

Best Practices Manual: How to Import Cotton Apparel Under the Dominican Republic-Central America- United States Free Trade Agreement (CAFTA-DR)

First Edition, March 2013

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Foreword

The Department of International Trade and Marketing for the Fashion Industries (ITM) at the Fashion Institute of Technology (FIT) is very grateful to Cotton Incorporated, via the Importer Support Program, which has made this guide possible. With its continued support through the years, they have provided the students enrolled in this department a world of opportunities. In this instance they have provided the funding necessary for the authors to travel to and meet with industry insiders and government agencies that were instrumental in obtaining the resources to compose this manual. I would also like to personally thank Christine Pomeranz, Patrick Yanez, and Nicole Martin. Christine, who is the chairperson of the department of ITM, was full of wonderful suggestions and concepts for the manual. Patrick, assistant professor at FIT, was instrumental in getting this project implemented, and Nicole provided logistical and administrative support.

In Best Practices Manual: How to Import Cotton Apparel Under the Dominican Republic–Central America–United States Free Trade Agreement (CAFTA-DR), authors Sophie Miyashiro, Rachel Horowitz, and Nicole Lorden, all outstanding current ITM students, have created a comprehensive manual for U.S. importers looking to work with CAFTA-DR and secure duty-free rewards. The book provides detailed information as well as practical advice on how to select trading partners in CAFTA-DR, proper protocol for document preparation, and in-depth suggestions pertaining to record keeping, all of which should enable the novice importer to work with CAFTA-DR and obtain duty-free benefits. This manual helps to simplify and put into clear and understandable terms what an importer needs to do in order to secure a duty-free status.

As the faculty advisor to this research project I have had the great pleasure of working with the authors over the past year and watching this wonderfully insightful book take shape. It initially seemed like an overwhelming task to compose a book that clearly explains a process that has been perceived as extremely cumbersome and complex. However, as the authors met with industry leaders and segments of the government that are directly involved in this process, they acquired the clarity that enabled this manual to take shape.

It was especially gratifying for me, as a former instructor of two of the authors, Sophie Miyashiro and Rachel Horowitz, to watch them dissect the incredible volume of information they procured and make working sense out of it. Sophie won the Fashion Institute of Technology's Alfred Wagner Memorial Award while earning her AAS in Fashion Merchandising Management and graduated summa cum laude in 2010. She currently has a 4.0 GPA and is working toward her ITM bachelor of science degree with minors in Latin American studies, Spanish, and economics. Sophie is also a graduate of the University of Bordeaux, France. Rachel was a tremendous asset to this project. She earned a bachelor of arts degree in Latin American Studies from Vassar University and graduated with general and departmental honors. She was also nominated as a member of Phi Beta Kappa. Rachel is fluent in Spanish and has lived and traveled extensively throughout Latin

America. She was a participant in Cotton Incorporated's Lifelong Ambassadors of Cotton competition in the International Marketing Research class. She is

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currently working toward her ITM bachelor of science degree. I am also pleased to have met the third author, Nicole Lorden, who has been awarded many scholarships, including the Harold Sachs ITM 2013 Practicum Scholarship and Polo Ralph Lauren ITM 2012 Scholarship. She also graduated summa cum laude with her associate degree in Fashion Merchandising Management, currently maintains 4.0 GPA, and is working toward her ITM bachelor of science degree with minors in economics and Italian. She not only collaborated with Sophie and Rachel on writing a substantial portion of the manual, but was also instrumental in finalizing the format of the book.

Collectively, they spent many nights poring over interview notes, deciding how to best convey certain information, and finally putting all the pieces of the puzzle together into one cohesive and easily understood manual. I am extremely proud of the final product these students have presented and am honored to have been a part of this fascinating research project. It is certain to be an incredible help to those importers in the fashion industry looking to work in CAFTA-DR.

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As coauthors of this manual, we conducted extensive primary research that has given us a wealth of knowledge about the processes involved in the import of cotton textile goods under CAFTA-DR. It is with sincere gratitude that we thank all the people who have made our extraordinary learning experiences possible.

We are forever indebted to Cotton Incorporated, via the Importer Support Program, for generously sponsoring this groundbreaking project. We warmly thank Professor Christine Pomeranz, chairperson of the International Trade and Marketing Department at the Fashion Institute of Technology, for her unparalleled support, wise counsel, and illuminating insights throughout the development of the project. We would also like to thank ITM Adjunct Assistant Professor Sonja Chapman, a member of the Cotton Board and USA-ITA, for identifying the need for such a manual.

We extend our most deeply heartfelt gratitude to ITM Faculty Adjunct Instructor Gina Pantastico, our brilliantly resourceful faculty advisor throughout the course of the project, for arranging meetings with our wonderful resources and steering us toward meeting deadlines. Gina's steady guidance in the composition of our text and its many edits, combined with her expertise in import operations, led to the project's successful completion. Gina's professionalism and enduring grace have been truly inspirational.

We also thank ITM Assistant Professor Patrick Yanez for his time and kindness in providing clarification on CAFTA-DR regulations, as well as connecting us to other knowledgeable professionals. We thank Margaret Bishop, adjunct instructor in the ITM and Textile Development and Marketing departments at FIT, for offering highly helpful suggestions at the onset of our project and for facilitating our meeting with Maria Dybczak, senior policy advisor to the Office of Textiles and Apparel at the U.S. Department of Commerce. We thank Maria for shedding light on the workings of numerous CAFTA-DR provisions, and particularly the short supply alternative to tariff shift rules. We also thank Robert L. Eisen, Esq. of Baker and McKenzie LLP for his wonderful suggestions regarding the format and content of the manual.

We thank Nicole Martin-Lewis, administrative assistant of the ITM Department, for the efficient handling of various administrative matters, and we also thank Hannah Chung for her assistance in organizing notes from our meetings held during the first half of the project.

For their assistance during our visit to Washington D.C. we wish to thank: Julia Hughes and David Spooner of the Association of Importers and Textiles and Apparel; Kim Glass, deputy assistant secretary for Textiles and Apparel at the U.S. Department of Commerce; John Leonard and Jackie Sprungle of CBP's office of Textile/Apparel Policy and

Program; Shethir Riva chief of research and promotion for Cotton and Tobacco Programs at the U.S. Department of Agriculture; Andrea Boron and Kim Freud, of the International Trade Commission's office; Gail Strickler, assistant U.S. trade representative in the Office of Textiles; and Jose Lambour, commercial attaché at the Guatemalan Embassy.

CAFTA-DR Manual Acknowledgements

In seeking understanding of CAFTA-DR regulations, we are particularly indebted to Rosemarie Casey Hayward, national import specialist with the U.S. Customs and Border Protection in New York City, for her patience with our many technical inquiries and invaluable assistance with explaining tariff shift variations and clarifying some of the agreement's provisions.

Throughout our travels in the CAFTA-DR region, we have met with several people who have graciously shared their time and knowledge pertaining to trading under this agreement and have enabled us to incorporate the materials necessary to develop this manual.

In Guatemala, we thank: Saúl Mishaan of Liztex; Barnett G. Sporkin-Morrison and Antonio Prieto of the trade department of the U.S. Embassy; Karin De Leon of Vestex; Sergio Lopez of the Office for Textile Agreements in the Ministry of the Economy; Emily Ham and Gabriela Valdez of CSA Trading; Carlos Arias, Paulo Aldana, and Claudia Pérez of Denimatrix.

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Once again, we extend our collective appreciation to all the individuals who helped enrich our education and made this experience possible.

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Best Practices Manual for Importing Cotton Garments Under CAFTA-DR

Acronyms

CAFTA-DR:	Dominican Republic–Central America–United States Free Trade Agreement
CBP:	U.S. Customs and Border Protection
CITA:	Committee for the Implementation of Textile Agreements (an interagency group chaired by the Department of Commerce)
C-TPAT:	Customs-Trade Partnership Against Terrorism
FTA:	free trade agreement
HTSUS:	Harmonized Tariff Schedule of the United States
manual:	<i>Best Practices Manual</i>
MFN:	most-favored nation
MM:	man-made
OTEXA:	Office for Textiles and Apparel (a part of the U.S. Department of Commerce)
SME:	square meter equivalents
SPI:	special program indicator
TPL:	trade preference level
U.S.:	United States of America
USA-ITA:	United States Importers of Textiles and Apparel
USDA:	United States Department of Agriculture
USITC:	United States International Trade Commission
USTR:	Office of the United States Trade Representative

Disclaimer

This manual is the culmination of a yearlong project sponsored by the Importer Support Program of Cotton Incorporated. This independent study project was conducted by three students at the Fashion Institute of Technology under the guidance of their academic advisor who is an adjunct faculty member. With the goal of identifying best practices to promote preferential duty treatment of imported textile goods, we interviewed numerous importers, agents, and persons in trade associations and governmental agencies and researched publications and online information in the preparation of this document. While we have strongly endeavored to create a document that is helpful and correct, we do not warrant that the information presented is accurate, complete or up-to-date. Furthermore, CAFTA-DR and other regulations may be amended from time to time; thus the manual may need to be updated as appropriate.

In light of the above, we expressly exclude any and all representations, warranties and conditions relating to your use of the manual. We are not responsible for any business losses or other special, indirect or consequential losses arising out of your use. To ensure the accuracy of the application of the processes and benefits of CAFTA-DR, we urge and recommend that you consult with your own counsel.

Chapter 1: Introduction

Chapter 1: Introduction

I. Overview

The United States Association of Importers of Textiles and Apparel reports that \$115 billion worth of textile and apparel goods are imported into the United States and account for approximately 43 percent of all duties collected by the U.S. Customs and Border Protection agency. Claims for preferential duty treatment under the CAFTA-DR agreement are made on a third of all textile and apparel goods imported.



\$115 billion worth of and
and apparel goods and
ported into the U.S. annually,
of all duties collected by the U.S.

The challenges that United States importers encounter when importing cotton textile and apparel goods under CAFTA-DR result in half of the entries under CAFTA-DR being denied eligibility and importers having to pay full duties. Such figures reflect the difficulty that U.S. importers of textiles and apparel often have preparing the documentation necessary to receive the preferential duty benefits that CAFTA-DR provides, and underscore the need for guidance on how best to proceed.

The most frequently imported garments made using U.S. cotton and manufactured in the CAFTA-DR region are men's cotton knit shirts, women's cotton knit tops, cotton underwear, and men's cotton woven trousers.

This manual is intended to map out best practices for companies to follow in order to successfully benefit from preferential duty treatment under CAFTA-DR.

II. Research Methodology

Information for this manual was obtained through primary as well as secondary research. Primary research on CAFTA-DR provisions and the qualification verification processes was conducted through meeting with experienced importers, agents, trade associations, and governmental agencies. See page 51 for details.

Chapter 2: Challenges to Importing Cotton Apparel Under CAFTA-DR

I. Documentary Requirements

Half of the CAFTA-DR entries filed are denied duty-free treatment.

Cotton apparel importers have faced challenges when claiming duty-free status under CAFTA-DR. The U.S. Customs and Borders Protection agency has recognized that about half of the CAFTA-DR entries filed are denied duty-free treatment. The biggest challenge has been

meeting the high burden of proof that is required to demonstrate that the import should receive duty-free treatment. The FTA does not specify the documents that are required to prove qualification under CAFTA-DR and CBP has not issued a comprehensive list of these documents. The information required to prove qualification may vary depending on the port of entry, since verification of eligibility for CAFTA-DR benefits is at the discretion of each port director.

II. Locating and Presenting Documents

A primary source that we interviewed pointed out that an importer's risk of being audited by customs increases if an FTA preference is claimed. If CBP decides that a shipment must undergo a verification process, many importers find putting together the requested documents highly challenging because CBP expects to see a fully traceable supply chain and clear records of the production timeline. In today's production environment, it can be difficult to gather documents to prove each step of these processes. Even if the importer is organized, the rest of the supply chain might not be. Many factories are not informed or do not completely understand the requirements of CAFTA-DR. In addition, fraudulent documentation, such as yarn affidavits of origin that do not stand after verification by CBP, has caused the disqualification of imported goods from preferential duty treatment.

Therefore, an importer should seek to acquire as much knowledge as possible by utilizing the resources that trade organizations and chambers of commerce make available to them. An importer is encouraged to attend seminars, review publications, and research and visit their suppliers to ascertain accurate operations. They should also consistently study governmental websites, especially those of CBP and OTEXA, in order to stay abreast of regulatory changes, since the CAFTA-DR text undergoes periodic modifications.

In addition, an importer can refer to this manual for clarification of the requirements of CAFTA-DR for preferential duty treatment, and for guidance on fulfilling such

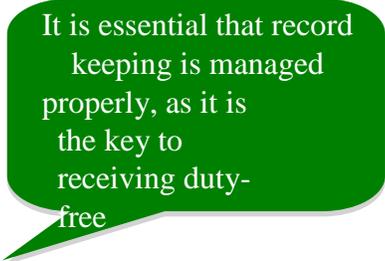
requirements and successfully entering cotton garments from the CAFTA-DR region into the U.S. duty-free.

