Apparel, Footwear & Textiles Center of Excellence and Expertise

Industry Working Group

August 2012

Executive Summary

In a direct response to calls for more uniform and efficient trade facilitation and in collaboration with the Commercial Operations Advisory Committee (COAC) during government Fiscal Year (FY) 2011 (October 1, 2010 to September 30, 2011), CBP created two pilots, the Center of Excellence and Expertise (CEE) and the Account Executive (AE). The CEE pilot was established in November 2011 to enhance facilitation, improve enforcement efforts, and increase CBP's knowledge of the pharmaceutical industry, while the AE pilot was established to work with selected trusted partners in the electronics industry to facilitate trade. At the conclusion of the pilots, the AE concept was combined with the CEE to create new Centers to segment risk, facilitate trade for trusted partners, and develop comprehensive enforcement strategies. Expansion is now planned for nine Centers that will cover the full range of imports.

In June 2012, CBP announced that Apparel, Footwear and Textiles (AFT) would be a future Center, likely to be established during FY 2013 (October 1, 2012 to September 30, 2013). The AFT industry grouping would primarily include commodities such as textiles, wearing apparel, textile mill products, headwear, and footwear. The AFT CEE will be a virtual organization coordinated from one strategic location that will leverage technology to bring work to the Center. The AFT CEE will provide a single point of processing for participating importers, and serve as a resource to the broader trade community and to CBP's U.S. government partners.

The goals of the Center are to:

- Facilitate legitimate trade through effective risk segmentation,
- Utilize account-based methods to process trade,
- Expand partnerships and move more importers to trusted trader status,
- Increase industry-based knowledge within CBP (advance bi-directional education to raise industry knowledge, and engage industry groups and key stakeholders),
- Bring all of CBP's expertise to bear on a single industry in a virtual environment,
- Develop and implement comprehensive strategies to manage risk, and
- Enhance enforcement and address industry risks (leverage industry engagement to identify issues of mutual interest, to provide CBP with targeting, enforcement, and/or intelligence information, and to coordinate enforcement efforts by industry to address unique risks).

The benefits of the Center are substantial and game-changing. The CEE will eliminate unnecessary transactional work for compliant importers (trusted trader partners will see fewer cargo delays, reduced costs, and greater predictability), shift focus at ports of entry to high-risk shipments, provide single point of processing and contact for inquiries, and develop cross-functional expertise.

In order to begin to plan and develop a AFT CEE, in June 2012, in partnership with the trade, CBP requested that an industry working group convene to develop an industry profile, identify facilitation opportunities, describe industry risks, determine industry measures, and recommend a Center location. Key industry associations and stakeholders were invited to join the AFT Industry Working Group (IWG). AFT IWG members included:

- Mr. Stephen Lamar, American Apparel & Footwear Association (AAFA) - co-chair
- Mr. Robert Reeser, Assistant Director of Field Operations, Trade, New Orleans Field Office (CBP) – co-chair,
- Mr. Jonathan Gold, National Retail Federation (NRF),
- Mr. Nate Herman, Travel Goods Association (TGA),
- Ms. Julia K. Hughes, United States Association of Importers of Textiles and Apparel (USA-ITA),
- Mr. Cass Johnson, National Council of Textile Organizations (NCTO),
- Ms. Stephanie Lester, Retail Industry Leaders Association (RILA),
- Mr. Matt Priest, Footwear Distributors & Retailers of America (FDRA),
- Mr. Matthew Varner, on behalf of American Association of Exporters and Importers (AAEI), and
- Mr. Patrick Brosnahan, National Account Manager, Chicago (CBP).

The AFT IWG was tasked to prepare and submit an industry White Paper by August 15. The AFT IWG (1) reviewed and analyzed recent data for both aggregate and segmented AFT import line data, (2) created a survey to solicit industry input from companies importing textiles, apparel, and footwear, and (3) offered recommendations for the AFT CEE. The IWG members also participated in a discussion and CEE overview with CBP LA/LB Electronics Center Director Ms. Anne Maricich on July 19. Finally, after reviewing and analyzing the industry survey data and recommendations, the IWG members met in Washington, D.C. on August 1 to discuss findings from the survey data, further consider various issues related to the AFT CEE, prepare the final industry White Paper report, and address stakeholders' questions and concerns regarding the AFT CEE. IWG members were joined on August 1 by CBP HQ officials from both Office of Field Operations and Office of International Trade including Mr. John Leonard, Director, Textile/Apparel Policy and Programs, Mr. Tom Overacker, CEE Project Coordinator, Ms. Lori Whitehurst, Chief, Trade Agreements and Textile Operations Branch, and Ms. Mindy Wallace, Senior Management and Program Analyst, Office of Trade Relations.

