

204(b). Paragraph (a) identifies the various groups of apparel and other textile articles described under paragraph (3)(B) of the statute and includes in the introductory text an “imported directly” requirement, consistent with the terms of the statute. Paragraph (b) sets forth rules regarding dyeing, printing, finishing, and other operations. Paragraph (c) covers the special rules contained in paragraph (3)(B)(vi) of the statute involving findings and trimmings and interlinings of foreign origin, the *de minimis* rule for yarns, and the rule for nylon filament yarn. Paragraph (d) explains what is meant by “imported directly.” The following specific points are noted regarding these regulatory texts:

1. Paragraph (a)(1) covers the various groups of apparel articles specified in paragraphs (3)(B)(i) and (3)(B)(ii) of the statute for preferential treatment individually (rather than in combination). Paragraph (a)(1)(i) corresponds to paragraph (3)(B)(i)(I) of the statute; paragraph (a)(1)(ii) corresponds to paragraph (3)(B)(i)(II) of the statute; paragraph (a)(1)(iii) corresponds to paragraph (3)(B)(i)(III) of the statute; and paragraph (a)(1)(iv) corresponds to paragraph (3)(B)(ii) of the statute. The following additional points are noted regarding these paragraph (a)(1) texts:

a. The regulatory text in paragraph (a)(1)(i) includes the provision in paragraph (3)(B)(i)(I) of the statute that any dyeing, printing, or finishing of knit or woven fabrics must take place in the United States. However, the regulatory text in this context refers to knitted “or crocheted” fabrics, in order to reflect tariff and trade usage, and also includes a reference to “fabric components produced from fabric” in order to (1) reflect the fact that apparel articles are most often assembled from apparel components rather than from fabrics and (2) clarify the Customs position that knitting to shape does not create a fabric but rather results in the creation of a component that is ready for assembly without having gone through a fabric stage.

b. The regulatory text in paragraph (a)(1)(ii) refers to llama, alpaca, “and/or” vicuña in order to ensure, consistent with what Customs believes is the intent, that these three materials may be present either singly or in combination with each other (for example, as a blend) for purposes of the chief value concept. It should also be noted that imported products containing vicuña are subject to specific admissibility requirements under regulations administered by the Fish and Wildlife Service of the U.S. Department of the

Interior; those regulations, set forth in 50 CFR part 17, were recently amended by a final rule document published in the **Federal Register** (67 FR 37695) on May 30, 2002, and questions regarding the admissibility of vicuña products under those regulations should be directed to the Fish and Wildlife Service.

c. Paragraph (a)(1)(iii) covers fabrics and yarns that are considered to be in “short supply” for purposes of Annex 401 of the NAFTA (that is, the fabrics or yarns are not required to be originating within the meaning of the NAFTA, if those fabrics or yarns undergo the specified tariff shift for that article and that article meets all other applicable requirements for an originating good). For example, sweaters of wool classified under subheading 6110.11.00 of the HTSUS that are knit to shape in a NAFTA country from 40 percent non-originating silk yarn and 60 percent originating wool yarn may qualify as originating goods because a tariff shift from silk yarn is allowed by the applicable tariff shift rule, but sweaters knit to shape from 40 percent originating silk yarn and 60 percent non-originating wool yarn will not qualify as originating goods because the non-originating wool yarn is classified under a heading (5106) from which a tariff shift is not allowed. The paragraph (a)(1)(iii) text also includes a parenthetical exclusion reference regarding articles classifiable under subheading 6212.10 of the HTSUS (that is, brassieres, which are specially treated in paragraph (3)(B)(v)(I) of the statute and paragraph (a)(4) of § 10.243 as discussed below). This exclusion language is necessary in order to avoid rendering meaningless the additional requirements that apply to brassieres under the statute (which are covered by § 10.248 as discussed below). Customs notes in this regard that the NAFTA Annex 401 rule for articles classified in subheading 6212.10 of the HTSUS requires only the performance of certain specified production processes (that is, “both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or more of the NAFTA parties”) and includes no requirements regarding the source of the fabrics or yarns. There is little logic in applying the short supply provision to a product where the NAFTA rule makes no mention of excluded materials. Thus, Customs believes that brassieres of subheading 6212.10, HTSUS, are not covered by paragraph (3)(B)(i)(III) of the statute and § 10.243(a)(1)(iii) of the regulations.

2. Paragraph (a)(2) covers combinations of two or more of the various groups of apparel articles

specified in paragraphs (3)(B)(i) and (3)(B)(ii) of the statute. The regulatory text uses the words “*exclusively*” from a combination of * * * in order to clarify the distinction between the combinations allowed under this provision and those allowed under the paragraph (a)(7) text discussed below.

3. Paragraph (a)(3) covers the handloomed, handmade, and folklore articles specified in paragraph (3)(B)(iv) of the statute.

4. Paragraph (a)(4) covers the apparel articles referred to in paragraph (3)(B)(v) of the statute and refers specifically to “brassieres” in order to explain the coverage of the HTSUS provision referred to in the statute. The regulatory text here reflects only the general product description of subclause (I) of paragraph (3)(B)(v) of the statute but also includes a cross-reference to new § 10.248, discussed below, which treats in detail the 75 and 85 percent U.S.-formed fabric requirements of subclauses (II) and (III).

5. Paragraphs (a)(5) and (a)(6) cover the two types of textile luggage referred to in paragraphs (3)(B)(vii)(I) and (3)(B)(vii)(II) of the statute.

6. Paragraph (a)(7) covers the apparel articles specified in paragraph (3)(B)(iii) of the statute. The text includes a reference to articles assembled “in part but not exclusively” from any of the fabrics or components described in paragraph (a)(1). This language is intended, in combination with the use of the word “*exclusively*” in paragraph (a)(1), to clarify the effect of the statutory limitation in paragraph (3)(B)(iii) regarding the use of fabrics or components described in paragraph (3)(B)(i), the intent of which appears to be to ensure that there is no overlap (that is, conflict) in product coverage between the two statutory provisions at issue.

7. Paragraph (b)(1) clarifies the Customs position regarding dyeing, printing, and finishing operations. In view of the specific mention of these processes in regard to knit and woven fabrics in paragraph (3)(B)(i)(I) of the statute and § 10.243(a)(1)(i) of the regulations, Customs believes that this clarification is necessary to explain the status of these processes in other contexts under the statute and regulations. The paragraph (b)(1) text provides that these processes may be performed on any yarn or fabric or component without affecting the eligibility of an article for preferential treatment, provided that the dyeing, printing, or finishing is performed only in the United States or in an ATPDEA beneficiary country, and subject to two conditions. As regards the general