III. Timing

CBP allows 30 days to respond to verification requests, and if verifying documents cannot be produced within that time frame the importer runs the risk of having their duty-free claim denied.

IV. Costs

Lastly, the documents required to prove qualification under CAFTA-DR take time and effort to assemble and organize properly. Large companies will have a dedicated person whose sole responsibility is taking care of this paperwork. It is essential that record keeping be managed properly, as it is the key to receiving duty-free privileges.



It is essential that record keeping is managed properly, as it is the key to receiving duty-free

Chapter 3: Understanding CAFTA-DR

I. The Central American Free Trade Agreement

CAFTA-DR is a regional trade agreement among Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, the Dominican Republic, and the United States. The agreement took effect on varying dates for each member country:

- Costa Rica: January 1, 2009
- Dominican Republic: March 1, 2007
- El Salvador: March 1, 2006
- Guatemala: July 1, 2006
- Honduras: April 1, 2006
- Nicaragua: April 1, 2006

CAFTA-DR is the first free trade agreement between the U.S. and a group of smaller developing economies. The objectives of the agreement are to create economic opportunities by eliminating tariffs, reducing trade barriers, promoting transparency, and opening markets. While CAFTA-DR has no expiration date, any party can elect to terminate its membership.

II. General Note 29 of HTSUS

General note 29 (GN29) is part of the Harmonized Tariff Schedule of the United States (HTSUS) and sets out the conditions for duty-free entry of goods into the U.S. under CAFTA-DR. It must be read in conjunction with the HTSUS classification codes, which provide duty rates for virtually every item that exists.

When an importer enters goods under CAFTA-DR, the entry summary for those goods must indicate the specific provision of GN29 that justifies duty-free treatment.

The full text of GN29 can be found at:

<http://www.usitc.gov/publications/docs/tata/hts/bychapter/1000gn.pdf#page=459>

When importing into the U.S. under CAFTA-DR, a claim for preferential treatment must be filed at the time of entry by placing a special program indicator (SPI) “P” as a prefix to the HTSUS subheading for each good or line item for which benefits are claimed. The table in the next page is an example of an entry that contains the SPI “P.” The importer will find “P” under the special rates of duty column, which identifies this HTSUS code free of duty.

Place a SPI “P” as a prefix to the HTSUS subheading for each good for which benefits

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
6105 6105.10.00		Men's or boys' shirts, knitted or crocheted: Of cotton	19.7%	Free (BH,CA, CL,CO,IL,JO, MA,MX,OM, P,PE,SG) 8% (AU) 17.7% (KR)	45%	

Some apparel and manufactured goods that qualify for CAFTA-DR benefits but do not meet the yarn forward or fabric forward rule of origin (discussed on page 7) as in the instances described below must also cite the HTSUS chapter 98 or 99 subheading that corresponds to the applicable exception to that rule of origin.

For example:

- 9822.05.01: CAFTA-DR Short Supply Articles
- 9822.05.05: Cumulation for Woven Apparel
- 9822.05.11: CAFTA-DR Cumulation

For garments utilizing one of CAFTA-DR's trade preference level (TPL) benefits, the SPI of "P" is not required. As per regulations resulting from bilateral negotiations between the U.S. and Nicaragua, and between the U.S. and Costa Rica, yet within the CAFTA-DR framework, TPL allows imports of up to 100 million square meter equivalents per year of non-CAFTA-DR originating cotton, wool, and man-made fiber apparel to be cut, knit, sewn, and assembled in Nicaragua or Costa Rica and still receive duty-free treatment.

Examples of classifications exempt from the SPI requirements are:

- 9915.61.01: Nicaragua TPL for Cotton and MM Apparel, and Men's Suit-Type Wool Coats
- 9915.62.05: Costa Rica Wool TPL (A)
- 9915.62.15: Costa Rica Wool TPL (C)

Chapter 52 of the HTSUS outlines the provisions and classifications for cotton and cotton products. The HTSUS classifications for cotton are as follows:

- 5201-5203 when cotton is a fiber

- 5204-5207 when cotton is a yarn
- 5208-5212 when cotton is a woven fabric
- 6001-6006 when cotton is a knit fabric

Cotton goods classifications require the use of the SPI “P” on preferential duty treatment claim forms.

III. General Rules of Origin for Preferential Treatment Under CAFTA-DR

In order to obtain preferential treatment under a good must qualify as originating from a CAFTA-DR member country. A good is considered to be originating if it is wholly obtained or produced entirely in one of the CAFTA-DR member countries, except as otherwise provided in chapter 4 of the CAFTA-DR agreement.

In order to obtain CAFTA-DR, a good must qualify as originating from one of the CAFTA-DR member countries. A good is considered to be originating if it is wholly obtained or produced entirely in one of the CAFTA-DR member countries, except as otherwise provided in chapter 4 of the CAFTA-DR agreement dated October 13, 2012.

The general rules of origin apply only to the component that determines the tariff classification of a good. The component that determines classification is the material that makes up the greatest proportion of the primary surface of a garment, constitutes its “essential character,” and is most often the fabric.

The general rules of origin apply only to the component that determines the tariff classification of a good. The component that determines classification is the material that makes up the greatest proportion of the primary surface of a garment, constitutes its “essential character,” and is most often the fabric.

The term “origin” is defined on page c forming the apparel article’s outer shell.

often the fabric

For example:

The cotton knit fabric is the main component that determines the classification of a man’s cotton knit shirt.

a. Fiber Forward Rule

Textile yarn and knit fabrics are subject to the fiber forward rule. For yarns, this means that the raw fibers must be of CAFTA-DR origin and the yarn must be spun or extruded in a CAFTA-DR country. For knit fabrics, this means that the fabric must be knit and finished in a CAFTA-DR country.

b. Yarn Forward Rule

Woven fabric, apparel, and made-up articles are subject to the yarn forward rule. For woven fabric, this means that the yarn must be spun or extruded in a CAFTA-DR country and the fabric must be woven and finished in a CAFTA-DR country. For made-up articles (bed linens, towels, etc.), the yarn must be spun or extruded, the fabric knit or woven, and all cutting or knitting to shape, sewing, and finishing operations must occur in a CAFTA-DR country. For this rule, the fibers can come from outside a CAFTA-DR country.

c. Cut-and-Sew General Rule

The cut-and-sew general rule applies specifically to the following subcategories of apparel and articles:

- Girls' cotton and man-made fiber woven dresses other than corduroy
- Men's and women's, boys' and girls' woven boxer shorts
- Men's and women's, boys' and girls' woven pajamas and sleepwear
- Women's woven sleep bottoms of classifications 6208.91.30, 6208.92.0030, 6208.92.0040, and 6208.99.2020
- Brassieres
- Luggage

Goods of these sub-categories are the product of only one manufacturing step or a "single transformation." The cut-and-sew general rule states that only cutting and sewing, which is the same as the "single transformation" rule, is required to qualify goods as originating in the CAFTA-DR region, and that materials utilized in the production of the specified goods can come from anywhere as long as they are put together into a finished product within CAFTA-DR member countries.

As of October 13, 2012, goods that are subject to the "single transformation" rule may use non-CAFTA-DR narrow elastic fabric, sewing thread, and pocketing fabric.

Comprehensive production documentation is required to accompany imported goods benefitting from the cut-and-sew "single transformation" rule upon entry into the U.S.

IV. Exceptions to the "Component That Determines Classification" Rule

There are many exceptions to the above general rules of origin. The exceptions to the "component that determines classification" rule include visible lining, narrow elastic fabric, sewing thread, and pocketing fabric. These items must come from a CAFTA-DR member country.

a. Visible Lining, Narrow Elastic Fabric, and Sewing Thread

Even though lining fabric, narrow elastic fabric, and sewing thread are not the main components that determine classification of the good, the visible lining of coats, anoraks, suits, jackets, skirts, etc., as well as any narrow elastic fabric and plied (not single yarn) sewing thread used in a good's production must originate in CAFTA-DR for the good to qualify for duty-free preference. Sewing thread of heading 5204, 5401, or 5508, or yarn of heading 5402 used as sewing thread in the manufacture of goods of HTSUS chapters 61, 62, and 63 must be formed and finished in a CAFTA-DR member country.

HTSUS chapters 61, 62, and 63 can be found at <http://hts.usitc.gov/>

b. Pocketing Fabric

Any bag fabric pockets of a garment must originate in CAFTA-DR. The rule applies only to interior/invisible pockets that are bag-shaped and tucked inside garment sides, not visible outside a garment (like cargo pockets).

V. Tariff Shift Rules

a. Definition and Examples

Tariff shift rules apply to merchandise that contains non-originating material. They explain which shifts will imported good as originating from CAFTA- non-originating material important to know the

classification of all components and of any non-originating materials used in the production of the imported product. Again, the non-originating material must meet the tariff shift rule for the finished product to be considered originating. See best practices for the application of the tariff shift rule starting on page 19. See the link to GN29 on page 5 for the full text of the tariff shift rules.

Tariff shift rules apply to merchandise that qualify an DR, and whether or not the meets the tariff shift rule. It is

For example:

If a garment that includes non-originating material (e.g. fabric from China) of one HTSUS classification code and is then formed into a garment (e.g. a man's knit shirt) of another HTSUS classification code, and this meets the tariff shift rule for the finished good, then the merchandise will qualify for duty-free status.

The importer must keep in mind to apply the tariff shift rule of the finished product, not of the non-originating

product, not of the non-originating material.

material. It is equally important to remember that tariff shift rules apply only to the component that determines the classification of the good.

An example of a tariff shift rule that applies is as follows:

A company is claiming preferential duty treatment under CAFTA-DR when importing men’s medical scrub pants classified as 6203.42.4016 constructed of 45 percent linen and 55 percent cotton. The manufacturing operations for the garment are as follows:

- In the U.S., the cotton fibers, classified 5201, are carded and drawn, then spun into yarn. The spun yarn, now classified 5202, is dyed and wound onto a cylindrical package and the packages are shipped to a fabric manufacturer in El Salvador.



- In Belgium, the linen fiber, classified 5301, is spun into a yarn. The yarn, now classified 5306, is wound onto a cylindrical package and the packages are shipped to a fabric manufacturer in El Salvador.



- In El Salvador, the linen and cotton yarns are woven into a fabric composed of yarns of different color. The resulting fabric is now classified as 5309.



- The fabric pieces that are required in order to produce the men's medical scrub pants are cut, sewn, and assembled into the finished garments in El Salvador.

- The drawstrings, classified 6307, are manufactured in China.

- The cotton sewing thread that is used to assemble the components is classified 5204 and is formed and finished in the U.S.



- The garments are exported directly from El Salvador to the U.S.

In GN29 (n), chapter 62, the chapter rule 2 states in part:

“For purposes of determining whether a good of this chapter is originating, the rule applicable to that good shall only apply to the component that determines the tariff classification of the good and such components must satisfy the tariff change requirements set out in the rule for that good.”

For goods classified in subheading 6203.42, the classification of the men's medical scrub pants being imported, GN29/62.15 requires “a change to subheadings 6203.41 through 6203.49 from any other chapter, except from headings 5111 through 5113, 5204 through 5212, 5310 through 5311, chapter 54, headings 5508 through 5516, 5801 through 5802, or 6001 through 6006, provided that the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or more of the parties to the Agreement.”

Therefore the non-originating linen fibers meet the terms of the tariff shift. Notwithstanding chapter rule 2 of this chapter, a good covered by this chapter containing sewing thread of headings 5204, 5401, and 5508 shall be considered originating only if such sewing thread is both formed from yarns and finished in the territory of one or more of the parties to the agreement. The sewing thread used to assemble the garment will be formed and finished in one or more of the parties to the agreement. The garment qualifies for CAFTA-DR preferential treatment, because it meets the requirements of HTSUS General Note 29(b)(ii)(A).

An example in which the tariff shift rule does not apply is as follows:

A company is claiming preferential duty treatment under CAFTA-DR when importing men's knitted cotton polo shirts classified as 6105.10.00 constructed of 100 percent cotton knit fabric. The manufacturing operations for the garment are as follows:

- In Egypt, the cotton fibers (5201) are carded and drawn, then spun into yarn.

- The spun yarn (5205) is dyed and wound onto a cylindrical package and the packages are shipped to an Egyptian fabric manufacturer.
- In Egypt, the yarns are knitted into a fabric (6006). The fabric is then shipped to El Salvador.
- In El Salvador, the fabric is cut, sewn, and assembled into the finished garment.
- The buttons are manufactured in the U.S. (9606).
- The cotton sewing thread (5204), used to assemble the components, is formed and finished in U.S.

- The garments are exported directly from El Salvador to the U.S.

GN29 (n), chapter 61, chapter rule 2 states:

“For purposes of determining whether a good of this chapter is originating, the rule applicable to that good shall only apply to the component that determines the tariff classification of the good and such component must satisfy the tariff change requirements set out in the rule for that good.”

For goods classified in subheading 6105, the General Note 29 rule 61.25 requires a change to subheadings 6105 through 6111 from any other chapter, except from headings 5111 through 5113, 5204 through 5212, 5310 through 5311, chapter 54, headings 5508 through 5516, 5801 through 5802, or 6001 through 6006, provided that the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or more of the parties to the agreement.