This report reviews the import profile of the overall AFT industry, as well as each of the subsectors for apparel, footwear, and textiles. This industry represents more than $131 billion in annual U.S. imports, which equals about 5.85 percent of total U.S. imports. Forty-eight percent of all duties collected by CBP every year are assessed on apparel, footwear, and textile imports. .

This report identifies risk areas, facilitation opportunities, and metrics for the AFT CEEs.

Top risks that can be addressed by the CEE include:

- Lack of uniformity at ports,
- Denial of preferential treatment,
- Delays caused by OGAs (Other Government Agencies),
- Increased security exams,

- IPR enforcement,
- Fraud, and
- Tariff classification uncertainty.

Top facilitation opportunities include:

- Targeting enforcement resources on riskier shippers,
- Reducing exams and other burdens for highly compliant shippers,
- Expanding trusted trader programs and other measures to reduce exams/paperwork for highly-compliant companies, and
- Expanding training within CBP and with the AFT industry on key issues.

Key metrics to help achieve these goals include:

- Timely resolution of disputes,
- Timely performance of exams,
- Increased uniformity across ports, and
- Shortened time periods between entry and release.

This report makes recommendations regarding the physical location of the AFT CEE, even though, as a virtual entity, the IWG recognizes that the CEE will support the AFT industry nationwide. Noting as well the strong correlation between companies who import AFT products and companies who import other products in the consumer product and mass merchandising sector, the report recommends CBP examine ways, including possible co-location of these two CEEs, to facilitate cross pollination and draw upon shared expertise. Top recommendations, based on industry surveys, industry data, and other factors are that the AFT CEE should be located in (1) Los Angeles/Long Beach, (2) New York/Newark, (3) San Francisco, or (4) Seattle. A dissenting opinion from NCTO points to Miami instead of San Francisco or Seattle.

Introduction

In order to help with the development of the CEE, CBP requested key information from the AFT industry that would help guide it on how best to set up the CEE. CBP requested industry feedback and information regarding the following areas:

- Creating an overview and industry summary of the AFT industry,
- Identifying areas of risk within the AFT industry,
- Recognizing opportunities for facilitation in the AFT industry,
- Developing industry metrics for the AFT CEE, and
- Providing a recommendation for the AFT CEE's location.

The AFT CEE IWG members developed a survey to provide CBP with the required information, which was then distributed to stakeholders via the various trade associations and through other means. Stakeholders were requested to complete the confidential survey to share their perspective on the role of the CEEs. Survey respondents were invited to be frank and to share as much information as possible. The responses to each survey question were reviewed and consolidated, and the information does not reveal the specific comments from any individual company. More than 100 responses were received to the survey.

Industry teams by value and CEE development to date

Following is information about each of the nine industry sectors that will have a CEE. The sectors are listed below by value of imports during FY 2011.

- Petroleum, Natural Gas and Minerals ($412.1 billion or 18.35% of total U.S. import value; total duties paid were $218 million or .75% of all import duties paid), **CEE located in Houston**

- Information Technology and Consumer Electronics ($354.1 billion or 15.76% of total U.S. import value; total duties paid were $1.4 billion or 5.14% of all import duties paid), **CEE located in LA/LB**

- Automotive and Aerospace ($293.5 billion or 13.07% of total U.S. import value; total duties paid were $3 billion or 10.40% of all import duties paid), **CEE located in Detroit**

- Base Metals and Machinery ($289.2 billion or 12.87% of total U.S. import Value; total duties paid were $2.6 billion or 9.13% of all import duties paid)

