

ADDRESSES: Written comments are to be addressed to the U.S. Customs Service, Office of Regulations and Rulings, Attention: Regulations Branch, 1300 Pennsylvania Avenue, NW., Washington, DC 20229. Submitted comments may be inspected at U.S. Customs Service, 799 9th Street, NW., Washington, DC.

FOR FURTHER INFORMATION CONTACT: *Operational issues:* Robert Abels, Office of Field Operations (202-927-1959). *Legal issues:* Cynthia Reese, Office of Regulations and Rulings (202-572-8790).

SUPPLEMENTARY INFORMATION:

Background

Textile and Apparel Articles Under the Caribbean Basin Economic Recovery Act

The Caribbean Basin Economic Recovery Act (the CBERA, also referred to as the Caribbean Basin Initiative, or CBI, statute, codified at 19 U.S.C. 2701-2707) instituted a duty preference program that applies to exports of goods from those Caribbean Basin countries that have been designated by the President as program beneficiaries. On May 18, 2000, the President signed into law the Trade and Development Act of 2000, Public Law 106-200, 114 Stat. 251, which included as Title II the United States-Caribbean Basin Trade Partnership Act, or CBTPA. The CBTPA provisions included section 211 which amended section 213(b) of the CBERA (19 U.S.C. 2703(b)) in order to, among other things, provide in new paragraph (2) for the preferential treatment of certain textile and apparel articles, specified in subparagraph (A), that had previously been excluded from the CBI duty-free program. The preferential treatment for those textile and apparel articles under paragraph (2)(A) of section 213(b) involves not only duty-free treatment but also entry in the United States free of quantitative restrictions, limitations, or consultation levels.

Sections 10.221 through 10.227 of the Customs Regulations (19 CFR 10.221 through 10.227) set forth the legal requirements and procedures that apply for purposes of obtaining preferential treatment of textile and apparel articles pursuant to the provisions added to section 213(b) by the CBTPA. Those regulations were adopted on an interim basis in T.D. 00-68, published in the **Federal Register** (65 FR 59650) on October 5, 2000, and took effect on October 1, 2000. Action to adopt those interim regulations as a final rule was withheld pending anticipated action on the part of Congress to amend the underlying statutory provisions.

Trade Act of 2002 Amendments

On August 6, 2002, the President signed into law the Trade Act of 2002 (the "Act"), Pub. L. 107-210, 116 Stat. 933. Section 3107(a) of the Act made a number of changes to the textile and apparel provisions of paragraph (2)(A) of section 213(b) of the CBERA. The amendments made by section 3107(a) of the Act were as follows:

1. The article description in the introductory text of paragraph (2)(A)(i) was amended to refer to apparel articles "sewn or otherwise" assembled and to include a reference to articles assembled "from components knit-to-shape." The amended statutory text reads as follows:

Apparel articles sewn or otherwise assembled in one or more CBTPA beneficiary countries from fabrics wholly formed and cut, or from components knit-to-shape, in the United States from yarns wholly formed in the United States, (including fabrics not formed from yarns, if such fabrics are classifiable under heading 5602 or 5603 of the HTS and are wholly formed and cut in the United States) that are * * *.

2. At the end of paragraph (2)(A)(i), two new sentences were added to provide that apparel articles entered on or after September 1, 2002, will qualify for preferential treatment under paragraph (2)(A)(i) only if, in the case of knit fabrics and woven fabrics, all dyeing, printing, and finishing of the fabrics from which the articles are assembled is carried out in the United States. This dyeing, printing, and finishing provision, which applies equally to the articles covered by paragraph (2)(A)(i)(I) and to the articles covered by paragraph (2)(A)(i)(II), reads as follows:

Apparel articles entered on or after September 1, 2002, shall qualify under the preceding sentence only if all dyeing, printing, and finishing of the fabrics from which the articles are assembled, if the fabrics are knit fabrics, is carried out in the United States. Apparel articles entered on or after September 1, 2002, shall qualify under the first sentence of this clause only if all dyeing, printing, and finishing of the fabrics from which the articles are assembled, if the fabrics are woven fabrics, is carried out in the United States.

3. The article description in paragraph (2)(A)(ii) was reorganized in order to accommodate the addition of references to apparel articles "sewn or otherwise" assembled and to apparel articles assembled "from components knit-to-shape in the United States from yarns wholly formed in the United States." In addition, the same dyeing, printing, and finishing language described above was added at the end of this paragraph. The amended paragraph (2)(A)(ii) text reads as follows:

Apparel articles sewn or otherwise assembled in one or more CBTPA beneficiary countries with thread formed in the United States from fabrics wholly formed in the United States and cut in one or more CBTPA beneficiary countries from yarns wholly formed in the United States, or from components knit-to-shape in the United States from yarns wholly formed in the United States, or both (including fabrics not formed from yarns, if such fabrics are classifiable under heading 5602 or 5603 of the HTS and are wholly formed in the United States). Apparel articles entered on or after September 1, 2002, shall qualify under the preceding sentence only if all dyeing, printing, and finishing of the fabrics from which the articles are assembled, if the fabrics are knit fabrics, is carried out in the United States. Apparel articles entered on or after September 1, 2002, shall qualify under the first sentence of this clause only if all dyeing, printing, and finishing of the fabrics from which the articles are assembled, if the fabrics are woven fabrics, is carried out in the United States.

4. The quantitative limitation provisions for knit apparel set forth in paragraphs (2)(A)(iii)(II) and (2)(A)(iii)(IV) were revised. These statutory changes do not affect the regulatory provisions and therefore are not dealt with in this document.

5. In paragraph (2)(A)(iv) which covers brassieres, subclause (I) was amended by the addition of exception language regarding articles covered by certain other clauses under paragraph (2)(A). In addition, subclauses (II) and (III), which set forth 75 and 85 percent U.S. fabric content requirements that apply to articles described in subclause (I) beginning on October 1, 2001, were amended by replacing each reference to "fabric components" with "fabrics," by adding exclusion language regarding findings and trimmings after each reference to fabric(s), and by adding various references to articles that are "entered" and that are "eligible" under clause (iv). Since the subclause (II) and (III) provisions were not dealt with in T.D. 00-68 but rather were the subject of a separate interim rule document (see T.D. 01-74 published in the **Federal Register** at 66 FR 50534 on October 4, 2001), the changes which section 3107(a) of the Act made to those provisions similarly will be dealt with in a separate rulemaking procedure. Accordingly, this document addresses only that portion of paragraph (2)(A)(iv) text that was dealt with in T.D. 00-68, that is, subclause (I) which, as amended by section 3107(a) of the Act, reads as follows:

Subject to subclause (II), any apparel article classifiable under subheading 6212.10 of the HTS, except for articles entered under clause (i), (ii), (iii), (v), or (vi), if the article is both cut and sewn or otherwise assembled