In this example, the component that determines the classification is the cotton/linen fabric.

Additionally, general note rules regarding the sewing thread utilized to assemble the garments specify that cotton sewing thread must be both formed from yarns and finished within the CAFTA-DR region. The pertinent rule reads as follows:

“Notwithstanding chapter rule 2 of this chapter, a good of this chapter containing sewing thread of headings 5204, 5401, and 5508 shall be considered originating only if such sewing thread is both formed from yarns and finished in the territory of one or more of the parties to the Agreement.”

In this example, the sewing thread used in assembling the men’s knitted polo shirts was formed and finished in the U.S. However, the cotton fabric was knitted in Egypt of Egyptian yarns, and does not meet the terms of the tariff shift. The garments being imported do not meet the requirements of HTSUS general note 29(b)(ii)(A), and therefore do not qualify for CAFTA-DR preferential treatment.

b. Additional Tariff Shift Rules

1. De Minimis

- De Minimis
- Elastomeric Yarn
- Nylon Filament Yarn
- Sets of Textile Goods - Direct Importation Controls

Some additional tariff shift rules regulate the qualification of goods for duty-free treatment under CAFTA-DR. They are the de minimis rule, which excludes elastomeric yarn, the nylon filament yarn provision, the rule concerning sets of textile goods, and direct importation controls as follows:

De minimis is a tariff shift rule whereby textile and apparel goods can qualify as originating from CAFTA-DR countries if they contain a maximum of 10 percent weight from non-CAFTA-DR-originating materials. Please note that the de minimis provision does not apply to elastomeric yarn, including spandex, which must be formed in CAFTADR countries.

An example is as follows:

Women's cotton skirts that were made in a CAFTA-DR member party of fabric that contains 8 percent of its weight in fabric made in Vietnam will be eligible for duty preferential treatment under CAFTA-DR. However, women's cotton overcoats made with fabric that includes 15 percent of its weight in fabric made in China will not be deemed originating any longer and will not qualify for duty-free treatment because more than 10 percent of its weight comes from China, which is not a CAFTA-DR country.

2. Elastomeric Yarn

Elastomeric yarn, which is yarn with a structure that gives it good stretch and recovery properties (e.g., spandex), must be formed in CAFTA-DR member countries. Again, the de minimis provision does not apply to this.

An example is as follows:

A shipment of cotton women's leggings made in a CAFTA-DR party that include 5 percent elastomeric yarn made in a non-CAFTA-DR country will not be considered originating nor be eligible for preferential duty treatment because the elastomeric yarn did not originate from a CAFTA-DR country.

3. Nylon Filament Yarn

The rule for nylon filament yarn is an available flexibility, not an exception. The rule means that the nylon filament yarn used in the component that determines classification of qualifying goods can specifically come from Israel, Mexico, or Canada and still be considered originating from CAFTA-DR. This is the case because those three countries were the first to enter into free trade agreements with the United States. Once subsequent FTAs, including CAFTA-DR, were implemented, the U.S. textile industry sought the

input from the original FTA trading partners as originating from CAFTA-DR in this particular case. This ensures that finished goods made with U.S. yarns and fabrics containing those inputs will still qualify for duty-free treatment.

An example is as follows:

The greatest component of men's pants is made with CAFTA-DR-originating fabric that also includes nylon filament yarn produced in Israel will still be eligible for preferential duty treatment because Israel is recognized as a CAFTA-DR originating country for the purposes of nylon filament yarn.

4. Sets of Textile Goods

When importing goods as sets of two articles to be sold together, such as a shirt with a tie or a blouse with a scarf, each product of the set must originate in CAFTA-DR, with leeway of no more than 10 percent of the adjusted free-on-board (FOB) value of the sets. If a part of the set does not originate in CAFTA-DR, the rest of the set will not qualify for duty-free preference under CAFTA-DR for the entire shipment.

An example is as follows:

A tie that was made in a non-CAFTA-DR-member country and is entered as a set with a shirt made in a CAFTA-DR party will nevertheless disqualify the originating shirt from being eligible for duty-free preference under CAFTA-DR, and the importer shall have to pay duty on the FOB value of the entire shipment of the shirt-and-tie sets.

5. Direct Importation Controls

Goods must be shipped directly from CAFTA-DR countries. Operations other than transport-related ones in non-CAFTA-DR countries such as manufacturing and finishing, including trimming, cannot be performed on CAFTA-DR-originating goods. Any production or transformation operation taking place outside CAFTA-DR will disqualify the goods. Importers are advised to use bonded warehouses to store imported goods. CBP maintains control of CAFTA-DR-originating goods even when outside CAFTA-DR member countries.

An example is as follows:

The addition of trimming on a shipment of CAFTA-DR-originating women's dresses while it passes through Mexico for any period of time will now disqualify the dresses from receiving duty-free treatment when they are imported into the U.S.

c. Other Exceptions: Alternatives to Tariff Shift Rules

There are also alternatives to tariff shift rules. These include short supply, Nicaragua trade (TPL), Costa Rica TPL, Mexico cumulation, and duty on value added as follows:

Alternatives to Tariff Shift Rules alternatives Supply List preference level

- Costa Rica TPL
- Mexico Cumulation

1. The Short Supply List

The short supply list is a list of fibers, yarns, and fabrics that are not commercially available in CAFTA-DR member countries. These products may be sourced from outside the CAFTA-DR region, and can be used in textile or apparel goods without disqualifying them from receiving preferential treatment. These items are listed under HTSUS provision “CAFTA-DR 9822.05.01.”

The short supply list can be found at:

<http://web.ita.doc.gov/tacgi/CaftaReqTrack.nsf/aa4a8d4e4e834fe4852572c700477f2e/f30332701dfb867f852572c70047dfa0?OpenDocument>

If a product has been designated in short supply, for the purposes of the CAFTA-DR’s rules of origin, the product is treated as if it does originate in the region.

With the implementation of a modification to the CAFTA-DR rules of origin in October 2012, if a fiber, yarn or fabric has been designated in short supply, there is no restriction on the product’s end use (e.g. as pocketing or visible lining), or on the source of any elastomeric content.

The short supply list is constantly being updated so it is vital to review it regularly.

When importing goods that contain such items, it is necessary to make a regular originating claim, and not a short supply claim under HTSUS 9822.05.01, because these items are not the main components of goods.

The de minimis rule, found on page 13, cannot be utilized with short supply items. The short supply list is constantly being updated so it is vital to review it periodically. Interested importers might also wish to sign up for email notifications of short supply developments, such as new proceedings and determinations, sent by the Department of Commerce to keep abreast of changes to the short supply list.

The link to subscribe to these e-mails can be found at:

http://otexa.ita.doc.gov/Broadcast/CAFTACA_Broadcast.htm

2. Nicaragua Trade Preference Level

The Nicaragua trade preference level (TPL) allows Nicaragua the ability to export cotton and man-made fiber lower-body garments made with non-originating material into the U.S. under CAFTA-DR. The garments made using non-originating materials must be cut, knit, sewn, and assembled in Nicaragua and are allowed on a “one-to-one matching” condition. This condition states that for each square meter (up to an annual limit of 100 million SME) of non-originating material imported under the TPL, Nicaragua must import one SME of U.S. fabric made with U.S. yarns. This exception benefits Nicaragua as the least-developed country in the CAFTA-DR region while encouraging the use of U.S. fabrics and U.S. yarns in trouser production. The provision was negotiated for nine years, and expires on December 31, 2014.

3. Costa Rica Trade Preference Level

The Costa Rica trade preference level (TPL) allows non-CAFTA-DR originating materials to be used to manufacture specific woven wool tailored garments and postmastectomy swimwear in Costa Rica and still receive duty-free treatment.

4. Mexico Cumulation

The Mexico cumulation provision states that yarns or fabric from Mexico may be used for the purpose of meeting the tariff shift rules, which are described on page 9, for woven apparel imported into the United States under CAFTA-DR. The provision allows certain quantities, subject to an annual quantitative limit of 100,000,000 square meter equivalents (SME) of yarn and fabric used in the main component of a good that determines classification, as well as of visible lining, narrow elastic, sewing thread, and pocketing fabric to originate from Mexico and still receive duty-free treatment when imported into the United States under CAFTA-DR.

5. Duty on Value Added

Textile and apparel goods classified in HTSUS chapters 61 (knit garments), 62 (woven garments), or 63 (made-up articles) that do not meet the CAFTA-DR rule of origin may qualify for reduced tariff treatment when imported into the U.S. In order to qualify for this program, the following requirements must be met:

- The fabric must be wholly formed in the U.S. (from yarns of any origin), which means all of the production processes and finishing operations, starting with the weaving, knitting, needling, or other process, and ending with a fabric ready for cutting and assembly without further processing, took place in the U.S. Documentation should show that all such processes previously mentioned were performed in the U.S.
- The finished good must be assembled with thread wholly formed in the U.S. The fibers must be spun or extruded into thread, and the thread finished in the U.S.

If imported goods satisfy the above conditions, United States CBP will then assess regular most-favored-nation (MFN) rates of duty on the full value of the finished good minus the value of the U.S. components that were used in the production of the goods, meaning only on the value that labor has added to the U.S. fabrics and materials that make up the goods.

Claims for preferential treatment under the CAFTA-DR MFN rates of duty provision must cite HTSUS subheading 9822.05.10 on the entry documents presented to CBP.

The HTSUS subheading 9822.05.10 can be found at:

<http://www.faqs.org/rulings/tariffs/98220510.html>

Chapter 4: Best Practices to Substantiate Claims

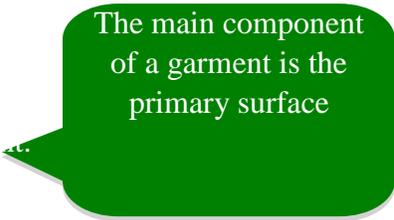
I. Best Practices: Proving the Origin of the Main Component of a Good

When importing garments under CAFTA-DR, importers must be able to prove that the main component of the garments originated in a CAFTA-DR member country in order to obtain preferential duty treatment.

a. Determining the Origin of the Main Component of a Good

The main component of a garment is the primary surface component of the garment.

Examples are:



The main component of a garment is the primary surface

The jersey knit fabric of a jersey knit shirt is the main component. The outer fabric shell of a jacket is its main component. The material that makes up the greatest majority of a skirt's surface is its main component.

The main component of a good determines HTSUS classification, and it is the only part of a garment that is subject to CAFTA-DR's tariff shift rules, found on page 9.

For example:

The jersey knit fabric of a jersey knit shirt is the main component. Therefore, the ribknit cuffs and plackets of a jersey knit sweater do not have to originate in CAFTA-DR, are not subject to the tariff shift, and do not affect whether or not a garment will qualify for preferential treatment. Cuffs and plackets merely have to be cut and sewn together in the CAFTA-DR region.

Main garment components that had originated from countries other than CAFTA-DR member parties will have to satisfy tariff shift rules for the finished good to be considered CAFTA-DR originating.

There are three possibilities for a good's main component to qualify as originating in CAFTA-DR and therefore qualifying for preferential treatment:

- Wholly obtained from CAFTA-DR countries
- Using components exclusively from materials originating from CAFTA-DR countries
- If not originating in CAFTA-DR: tariff shift rules apply

b. Steps to Apply the Tariff Shift Rule

- Finding the correct HTSUS classification of the finished product that is being imported is crucial. The applicable HTSUS chapter rules must first be carefully read.
- The origin of the main component must then be ascertained. If it originates in CAFTA-DR, tariff shift rules are not needed. The tariff shift rule is used only when dealing with non-originating material in the main component of an imported good.
- When the main component used in the production of the imported good does not exclusively originate in CAFTA-DR, the HTSUS classification of each nonoriginating material must be determined. Classification for all components must be known.

For example:

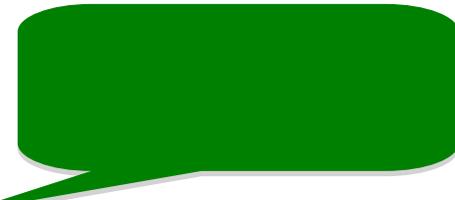
The components of a shirt include the fabric utilized in making the greater portion of the garment, buttons, sewing thread, and possibly other fabric utilized for minor portions of the garment such as a placket, collar, or decorative pocketing, and interface material for dress shirt collars. Classification for each of the components must be determined.

