXA's website.
- Participants will be assigned individual account numbers and PINs in order to request to deposit credits and request the issuance of import certificates.
- Account activity and balances will be tracked and available for participants' review via OTEXA's website.

Sourcing in the Americas Summit at the MAGIC Sourcing Show

- MAGIC's August 2011 Sourcing Show will focus on "Sourcing in the Americas."
- The U.S. Department of Commerce will have a Pavilion with exhibitors representing the entire Americas supply chain.
- On August 21 and 22, we will feature a series of seminars with key U.S. government decision makers, suppliers, and importers to discuss sourcing in the Americas.
- Please contact Kim-Bang Nguyen at (202) 482-4805 or Kim-Bang.Nguyen@trade.gov for more information.

Online Resources



- OTEXA: <http://otexa.ita.doc.gov>
- U.S. Customs & Border Protection (CBP)
 - Basic information on textiles and quotas:
[http://www.cbp.gov/xp/cgov/trade/trade_programs/textiles and quotas/](http://www.cbp.gov/xp/cgov/trade/trade_programs/textiles_and_quotas/)
 - Fill rates for restraint limit programs:
[http://www.cbp.gov/xp/cgov/trade/trade_programs/textiles and quotas/commodity/](http://www.cbp.gov/xp/cgov/trade/trade_programs/textiles_and_quotas/commodity/)
- U.S. International Trade Commission (ITC)
 - Harmonized Tariff Schedule of the United States (HTSUS):
<http://www.usitc.gov/tata/hts/bychapter/index.htm>

For More Information

For more information, please contact OTEXA:

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Questions?



- If you have a question, please submit it in writing using the “Q&A” or “Ask a Question” feature.
- We will address as many questions as time allows.
- The remaining questions will be addressed via email following the webinar.
- If questions come up later, please contact OTEXA.