- Tariff shift rules must then be studied to determine whether any of them can apply for the non-originating material to meet the requirements to enter the U.S. duty-free. The applicable tariff shift rule must be isolated.
- The task is then to determine whether the tariff shift rule has been satisfied. The nonoriginating material must meet one of the tariff shift rules for the finished product to be considered originating. When reading tariff shift rules, remembering that all conditions described after the word “except” must originate in a CAFTA-DR member country makes understanding the rules easier. For examples of how to determine whether a tariff shift rule applies, please refer to the “Tariff Shift Rules” section on page 9.

which can be viewed as the first layer of proof for a

c. CAFTA-DR Certification: Necessary Items

The initial document to be submitted for preferential tariff treatment under CAFTA-DR is the CAFTA-DR certification document (see example on page 45),



CAFTA-DR claim. However, quite a few errors occur in preparing a CAFTA-DR certification document. There is no particular standard format for the certification document, but all of the following elements are required to appear clearly on the document:

- Importer’s name, address, country, phone, and email address
- Exporter’s name, address, country, phone, and email address
- Producer’s name, address, country, phone, and email address
- Description of goods sufficiently detailed to relate to the actual goods shipped
- HTSUS classification to six digits or more
- Identification of exact shipments covered, specifying single or multiple shipments
- Certifying statement and number of pages
- Signatory’s name, address, country, phone, and email address
- Signature of importer, exporter, or producer
- Date
- Applicable rule of origin from GN29, which must be precisely listed:
 - GN29 (b)(i) = wholly obtained or produced
 - GN29 (b)(ii)(A), Chapter # and Rule # = tariff shift
 - GN29 (b)(ii)(B) = regional value content or other requirement
 - GN29 (b)(iii) = produced exclusively of originating materials Statement of information verity and accuracy

Great care must be taken to ensure that the correct HTSUS classification for the imported finished good is entered on the CAFTA-DR certification document because the determination of an entered good’s eligibility for preferential duty treatment is based on the declared HTSUS classification. An incorrect HTSUS classification will therefore invalidate a claim.

d. Best Documents to Verify the Origin of the Main Component, Sewing Thread, Any Visible Lining, Narrow Elastic, and Pocketing Material

The following documents must be available to produce to CBP on demand in a timely manner, and can be viewed as additional proof that a good is originating under CAFTADR. Affidavits serve to substantiate the information put forth in the CAFTA-DR certification, and the transactional documents and production records serve to substantiate the claims of the affidavits.

- **Affidavits:**
- Affidavit of origin for the yarn utilized, along with all transactional documents
- Affidavit of origin for the fabric utilized, along with all transactional documents

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- Affidavits of origin for the sewing thread and any visible lining, narrow elastic, and pocketing material utilized, along with all transactional documents

Bills of Lading:

- Garment bill of lading
- Bill of lading for relevant yarn invoice to fabric maker, with description and date
- Bill of lading for relevant fabric invoice to garment maker, with description and date (transportation record)
- Bill of lading for relevant visible lining invoice to garment maker, with description and date
- Verification of direct shipment of finished goods to importing country (bill of lading)

• **Invoices:**

- Invoice from the yarn manufacturer to the fabric manufacturer that includes the yarn style number, yarn description consistent with other documents and with the fabric produced from the said yarn (color, quantity, dates, etc., must match)
- Invoice from fabric manufacturer to apparel maker that includes the fabric style number, fabric description consistent with other documents and with the garment made from it (fabric content, colors, quantity, dates, etc., must match)
- Invoice from visible lining manufacturer to apparel maker that includes the fabric style number, fabric description consistent with other documents and garment lining specifications (fabric colors, quantity, dates, etc., must match)

□ **Proof of Payments:**

- Proof of payment to yarn producer
- Proof of payment to fabric producer □ Proof of payment to visible lining producer □ **Production Records:**

- Garment specification sheet, which must include the fabric style number and the name, address and contact information of the fabric manufacturer
- Cutting records showing dates and quantities
- Sewing records showing dates and quantities

e. Best Practices Concerning Affidavits/Certificates of Origin

Many claims for preferential duty treatment get denied because of errors relating to affidavits. The best practices concerning affidavits of origin

transactional records that verify the information in the affidavit.

are as follows:

- Affidavits must always be accompanied by transactional records that verify the information in the affidavit. Dates and reference numbers must coincide.
- Blanket certificates are technically legal. However, the CBP field import specialists at ports, and most particularly the port of Miami, deem them unacceptable and prefer a specific affidavit for each shipment. In order to avoid further requests for information and questioning by CBP, blanket certificates are best avoided. Blanket affidavits that say “sold or to be sold” or “will be sold to” do not refer to a particular import shipment specifically enough and should not be presented to CBP. The phrase “sold to” is the correct wording.
- It is recommended that each affidavit of origin be signed by someone located at the production facility, not in a corporate office: The signing party does not have to be an officer but must be someone with direct knowledge about the production process. Importers must provide a letter to CBP with each shipment to explain the qualifications of the signatories. Also, full contact information of the signing persons must be available.
- Affidavits of origin must identify the address of the actual production facility.
- Affidavits of origin must bear an adequately detailed description of the goods.
- Yarn and fabric producers must provide affidavits. An affidavit supplied by a converter must be accompanied by greige yarn and fabric producer affidavit as well. The description of the goods on the affidavits must be adequate to relate them to the physical goods.

II. Best Practices: Developing a Relationship of Trust Between Suppliers, Exporters, and Importers

a. Reliability

- Finding reliable trade partners that deliver the right goods with the correct documentation, and on time, is extremely valuable. It is important for importers to educate themselves about CAFTA-DR requirements in order to be able to educate

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vendors who will also be instrumental in educating other partners throughout the value chain.

Ongoing and straightforward communication between parties is vital to the development of trust. Nurturing relationships of trust will maximize the ease of entry procedures and therefore profitability for all parties.

Periodic visits with vendors on their work premises enable importers to ascertain the requested quality of the imported goods, the veracity of documentation provided, and the integrity of vendors along the supply chain.

- Importers should conduct a pre-entry review of all documentation, because such self-administered audits will minimize the possibility that an entry might be denied due to documentary deficiencies or inaccuracies.
- Importers should specify in contracts with their vendors that all yarn and fabric utilized in the finished good must qualify for duty-free treatment under CAFTA-DR.
- A CAFTA-DR region manufacturer suggests that no fabric be cut before verifying that the fabric matches the importer's specific request and that the fabric will qualify for preferential treatment under CAFTA-DR.
- An importer should have lab tests done and require that vendors conduct lab tests as well in order to ensure that materials and finished goods comply with characteristics necessary to qualify under CAFTA duty-free provisions, especially when using items from the short supply list, which is outlined on page 15.
- Importers must ask vendors to provide a full set of production records for each style on each purchase order.
- Importers should periodically test the accuracy of all the documents that vendors provide them, so that the required documentation is ready to undergo the advisable pre-entry review process by the importers or their broker, and respond with ease if the documents need to be presented to CBP to substantiate claims.

b. C-TPAT Certification

C-TPAT is voluntary. While participation does not reduce or simplify import documentation requirements, it is a valuable way for U.S. importers to save time and money and offers the following benefits:

- Low-risk status lessens the likelihood of CBP examinations
- Greatly reduced number of customs inspections
- Reduced border delays

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- Lower risk of costly supply chain disruptions
- Entitlement to a customs account manager
- Eligibility for the Importer Self-Assessment Program
- Appeal to companies who prefer to work with C-TPAT certified partners
- Positive publicity associated with compliance
- Addition of brand equity value

III. Best Practices: Verifying Short Supply Specifications

The issue with short supply relates to the goods' specifications rather than the verification of the goods' origin. When short supply materials have been utilized in the production of garments being imported under CAFTA-DR, importers must prove that the specifications of the short supply materials used match the exact specifications of the short supply designations allowed under CAFTA-DR.

a. CAFTA-DR Certification

The CAFTA-DR certificate must be in an accepted format. CBP's Code of Federal Regulations publication CFR10 can be referred to for examples of acceptable certificate formats. A sample of an acceptable certification document is provided in Appendix IV, page 45, at the end of this manual. CAFTA-DR certificates must bear the correct preference criteria.

For example:

GN29 (b) (iii), wherein the good being imported under this criterion is declared to have been produced exclusively of originating materials. Additionally, the short supply designation utilized must be identified with exact language, as wording specificity is crucial.

b. Best Documents to Substantiate Short Supply Claims

- Invoice from fabric manufacturer to apparel manufacturer that includes the fabric style number, the fabric description consistent with short supply designation, the fabric colors and quantity, and date
- Bill of lading for relevant fabric invoice, to document transportation of fabric from fabric producer to garment manufacturer, with description and date

Affidavit of origin from fabric manufacturer, with exact language of short supply designation, fabric style number, fabric invoice number(s), along with all transactional documents

Proof of payment to fabric manufacturer must identify fabric invoice and be dated

- Garment specification sheet that includes the fabric style number and name of the fabric manufacturer
- Lab tests that confirm short supply characteristics of fabric and identify the style and source of the fabric utilized
- Cutting records that include dates and quantities
- Sewing records that include dates and quantities
- Transportation documentation that verifies direct shipment of finished goods to the U.S.

c. Zero-Tolerance Criteria

Short supply designations do not have any “tolerance,” meaning that even less than a 1 percent variation from the list’s specifications will disqualify a garment from preferential treatment. CBP will deny a duty-free claim if their lab tests reveal that the short supply materials used in a good are not exactly the specifications that the importer says they are. Designations that require exact measurement without tolerance, for example:

“Knitted fabric of 85 percent spun silk/15 percent wool (210 gr. per square meter)” must be strictly observed.

Finishing processes may not modify the specifications of short supply materials. If finishing changes any short supply materials specifications, the goods will not qualify for preferential tariff treatment under CAFTA-DR.

Therefore, it is recommended that importers of goods that utilize short supply materials require lab tests of their vendors to ensure that the goods adhere to the necessary characteristics.

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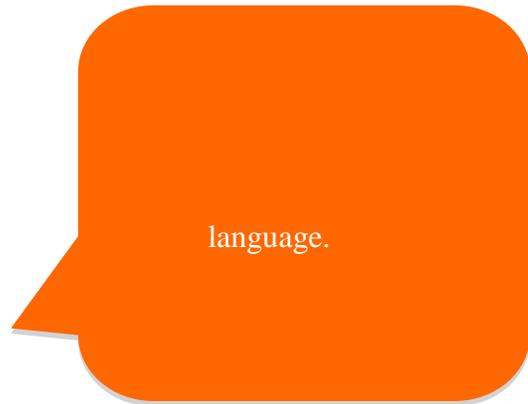
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IV. Best Practices: Filing Entries Correctly

a. Clarity

Full cooperation with CBP requests is recommended. CBP port directors have wide latitude in making claims decisions. It is crucial to prepare all required documents in advance of entry and to organize and have at the ready all substantiating documentation that may be requested by CBP. It is the prerogative of CBP port officers to decide whether a fabric is relevant in determining the eligibility of a good under CAFTA-DR.

All documents should be translated into English before presentation to CBP. Documentation from manufacturers should bear the company's letterhead. Manufacturer-provided documentation must clearly include a street address. Postal office addresses are not allowed.

Additionally, an importer may prepare a signed "multiple country declaration" document in order to provide a useful overview of a shipment's documentation package. A multiple country declaration lists all the countries articles were imported from, and details all shipments' identification numbers, descriptions of goods and quantity, description of manufacturing and processing operations, as well as a description, country of production, and import dates of all materials used at each stage of the supply chain. A sample document is provided in Appendix IV, page 47, of this manual.

The goal is to facilitate the verification process for CBP. Lack of clarity or confusion in documentation presentation is likely to doom a claim. Helping make the process as smooth and easy as possible by providing a "road map" of the production process to customs is recommended, as is having backup documentation on hand. This is important since CBP might not grant an importer extra time to gather the necessary documents.

b. Meticulousness

Since the importer of record is always ultimately and solely responsible for the accuracy of all the documentation that is required to verify goods' qualification for preferential

treatment, as well as for the payment of any duties owed, importers must take it upon themselves to ensure the availability and comprehensiveness of all necessary documents. This includes full production records, as well as the accuracy of each and every document.

When receiving documents from the various components of the value chain, importers should not merely check them off the list of the documents that are needed to compile. Instead, they should read every line and all fine print very carefully and thoroughly, including boilerplate, to make sure no portion of text contradicts any text in any other document. Since written language is legally binding, delays and hurdles might ensue when wording does not match.

For example:

The phrase “needs to be original document” referring to an affidavit of yarn origin means that only the original, not a copy, signed affidavit is acceptable to be included in the documentation submitted for review.

Commercial invoices must bear buyers’ information as well as the pertinent Incoterm. Some importers may deem it preferable not to utilize the Incoterm “delivery duties paid” (DDP) so as to retain control over the shipping logistics when importing the goods. Also, affidavits must be signed. The mere mention of the name of the preparer is insufficient.

c. Language Consistency Within a Document

Language, syntax, and reference numbers that relate to other documents must be consistent throughout a single document. Inconsistencies will prompt requests for further information.

d. Traceable Reference Numbers

Purchase order numbers, invoice numbers, bill of lading numbers, and all other reference numbers must match among documents that relate to the same shipment.

Contact information of the person(s) responsible for signing each document must be made available.

e. Cohesiveness Among All of an Entry’s Documentation

Details on affidavits must be checked against the date, the purchase order number and all information on the CAFTA-DR certificate to ensure its correctness.

All dates of production on documents must make chronological sense for the production timeline to be credible.

When the origin of a good is supported by more than one affidavit—necessary for most finished apparel goods because they contain multiple components, e.g. yarn, fabric, thread—all pertinent affidavits must be included: The affidavit from the yarn manufacturer, the affidavit from the fabric producer (as well as from the fabric supplier, if they are different), and the affidavit from the garment manufacturer must tie together. They must also bear the same reference numbers and sequential dates, showing logical movement between each party. “Mapping of a Cotton Garment,” included in Appendix I on page 37 of this manual, can help to organize all of this information.

f. Correct Reference Criteria

Importers must carefully identify and state the specific preference criterion that is being selected to qualify a particular shipment to preferential tariff treatment. Preference criteria must relate to GN29.

g. Matching Utilities Usage Throughout a Good's Supply Chain

CBP may request evidence to support declarations that goods were produced at the location and in the time frame that the certificates of origin claim they were.

declarations that goods were produced at the location and in the time frame that the certificates of origin claim they were. They may request payroll documentation and, on rare occasions, factory utility bills to back up production records.

h. Exhaustive Explanations

Detailed, extensive, and thorough explanations of all items on all documents submitted lessen the risk that claims for preferential tariff treatment may be denied.

i. Choosing a Port of Entry

The great majority of imports coming into the United States from the Central American region pass through the port of Miami. CBP headquarters in Washington D.C. sets standards and requires that they be followed, and New York City CBP determines all rulings. However, individual ports conduct actual verification for each entry, and each port director makes final decisions. The officers of the Miami CBP branch are very knowledgeable about CAFTA-DR rulings and regulations as they deal with them every day. In order to avoid costly delays, it is wise for U.S. importers to be prepared and have readily available all documentation that may be requested to substantiate claims for CAFTA-DR preference.

j. Record-Keeping Imperatives

1. Length of Time

All paper, film, and electronic importation records must be kept on file on the importer's business premises for a minimum of five years after the goods' date of importation. When requested by U.S. CBP, importers must be able to produce all documentation related to an entry of goods within 30 days.

2. Filing Systems

Organization is the key to responding swiftly to CBP requests. Electronic recording of all import documentation is highly recommended to facilitate the synchronized tracking of all reference numbers that pertain to each shipment, as well as for ease of retrieval upon demand by CBP.

Entering a series of import shipments smoothly may earn an importer paperless privileges. Electronic transmittal of documents, as opposed to the submission of paper files, allows for faster processing and reduces occurrences of documentary errors and omissions, and thereby increases the chances of preferential tariff treatment.

Hard-copy compilations of all documentation related to a single shipment should also be held and be readily accessible in case of demands for verification or audits.

k. Claim Processing Complications

1. Audits

CBP can conduct a routine audit to learn about a new importer's practices or conduct a purposeful audit to importer compliance with the provisions of other laws. Paperless entry after a series of

CBP routine audits has demonstrated an importer's satisfactory compliance with all regulations.

CBP can conduct a verify
learn the agreement and
filing privileges may be earned

2. Request for More Information (Form 28)

When there is insufficient information in the entry summary package to determine admissibility, appraised value, or classification of imported merchandise, CBP may request that the importer provide further documentation by issuing Form 28 (see sample on page 49), to which the importer has 30 days to respond.

Advice from a customs broker and/or legal counsel may be sought to help respond. When attaching explanatory documents in response to CBP Form 28, care must be taken to reference the information contained in the new documents in field 15 of the form to indicate a complete response was sent back.

The documentation requested must be submitted in English, and might include:

- Factory production records such as: raw material invoices, freight bills, and foreign customs clearance records, cutting records, production order records

- If sub-contracting was involved, transaction records and all factory production records
- A copy of the letter of credit or other proof of payment from the U.S. importer
- Overseas factories inspection records proving the production of the shipment entered
- Export documentation verifying that the goods supposedly produced by a factory were the goods actually exported
- Applicable licenses to use registered trademarks or logos to verify the right to make entries as a consignee

3. Notice of Action (Form 29)

Form 29 is used when CBP ruled that additional duties are owed

Form 29 is used when CBP has ruled that additional duties are owed. CBP will issue Form 29 either as a proposal of action before it has begun the entry liquidation process, or once it has already begun the liquidation process. This is because it has resolved to assess additional duties without any need to request further information. An importer has 20 days to respond when issued a Form 29, and 180 days to file a protest. A sample of Form 29 can be found on page 50.

4. Penalties for Failure to Produce, Negligence, and Fraud

Penalties for not producing documents requested by CBP within 30 days are \$10,000 fines per entry. Properly organized record keeping helps avoid such penalties.

Negligence, gross negligence, and fraud are penalized. Penalties vary according to the level of severity and intent of the occurrence under consideration, and can amount to up to three times the value of the previous year's shipments. CBP may also seize the goods.

If the importer of record did not intend on committing fraud, yet is unable to provide CBP with documentation that verifies that the merchandise qualifies for preferential duty treatment, the importer will not be subject to penalties, but will have to pay all duties, taxes, and fees owed for entering the goods.

Chapter 5: Former Causes for Claim Rejection Now Acceptable as of May 2012

I. Blanket Certificates

CBP ruled that the wording “sold or to be sold” is acceptable on CAFTA-DR certifications. Claims including this wording had previously been rejected because it was unclear if a sale had actually occurred. The new ruling accepts this wording but CBP may still ask for supporting documentation. Again, the use of blanket certificates is strongly discouraged.

II. Photocopies of Notarized Documents

CBP ruled that in the case of a notary’s stamp that states “Any photocopies will void this affidavit,” a photocopy is still acceptable as long as it contains the necessary information referred to on pages 19 and 20. The necessary information pertains to the documents required including affidavits, bills of lading, invoices, proof of payments, and production records.

III. Thread

CBP ruled that various terms are acceptable for referring to thread in an affidavit, including “greige thread yarn,” “greige (unfinished) yarn,” “thread yarn,” “sewing thread,” “industrial sewing thread.” They also ruled that in how the thread is classified in different documents are permissible if they are due to a change in the production stage.

Various terms are acceptable for and to thread in discrepancies

IV. Signatures on Affidavits

In the past, CBP has rejected documents because the signatures were not clearly legible or because the signatures did not look the same across documents. They recently ruled that signatures looking different across documents or not clearly containing the letters of an individual’s name are not reasons for rejecting a document.

V. Certificate of Origin as a Substitute for the Affidavit of Origin

The CAFTA-DR document does not require an affidavit of origin. Therefore, CBP ruled that a certificate of origin in place of an affidavit is acceptable to prove origin.

VI. Consigning Materials to a Third Party

Consigning materials to a third party that is not named in the import transaction is acceptable if the role of the third party is explained.

Chapter 5: Former Causes for Claim Rejection Now Acceptable as of May 2012

VII. Typographical Errors on Documents

CBP ruled that documents containing typographical errors are acceptable as long as the errors do not contradict anything else in the document.

VIII. Purchase Orders Lacking Fiber Content of a Good

Purchase orders lacking the fiber content of a good are acceptable as long as they contain product and style numbers consistent with the rest of the documents, and as long as the fiber content is listed on other documents that can be tied to the purchase order.

IX. Port of Entry's Failure to Request Specific Documents

CBP ruled that an importer's claim cannot be rejected for failure to provide documents that the port of entry did not request.

X. Classification Errors at 10-Digit Statistical Level

While in the past claims have been rejected for classification errors past the six-digit level, CBP ruled that classification errors at the 10-digit statistical level are irrelevant to determining CAFTA-DR eligibility.

Chapter 6: Avoiding Pitfalls

I. Exact Measurement Designations

It is highly advisable to pay careful attention to HTSUS classifications that specify exact measurements of fiber content. If the finished good does not meet the exact specifications, the duty-free claim will be denied.

II. Laboratory Tests

When materials from the short supply list have been utilized to manufacture goods that enter the U.S. claiming preferential duty treatment, U.S. importers should require lab tests from vendors in addition to conducting lab tests themselves in order to confirm the characteristics of the short supply materials by identifying their contents and source. Since short supply items are strict designations that allow no variation from their specific characteristics and no modification resulting from any finishing processes, lab tests must prove that the non-originating fabric or yarns used in a finished good meet the exact specifications of the short supply designations, found on page 15.

III. Being Able to Prove Payroll and Mechanical Capacity for Production

It is advisable to think like a customs officer when attempting to prove manufacturing capacity and line so it is easier to provide production reports. Make sure vendors are able to easily provide production and payroll documents. It is recommended that importers test their vendors periodically to make sure they are prepared in case of a customs audit.

Think like a customs officer when attempting to prove manufacturing capacity. In one company, workers are tracked by line so it is easier to provide production reports. Make sure vendors are able to easily provide production and payroll documents. It is recommended that importers test their vendors periodically to make sure they are prepared in case of a customs audit.

IV. Classification Errors on Certification

The description of the goods must be sufficient to match it to the tariff classification. If two countries disagree on classification, the importing country's classification should be used.

V. Utilizing Subcontractors: Accuracy of Documentation from Vendors

If a vendor uses subcontractors for parts of production, all subcontracted activities must be traceable and the vendor must be able to provide documentation regarding the

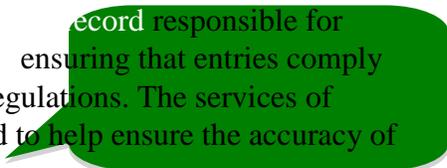
subcontracted order and proof of payment. The producer listed on the CAFTA-DR certification must actually be the factory that made the garment, not just the vendor or supplier that subcontracted out the work.

Chapter 7: Customs Brokers

I. How Customs Brokers Can Help

Customs brokers are licensed by CBP to conduct CBP business on behalf of importers. There is no legal requirement for U.S. importers to hire a customs broker in order to file entry for their imported goods, but many importers opt to do so to help ensure the filing accuracy of their claims for preferential duty treatment. Customs brokers are able to expertly classify goods and prepare and submit documentation for import entries. They are familiar with all of the requirements of each type of import, thereby minimizing costly delays and merchandise seizure risks.

The importer of record is always ultimately knowing CBP requirements and for with all federal rules and customs brokers can be import



record responsible for ensuring that entries comply regulations. The services of utilized to help ensure the accuracy of

documentation for each entry. Nevertheless, there is no assurance that their services will lead to better results. Customs brokers can also provide access to legal services and referrals to specialized attorneys, if needed.

Chapter 8: Conclusion

Currently, one-third of all imported textiles that enter the U.S. from around the globe claim duty-free preference under CAFTA-DR. Sourcing from the region has recently become highly attractive for many reasons:

- Production capabilities for a wide range of textile products: from basic cotton underwear through all styles of casual apparel to high-end designer fashions
- A speed-to-market of only a few days
- A very competitive first cost, since CAFTA-DR offers duty-free benefits on imports of eligible items that verifiably qualify

Despite these advantages, U.S. importers face the following challenges to reaping the rewards of the CAFTA-DR agreement:

- Determining whether the categories of the goods being imported are eligible for treatment under CAFTA-DR
- Ensuring that the imported textile goods qualify for duty-free privileges
- Being able to verify claims for preferential treatment

U.S. importers stand to save a lot of money by learning how to successfully overcome these challenges in order to avoid payment of any duties when importing from the CAFTA-DR region. Tariff rates on apparel are the highest of those listed in the HTSUS, which greatly increases the lot of money by landed costs of imported apparel goods, and therefore best adds impetus for U.S. importers to employ best practices for greater success when seeking preferential tariff treatment.

The research conducted over the course of a year for this manual has brought to light the essential considerations importers should bear in mind to ensure entries of cotton apparel successfully receive duty-free treatment under CAFTA-DR:

- It is vital for importers to familiarize themselves with CAFTA-DR and frequently refer to its most recently updated text.

- The required documentation must be compiled carefully, reviewed diligently, and submitted in a timely manner.

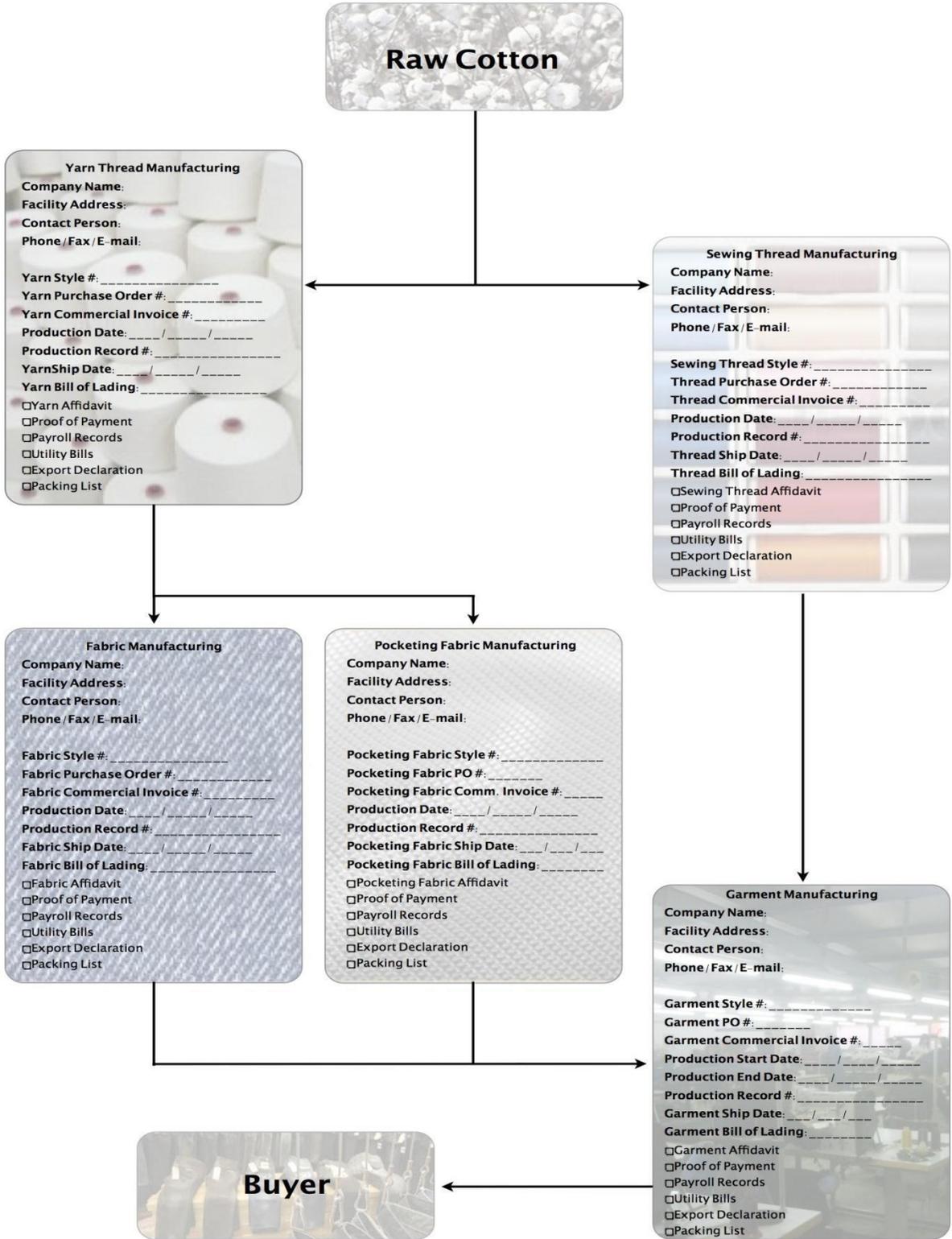
- All vendors along the value chain should be screened and trained regarding best practices for documentation and lab tests that verify the specifications of parts used in the imported goods' manufacture.
- The HTSUS classification of a finished good determines its eligibility for preferential treatment. The main component of the good being imported must originate from a CAFTA-DR country, either by way of being produced in the region, or by satisfying applicable tariff shift rules.
- It is crucial that CAFTA-DR certificates bear the correct rule of origin criteria and sort supply designation criteria from GN29 to substantiate claims for preferential tariff treatment.
- Any short supply material utilized must conform to strict content specifications.
- Production, payment, and transportation records must synchronize into a logical manufacturing timeline.
- Abiding by all requests from CBP should spotless track record and earn time-privileges.
- Methodical and organized record keeping of all pertaining to each import entry expedites claim processing and facilitates verification.

Methodical and organized establish a record keeping of all saving electronic filing for import entry expedites claim processing and documentation verification.

All parties interviewed for this manual have emphasized the need for thorough and complete documentation to best substantiate duty-free claims under CAFTA-DR. While the agreement is complex, it represents a valuable opportunity for U.S. importers who, with proper preparation, should be able to use it to their advantage.

Appendices

I. Mapping of a Cotton Garment: From Seed to Finished Apparel Good



II. Glossary

Affidavit:

An affidavit is a written declaration of facts, a legal document under penalty of perjury. An affidavit is composed of the following parts:

- A beginning section that identifies the person creating the affidavit, the affiant
- The individual formal affirmations, almost always numbered as mandated by law, each one making a separate claim that can be substantiated by the affiant
- A statement that everything is true, under penalty of perjury, fine, or imprisonment
- A jurat, or attestation clause at the end of the affidavit stating when, where and before whom it was made, certifying the affiant made oath and the date
- Signatures of the author and witness

Blanket certificates:

A blanket certificate is a certificate of origin or a CAFTA-DR certification that covers multiple shipments of identical goods to the same importer over a specified (“blanket”) period of time. It serves as an alternative to individual certification for each identical shipment. While CAFTA-DR allows the use of blanket certificates, CBP does not appreciate them. For this reason they should be avoided.

CAFTA-DR:

The Dominican Republic–Central America–United States Free Trade Agreement is a comprehensive trade agreement among Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and the United States.

The agreement was negotiated between the U.S. and each other member country individually and ratified at varying dates from 2005 to 2009. It aims to boost economic growth of all member parties by facilitating trade between them and granting duty-free privileges across many categories.

CBP:

The Customs and Border Protection agency is a subdivision of the United States Department of Homeland Security. CBP is responsible for warding off terrorism, securing the U.S. borders, and facilitating lawful international trade and travel to and from the United States. CBP enforces hundreds of laws and regulations concerning imports and

immigration. Its role includes assuring the legitimacy of goods arriving in the U.S. and the collection of appropriate duties and fees.

C-TPAT Certification:

The Customs-Trade Partnership Against Terrorism entails signing an Agreement to Voluntarily Participate and the submission of a completed supply chain questionnaire to U.S. Customs and Border Protection. U.S. importers of record can apply, and so can highway, rail, sea, or air carriers; U.S. marine terminal operators; U.S. air freight consolidators; ocean transport intermediaries; licensed U.S. customs brokers; and foreign manufacturers by invitation.

An applicant company must develop and maintain a range of security procedures that comply with CBP's C-TPAT guidelines and include strict employee background checks, information systems safeguards, and containers and goods inspection standards. The applicant company must thoroughly evaluate its security procedures, its internal security training program and its record keeping to ensure compliance with C-TPAT standards. It must provide a supply chain security profile and a comprehensive self-assessment of its supply chain security procedures.

In addition, all the security measures that the applicant company commits itself to must also be extended to apply to the importer's suppliers of materials, services, transportation and the subcontractors, brokers, carriers, freight forwarders and other partners that the applicant transacts with. All must be verifiably compliant with C-TPAT guidelines for CBP to approve the application.

CBP encourages participation in the C-TPAT certification program because it recognizes that allying with the private sector of commercial cargo importers enables the U.S. government to maximize its ability to protect the nation's security.

HTSUS:

The Harmonized Tariff Schedule of the United States (HTSUS) is the primary resource for determining tariff classifications for goods imported into the United States. Goods are classified for the purpose of calculating the appropriate import duties. The HTSUS classifies a good based on its name, use, and/or the material used in its construction and assigns it a 10-digit number. There are over 17,000 10-digit HTSUS classification code numbers. The tariff schedule has 99 chapters under 22 sections and various appendices. Raw materials or basic substances generally appear in the early chapters and in earlier headings within a chapter, whereas highly processed goods and manufactured articles appear in later chapters and headings. The United States International Trade Commission is responsible for periodically updating the HTSUS.

MFN:

Most-favored nation refers to the principles under the World Trade Organization (WTO) agreements, wherein countries cannot normally discriminate between their trading partners. Grant one country a special favor (such as a lower customs duty rate for one of their products) and you have to do the same for all other WTO members.

Some exceptions are allowed. For example, countries can set up a free trade agreement that applies only to goods traded within the group, they can give developing countries special access to their markets, or they can raise barriers against products that are considered to be traded unfairly from specific countries. However, the agreements only permit these exceptions under strict conditions. In general, MFN means that every time a country lowers a trade barrier or opens up a market, it has to do so for the same goods or services from all its trading partners.

Origin:

The origin of the main component of a manufactured good being imported under CAFTA-DR is the physical location where the material was produced. Non-manufactured primary commodities might be harvested, fished, or mined. A manufactured product qualifies as originating in CAFTA-DR if it has been either produced entirely within the geopolitical boundaries of the signatory member countries, or if it has been produced in the CAFTA-DR region using non-originating materials that satisfy the CAFTA-DR rule of origin in Annex 4.1 of the agreement.

The general rules of origin mandated by the agreement apply only to the component that determines the tariff classification of a good. As discussed on page 7 of this manual, the component that determines the classification of a good is the material that makes up the greatest proportion of the primary surface of a garment, and constitutes its “essential character.”

However, as pointed out on page 8 of this manual, CAFTA-DR regulations also dictate that the visible lining, narrow elastic fabric, sewing thread, and pocketing fabric of a garment being imported under CAFTA-DR originate in member countries as well. These items must have been produced either entirely within the CAFTA-DR region, or using non-originating materials that satisfy the tariff shift rules of origin. Such rules concerning the visible lining, narrow elastic fabric, sewing thread, and pocketing fabric of garments are known as exceptions to the “component that determines classification” rule, because even though the concerned items are secondary garment parts and not components that determine the classification of an imported garment, these items must nevertheless qualify as originating from a CAFTA-DR member country.

Tariff Shift:

A tariff shift is a change in tariff classification. A change in tariff classification may be from one heading in a chapter to another heading in the same chapter. Some changes may be from one chapter to another chapter.

I. Hypothetical Case Study: Importing Cotton Apparel into the United States Under CAFTA-DR

Hipster Brand, a buyer in the U.S., wants 5,000 pairs of men's denim trousers. Looking to take advantage of CAFTA-DR duty-free benefits, they decide to place the order with Hemisphere Denim, a full-package vendor based in Guatemala. Hemisphere Denim has extensive experience exporting to the United States under CAFTA-DR, and they know how to source their inputs from the region. They live by the motto "Don't cut until you have all the documents in place."

Hemisphere Denim's supply chain begins in Lubbock, Texas, where the cotton used to make denim is grown. The raw cotton is then trucked overland to Peach Tree Yarns in Jefferson, Georgia, to be spun into yarn. Peach Tree Yarns makes sure to keep the transportation records for the cotton and the production records for each batch of yarn, and the plant manager signs an affidavit describing the yarn and swearing that it was spun in the U.S. Peach Tree Yarns provides all of these documents to Hemisphere Denim in case U.S. Customs sends them Form 28, a request for information.

Peach Tree's export manager, Jen, prepares a CAFTA certification document. Although there is no set format for the CAFTA certification, she has created her own template and knows that it needs to include the names, addresses, phone numbers, and email addresses of the importer, exporter, and producer; a description of the goods; and the HTSUS classification to at least six digits. She also knows that it needs to identify the shipment covered by the certification, and include a certifying statement and the applicable rule of origin. Jen signs and dates the certification and notes her position, address, phone number, and email address. Peach Tree Yarns is now ready to ship the finished yarn to Hemisphere Denim in Guatemala. It makes sure to keep its export documentation in case customs asks for it.

Hemisphere Denim receives Peach Tree's cotton yarn and keeps the bill of lading and the import documentation for the shipment, knowing it may have to prove that the shipment coincides with the production timeline for the fabric. Hemisphere Denim weaves Peach Tree's yarn into fabric and finishes it at its mill outside of Guatemala City. The plant manager signs an affidavit describing the fabric and swearing that it was produced in Guatemala. Hemisphere Denim then trucks the finished fabric to their subcontracted cut-and-sew facility, Fábrica Buena, in Guatemala City.

Meanwhile, a factory in El Salvador, Hilados Salvadoreños, has produced the sewing thread that Hemisphere Denim will use for the Hipster Brand jeans order. Hilados Salvadoreños also uses cotton from Lubbock, Texas, and along with the finished sewing thread, provides Hemisphere Denim with an affidavit describing the thread and swearing it was produced in El Salvador. The Export Manager prepares a CAFTA certification for the thread, and the shipment is sent to Fábrica Buena in Guatemala City. Hilados

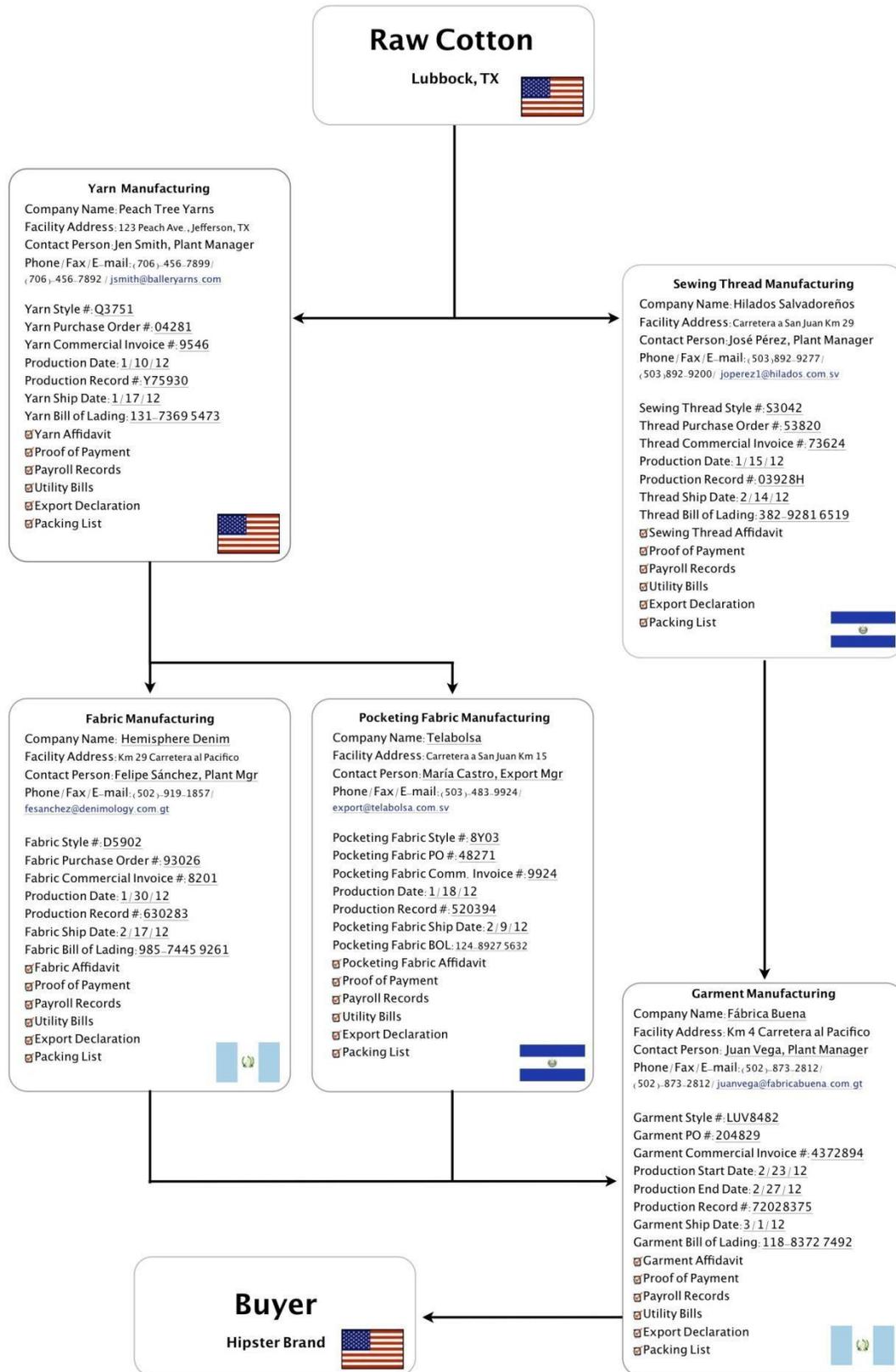
Salvadoreños makes sure to keep the production records for that shipment organized and easily accessible, in case they need to prove that they produced that thread.

At the same time, another factory in El Salvador, Telabolsa, uses Peach Tree Yarn to weave fabric that can be used for the pocket bags of the Hipster Brand jeans. Telabolsa follows all of the same documentation procedures as Hilados Salvadoreños because CAFTA requires all pocket bag fabric to originate in the region.

Fábrica Buena receives the denim fabric from Hemisphere Denim, the sewing thread from Hilados Salvadoreños, and the pocketing fabric from Telabolsa, and cuts and sews 5,000 pairs of jeans. Hemisphere Denim has a long-standing relationship with Fábrica Buena, and the plant manager knows to keep all of his cut orders and sew orders, and even his utility bills, in case U.S. Customs requests this information. Some subcontractors are not educated about these practices, but Hemisphere Denim has spent time training their subcontractors in the importance of CAFTA-DR compliance. When the jeans are ready to ship to the U.S., the plant manager at Fábrica Buena signs an affidavit describing the garments and swearing that they were produced in Guatemala.

The export manager at Hemisphere Denim takes all of the affidavits, purchase orders, commercial invoices, and transportation records to the Executive Office of Textiles and Apparel Quotas in Guatemala City. The quota office issues a certificate of origin for the jeans. This will serve the same purpose as the CAFTA certification for entry into the U.S. If the jeans had been produced in another country, the vendor would have had to prepare a CAFTA certification, but because U.S. Customs recognizes the Guatemalan government's document as extremely thorough, they will accept it.

Hemisphere Denim ships the 5,000 pairs of jeans to Hipster Brand and they enter in Miami. Hipster Brand is an established and trusted importer of record, but even so, Miami customs is not sure the shipment qualifies for duty-free treatment under CAFTA. Miami CBP issues Form 28 to request more information. Luckily, Hipster Brand has spent extensive time educating their vendors, including Hemisphere Denim. When the Form 28 is issued, Hemisphere Denim is able to quickly provide all of the affidavits from its suppliers, as well as the payment, production and transportation records to back up the affidavits. Along with this information, they provide CBP with a "road map" (see below) that clearly delineates the entire production process. CBP appreciates how easy it is for them to analyze the documents and lets Hipster Brand's shipment into the U.S. duty-free.



IV. Documentary Samples

**US-Dominican Republic-Central American Free Trade Agreement
Textile Certificate of Origin**

1. Exporter Name & Address:		2. Producer Name & Address:	
3. Importer Name & Address:		4. U.S. / CAFTA Fabric Producer Name & Address:	
5. Description of Article: HTS Code:		6. U.S. / CAFTA Yarn Producer Name & Address:	
7. CAFTA – Preference Criteria Please Check One CAFTA Originating Good – GN 29 (b)(iii) <input type="checkbox"/> Tariff Shift Qualifying Good – GN 29 (b)(ii) <input type="checkbox"/> Duty on Value Added – GN 29 (d)(iv) <input type="checkbox"/> CAFTA Short Supply – US Note 20 (a)() to Chapter 98, Subchapter XXII HTSUS <input type="checkbox"/>		8. U.S. / CAFTA Thread Producer Name & Address:	
<input type="checkbox"/> Apparel knit to shape from U.S. or regional yarn and knitted or crocheted apparel cut and assembled from regional or U.S. fabrics made from U.S. or regional yarn, using U.S. or regional thread <input type="checkbox"/> Apparel cut and assembled in one or more CAFTA beneficiary countries from fabrics or yarn not formed in the U.S. or one or more CAFTA beneficiary countries (as identified in NAFTA) or designated as not available in commercial quantities in the U.S. (short supply), using U.S. or regional thread <input type="checkbox"/> Apparel cut and assembled in one or more CAFTA beneficiary countries from fabric or yarn formed in Mexico or Canada (Cumulative Provision), using U.S. or regional thread <input type="checkbox"/> Apparel cut and sewn from U.S. formed fabric, or from U.S. knit-to-shape components made with non-originating yarn, using U.S. or regional thread			
I certify that: The information on this document is true and accurate and I assume responsibility for proving such representations. I understand that I am liable for any false statements or material omissions made on or in connection with this document; I agree to maintain, and present upon request, documentation necessary to support this certification, and to inform, in writing, all persons to whom the certificate was given of any changes that could affect the accuracy or validity of this certification; The goods originated in the territory of one or more of the parties, and comply with the origin requirements specified for those goods in the United States-Dominican Republic-Central America Free Trade Agreement, there has been no further production or any other operation outside the territories of the parties, other than unloading, reloading, or any other operations necessary to preserve it in good condition or to transport the good to the United States			
10. Authorized Signature:		11. Company:	
12. Name (print or type):		13. Title (must be an officer of the corporation):	
14. Date: (DD/MM/YY)	15. Blanket Period	16. Telephone:	

**CAFTA-DR
Certificate of Origin**

1. Importer Name, Address, Phone & Email		3. Exporter Name, Address, Phone & Email	
2. Producer Name, Address		4. Preference Criterion	
5. Invoice #:			
Style # or Part #	Description	Tariff Number	
CAFTA Preference Criteria 1. The good is a good wholly obtained or produced entirely in the territory of one or more of the parties to the Agreement 2. The good was produced entirely in the territory of one or more parties to the Agreement and each of the non-originating materials used in the production of the good undergoes an applicable change in tariff classification specified in subdivision. 3. The good was produced entirely in the territory of one or more parties to the Agreement and satisfies any applicable regional value content or other requirements specified in subdivision (n) of HTS General Note 29 4. The good was produced entirely in the territory of one or more of the parties to the Agreement except for some originating materials <i>Fields 6-8 must be completed for textiles and wearing apparel:</i>			
6. Fabric Producer Name & Address:	7. Yarn Producer Name & Address:	8. Thread Producer Name & Address:	
9. Certification: I certify that: The information on this document is true and accurate and I assume responsibility for proving such representations. I understand that I am liable for any false statements or material omissions made on or in connection with this document; I agree to maintain, and present upon request, documentation necessary to support this certification, and to inform, in writing, all persons to whom the certificate was given of any changes that could affect the accuracy or validity of this certification; The goods originated in the territory of one or more of the parties, and comply with the origin requirements specified for those goods in the United States-Dominican Republic-Central America Free Trade Agreement, there has been no further production or any other operation outside the territories of the parties, other than unloading, reloading, or any other operations necessary to preserve it in good condition or to transport the good to the United States This certification consists of _____ page, including all attachments.			
10. Authorized Signature:		11. Company:	
12. Name (print or type):		13. Title (must be an officer of the corporation):	
14. Date: (DD/MM/YY)	15. Blanket Period	16. Telephone:	

No.

Certificate of Origin for Fabric and Yarn

I (Name) as (Title) from (Company), do hereby certify that the FABRIC and YARN described below was sold to (Company) during the period from (Date) to (Date) and manufactured as described below:

The fabric was produced under the following conditions:

Information of the Yarn Producer:

Yarn 1

Name of the Company:
Address:

Telephone:
Type of Yarn:
Name and description of Yarn:
REF: Invoice No.:

Yarn 2

Name of the Company:
Address:

Telephone:
Type of Yarn:
Name and description of Yarn:
REF: Invoice No.:

Information of the Fabric Producer:

Name of the Company:
Address:

Telephone:

Style/PO. No.:

Name and Description of the Fabric:

REF: Invoice No.:

Information of the Company who Dyed the Fabric:

Name of the Company:
Address:

Telephone:

I certify that: The information on this document is true and accurate. I assume the responsibility for providing such representations. I understand that I am liable for any false statements or material omissions made on connection with this document. I agree to maintain, and present upon request, documentation necessary to support this certification and inform in writing all persons to whom the certificate was given of any changes that could affect the accuracy or validity of this certification.

Signature: _____

Date: _____

Multiple Country Declaration

We, (company name). Declare that the articles described in this form, covered by the invoice or entry to which this declaration relates, were imported from countries identified below on the dates listed and were subject to assembling, manufacturing or processing operations, and/or incorporate, materials originating in the foreign countries or the USA. I declare that the information set for this declaration is corrected and true to the best of my information, knowledge, and belief.

Mark of Identification numbers	Description of articles and quantity	Description of manufacturing and/or processing operation	Description of manufacturing and/or processing	Material		
				Description of material	Country of Production	Date of Import
		A. Cutting of binding, Sewing Finishing & Packing	A	Fabric Thread Yarn		

Date:

Signature:

Title:

Company:

Address:

Bill of Lading

TRAILER/CAR NUMBER: _____
 BILL DATE: _____

TO	FROM
Consignee	Shipper
Street	Street
Destination	Origin
City/State/Zip	City/State/Zip
Route	Special Instructions

FOR PAYMENT, SEND BILL TO	SHIPPER'S INSTRUCTIONS
Name	
Company	
Street	
City/State/Zip	

NO. SHIPPING UNITS	TIME	DESCRIPTION OF ARTICLES SPECIAL MARKS & EXCEPTIONS	WEIGHT	RATE	CHARGES

REMIT C.O.D.	C.O.D. AMOUNT: \$	C.O.D. FEE PREPAID <input type="checkbox"/> COLLECT <input type="checkbox"/>
TO: ADDRESS:	If this shipment is to be delivered to the consignee without recourse on the consignor, the consignor shall sign the following statement. The carrier shall not make delivery of this shipment without payment of freight and all other lawful charges. _____ (Signature of Consignor)	TOTAL CHARGES \$
NOTE: Where the rate is dependent on value, shippers are required to state specifically in writing the agreed or declared value of the property. The agreed or declared value of the property is hereby specifically stated by the shipper to be not exceeding \$ _____ per _____		Freight Charges are collect unless marked prepaid CHECK BOX IF PREPAID <input type="checkbox"/>

RECEIVED subject to the classifications and terms in effect on the date of the issue of this Bill of Lading, the property described above in apparent good order, except as noted (contents and condition of packages unknown), marked consigned and destined as indicated above which said carrier (the word carrier being understood through this contract as meaning any person or corporation in possession of the property under the contract) agrees to carry to its usual place of delivery as said destination. If on its route, otherwise to deliver to another carrier on the route to said destination, it is mutually agreed as to each carrier of all or any of said property, over all or any portion of said route to destination and as to each party at any time interested in all or any said property, that every service to be performed hereunder shall be subject to all the Bill of Lading terms and conditions in the governing classification on the date of shipment. Shipper hereby certifies that he is familiar with all the Bill of Lading terms and conditions in the governing classification and the said terms and conditions.

Shipper	Carrier
Per	Per
	Date:

Mark with "X" or "RG" if appropriate to designate Hazardous Material substances as defined in the Department of Transportation Regulations governing the transportation of hazardous materials. The use of this column is an optional method for identifying hazardous materials on Bills of Lading 172.201(a)(1)(ii) of Title 49, Code of Federal Regulations. Also when shipping hazardous materials, the shipper's certification statement prescribed in section 172.204(a) of the Federal Regulations, as indicated on the Bill of Lading does apply, unless a specific exception from the requirement is provided in the Regulation for a particular material.

Sample Form 28

DEPARTMENT OF HOMELAND SECURITY
U.S. Customs and Border Protection

OMB No. 1651-0023
Exp. 03-31-2014

REQUEST FOR INFORMATION

19 CFR 151.11

		1. Date of Request	
		2. Date of Entry and Importation	
3. Manufacturer/Seller/Shipper		4. Carrier	
		5. Entry No.	
5a. Invoice Description of Merchandise		5b. Invoice No.	6. HTSUS Item No.
7. Country of Origin/Exportation		8. CBP Broker and Reference or File No.	
9. TO:		10. FROM:	
<p>Production of Documents and/or Information Required by Law: If you have provided the information requested on this form to U.S. Customs and Border Protection at other ports, please indicate the port of entry to which it was supplied, and furnish a copy of your reply to this office, if possible.</p>		➔	11a. Port
		11b. Date Information Furnished	
General Information and Instructions on Reverse			
12. Please Answer Indicated Question(s)		13. Please Furnish Indicated Item(s)	
<input type="checkbox"/> A. Are you related (see reverse) in any way to the seller of this merchandise? If you are related, please describe the relationship, and explain how this relationship affects the price paid or payable for the merchandise.	<input type="checkbox"/> A. Copy of contract (or purchase order and seller's confirmation thereof) covering this transaction, and any revisions thereto.		
<input type="checkbox"/> B. Identify and give details of any additional costs/expenses incurred in this transaction, such as: <input type="checkbox"/> (1) packing <input type="checkbox"/> (2) commissions <input type="checkbox"/> (3) proceeds that accrue to the seller <input type="checkbox"/> (4) assists <input type="checkbox"/> (5) royalties and/or license fees	<input type="checkbox"/> B. Descriptive or illustrative literature or information explaining what the merchandise is, where and how it is used, and exactly how it operates.		
	<input type="checkbox"/> C. Breakdown of components, materials, or ingredients by weight and the actual cost of the components at the time of assembly into the finished article.		
	<input type="checkbox"/> D. Submit samples: Article number and description _____ _____ from container _____ mark(s) and number _____ Samples consumed in analysis, and other samples whose return is not specifically requested, will not normally be returned.		
	<input type="checkbox"/> E. See item 14 below.		
14. CBP Officer Message			
15. Reply Message (Use additional sheets if more space is needed.)			
16. CERTIFICATION	It is required that an appropriate corporate/company official execute this certificate and/or endorse all correspondence in response to the information requested. (NOTE: NOT REQUIRED IF FOREIGN FIRM COMPLETES THIS FORM.)		
I hereby certify that the information furnished herewith or upon this form in response to this inquiry is true and correct, and that any samples provided were taken from the shipment covered by this entry.	16a. Name and Title/Position of Signer (Owner, Importer, or Corporate/Company Official)	16b. Signature	
		16c. Telephone No.	16d. Date
17. CBP Officer		18. Team Designation	19. Telephone No.

Sample Form 29

DEPARTMENT OF HOMELAND SECURITY CUSTOMS AND BORDER PROTECTION 19 CFR 152.2		NOTICE OF ACTION <i>This is NOT a Notice of Liquidation</i>		1. DATE OF THIS NOTICE
2. CARRIER	3. DATE OF IMPORTATION	4. DATE OF ENTRY	5. ENTRY NO.	
6. MFR/SELLER/SHIPPER	7. COUNTRY	8. CUSTOMS BROKER AND FILE NO.		
9. DESCRIPTION OF MERCHANDISE				
10. TO		11. FROM		
12. THE FOLLOWING ACTION, WHICH WILL RESULT IN AN INCREASE IN DUTIES, — <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> IS PROPOSED </div> <div style="width: 65%;"> IF YOU DISAGREE WITH THIS PROPOSED ACTION, PLEASE FURNISH YOUR REASONS IN WRITING TO THIS OFFICE WITHIN 20 DAYS FROM THE DATE OF THIS NOTICE. AFTER 20 DAYS THE ENTRY WILL BE LIQUIDATED AS PROPOSED. </div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> HAS BEEN TAKEN </div> <div style="width: 65%;"> THE ENTRY IS IN THE LIQUIDATION PROCESS AND IS NOT AVAILABLE FOR REVIEW IN THIS OFFICE. </div> </div>				
TYPE OF ACTION				
A. <input type="checkbox"/> RATE ADVANCE				
B. <input type="checkbox"/> VALUE ADVANCE				
C. <input type="checkbox"/> EXCESS <input type="checkbox"/> WEIGHT <input type="checkbox"/> QUANTITY				
D. <input type="checkbox"/> OTHER (<i>See below</i>)				
13. EXPLANATION (Refer to Action letter designations above)				
14. CUSTOMS OFFICER (Print or Type)		15. TEAM DESIGNATION		16. TELEPHONE

Sources

I. Primary Research: Interviews

February 1-2, 2012 – Washington D.C.

- **USA-ITA (Association of Importers of Textiles and Apparel)**
Julia Hughes, USA-ITA President
David Spooner, USA-ITA Washington Counsel, Squire Sanders
- **OTEXA (Office for Textiles and Apparel)**
Kim Glas, Deputy Assistant Secretary for Textiles and Apparel, U.S. Department of Commerce
- **Customs and Border Protection**
John Leonard, Director, Textile/Apparel Policy and Programs, Office of International Trade
Jackie Sprungle, Chief, Textile and Policy Branch
- **Embassy of Guatemala**
Jose Lambour, Commercial Attaché
- **U.S. Department of Agriculture**
Shethir Riva, Chief, Research and Promotion Cotton and Tobacco Programs
- **International Trade Commission**
Kim Freund, International Trade Analyst, Office of Industries
Andrea Boron, International Trade Analyst, Office of Industries
- **U.S. Trade Representative**
Gail Strickler, Assistant U.S. Trade Representative, Office of Textiles

February 11-17, 2012 – New York, NY

- **Fashion Institute of Technology**
Margaret Bishop, Adjunct Instructor, International Trade and Marketing for the Fashion Industries and the Textile Development and Marketing departments
Patrick Yanez, Assistant Professor, International Trade and Marketing for the Fashion Industries
- **U.S. Department of Commerce**
Maria Dybczak, Senior Policy Advisor, Office of Textiles and Apparel

February 22-24, 2012 – Guatemala

- **Liztex**
Saúl Mishaan
- **The U.S. Embassy, Trade Department**
Barnett G. Sporkin-Morrison, Agricultural Attaché and Acting Senior Commercial Officer

- **Vestex**
Karin De Leon, Market Access, Vestex Commission
- **Ministry of the Economy/Administration Office for Textile Agreements**
Sergio Lopez, Free Trade Agreement Administration Office Manager
- **CSA Trading**
Emily Ham, Export and Import Manager
Gabriela Valdez
- **Denimatrix**
Carlos Arias, President
Paulo Aldana, Textile and Trims Manager
Claudia Pérez, Logistics and Purchasing Manager

March 5, 2012 – Jamaica, NY

- **American Cargo Express**
Christina Murray, Licensed Customs Broker

March 19, 2012 – Jefferson, GA

- **Buhler Yarns**
David Sasso, Vice President, Sales
Victor Almeida, Textile Engineer, Sales and Customer Support

March 21, 2012 – New York, NY

- **Denimatrix**
Roberto Rosenberg, Commercial Director

March 28, 2012 – New York, NY

- **Anvil Knitwear**
Rita Luppino, Sustainability and Social Media Associate
Patty Peacock, Import/Export Manager

June 5-7, 2012 – Costa Rica

- **Casino**
Gustavo Mendez, Export and Import Manager Daniel
Goicoechea, Commercial Manager
- **Costa Rica Textile Chamber (CATECO)**
Rodolfo Molina, President
- **Tecnología Textil De Costa Rica/Textiles JB**
Andrés Beita, Exports Manager
Jesús Beita, Administrator
Mario E. Brenes R., Sales Manager
- **Costa Rican–American Chamber of Commerce (AMCHAM)**

Catherine Reuben, Executive Director

- **Confecciones Bor Kar**
Michael Borg, President
Gabriela Escalante Madrigal

June 25, 2012 – New York, NY

- **U.S. Customs and Border Protection**
Rosemarie C. Hayward, National Import Specialist

July 9, 2012 – Miami

- **U.S. Customs and Border Protection, Import Specialist Branch**
Roslyn J. Haynes, Supervisor Import Specialist, Textiles
Kelli R. Thompson, Senior Import Specialist
Maria Couillard
- **DHL Customs Broker**
Christopher Mira, Brokerage and Ocean Import Manager
L. Frank Reyes, Director Business Development
Marilyn Chirole, Brokerage Supervisor
Jackie Pacheco, Denimatrix Transportation Director
- **Miami Seaport Facility**
Robin Schmaltz, Chief
Gregg Stillman, Customs and Border Protection Officer

July 10, 2012 – El Salvador

- **Grupo Merlet**
Samuel Echegoyen, Traffic Manager
Ligia Flores, Full Package Manager
Jaime Alvarez, Account Manager

September 11, 2012 – New York, NY

- **Levi's**
Kim Shern, Customs Compliance Manager

October 8, 2012 – Lubbock, TX

- **Plains Cotton Cooperative Association**
Wally Darnell, President and CEO
Charley Triplett, Director of Marketing Communications
Emma Matkin, Marketing Communications Area Manager
- **American Cotton Growers**
John T. “Chip” Higgins, Industrial Engineer
Natalia Muñoz-Moore, Director of Human Resources

- **Liberty Co-op Gin**
Loree Sperry, Director of Operations

II. Secondary Research: Bibliography

Johnson, Thomas E. *Export/Import Procedures and Documentation*. 4th ed. New York: AMACOM, 2002.

Mason, Marcy. "Trust, but Verify." *Frontline*. Volume 5, Issue 2. (2012): 8-14. Print.

Shibles, Elise. "CAFTA-DR for Textiles and Apparel Webinar." Sandler, Travis & Rosenberg, P.A., 28 February 2012. Online Seminar.

Shibles, Elise. "CAFTA-DR Technical Fixes and Record-Keeping Updates Webinar." Sandler, Travis & Rosenberg, P.A., 9 October 2012. Online Seminar.

Shibles, Elise. "Textiles & Apparel FTA Documentation Webinar." Sandler, Travis & Rosenberg, P.A., 29 March 2012. Online Seminar.

United States Government. Department of Homeland Security. U.S. Customs and Border Protection. "Textile and Apparel Rules Under Free Trade Agreements and Preference Programs." USA-ITA. July 2012. 1 Oct. 2012.
<http://www.usaita.com/pdf_files/CBP_Texworld_FTAs%20How%20To_July%202012.pdf>

III. Websites for Further Information

CBP: Customs and Border Protection

www.CBP.gov

CBP's "How Do I Read Tariff Shift Rules?"

http://cbp.gov/linkhandler/cgov/trade/trade_programs/textiles_and_quotas/fta_training/tariff_shift.ctt/tariff_shift.pdf

CBP's Overview on "Importing into the United States"

<http://www.cbp.gov/linkhandler/cgov/newsroom/publications/trade/iius.ctt/iius.pdf>

CITA: Committee for Implementation of Textile Agreements

<http://otexa.ita.doc.gov/cita.htm>

CROSS: Customs Rulings Online Search System <http://rulings.cbp.gov/>

Full List of Short Supply Items

<http://web.ita.doc.gov/tacgi/CaftaReqTrack.nsf/aa4a8d4e4e834fe4852572c700477f2e/f30332701dfb867f852572c70047dfa0?OpenDocument>

Harmonized Tariff Schedule of the United States (HTSUS) by chapter

<http://www.usitc.gov/tata/hts/bychapter/index.htm>

HTS subheading 9822.05.10

<http://www.faqs.org/rulings/tariffs/98220510.html>

HTSUS General Notes

<http://www.usitc.gov/publications/docs/tata/hts/bychapter/1000gntoc.htm>

HTSUS General Notes 29

<http://www.usitc.gov/publications/docs/tata/hts/bychapter/1000gn.pdf#page=459>

ITA: International Trade Administration www.trade.gov/

OTEXA: Office of Textiles and Apparel – Department of Commerce

www.otexa.ita.doc.gov/

Summaries of CAFTA-DR along with the Final Text of the agreement

<http://www.ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominicanrepublic-central-america-fta>

USA-ITA: United States Association of Importers of Textiles and Apparel www.usaita.com/

USITC: United States International Trade Commission www.usitc.gov/

USTR: Office of the United States Trade Representative www.ustr.gov/