- Pharmaceuticals, Health and Chemicals ($216.9 billion or 9.65% of total U.S. import value; total duties paid were $1 billion or 3.5% of all import duties paid), **CEE located in NY/Newark**

- Consumer Products and Mass Merchandisers ($184.7 billion or 8.22% of total U.S. import value; total duties paid were $4.1 billion, or 14.28% of all import duties paid)

- Industrial and Manufacturing Materials ($138.6 billion or 6.17% of total U.S. import value; total duties paid were $1.2 billion or 4.21% of all import duties paid)

- Apparel, Footwear and Textiles ($131.3 billion or 5.84% of total U.S. import value; total duties paid were $14 billion or 48.22% of all import duties paid), and

- Agriculture and Prepared Products ($112.3 billion or 5% of total U.S. import value; total duties paid were $923 million or 3.18% of all import duties paid).

It should also be noted that an additional sector (Special Provisions, which includes HTSUS Chapter 98 and 99) was also identified; the Special Provisions sector had $113.2 billion or 5.04% of total U.S. import value; total duties paid were $341 million or 1.18% of all import duties paid.

Part I

Overview and Industry summary

During FY 2011, the Apparel, Footwear and Textiles (AFT) industry comprised approximately 5.85% of total U.S. import line value; apparel, footwear, and textile, imports accounted for $131.3 billion total (total U.S. import value was approximately $2.2 trillion). The AFT industry faces the most significant duty rates of any industry. During FY 2011, 48% of all duties (or $14 billion) collected by CBP were on AFT imports.

Textiles, Wearing Apparel, and Footwear CEE Industry Working Group

In summer 2012, CBP asked several significant trade associations representing textile, wearing apparel, and footwear importers to participate, on behalf of its members, in the development of its new AFT CEE. Key stakeholders and industry associations include:

- American Apparel & Footwear Association (AAFA),
- American Association of Exporters and Importers (AAEI),
- Footwear Distributors & Retailers of America (FDRA),
- National Council of Textile Organizations (NCTO),
- National Retail Federation (NRF),
- Retail Industry Leaders Association (RILA),
- Travel Goods Association (TGA), and
- United States Association of Importers of Textiles and Apparel (USA-ITA).

CBP is in the process of establishing nine total CEEs by end of FY 2013. The CEEs continue CBP efforts to increase uniformity of practices across ports of entry, facilitate the timely resolution of trade compliance issues nationwide, and further strengthen critical agency knowledge on key industry practices. They represent CBP's expanded focus on "Trade in the 21st Century," transforming Customs procedures to align with modern business. By having the CEEs focus on industry-specific issues, CBP is able to provide tailored support to unique trading environments.

A joint CBP/Trade Industry Working Group (IWG) was tasked to develop the AFT CEE by identifying industry experiences, concerns, risks and practices; as well as make recommendation for location of AFT CEE. The IWG also reviewed and analyzed recent import data for both aggregate AFT and segmented totals. The following is a summary of the analysis of FY 2011 aggregate import data.

AFT aggregate data summary

The majority of apparel, footwear and textile import line value during FY 2011 was entered at Los Angeles/Long Beach (LA/LB) Seaport (31% of total industry importations), followed by Port of NY/Newark (11%) and Port of Savannah (4.6%). China (44.5% of industry importations) was the top sourcing country during FY 2011, followed by Vietnam (6.7%) and India (4.9%). Nearly all industry importations were entered under 01 formal consumption entry type during FY 2011 (94% of industry total), followed by much smaller values entered under 02 quota/visa and 06 FTZ (free trade zone) consumption. The vast majority of apparel, footwear and textile import line value was not declared under any trade preference program/FTA (free trade agreements) (86% of industry total). 99.8% of industry import value had no ADD (antidumping duties)/CVD (countervailing duties) assessed.

Apparel importations comprised a significant majority (64%) of the AFT line value during FY 2011, followed by textiles (including home furnishings) (19%), and footwear (17%).

Annex 1 includes a summary with charts of the aggregate AFT data indicators for FY 2011, as well as data for the disaggregated subsectors.

Part II – Identifying Areas of Risk

The highest risks identified by survey respondents when importing apparel, footwear and textiles are listed below. Suggested potential solutions for each risk are also provided.

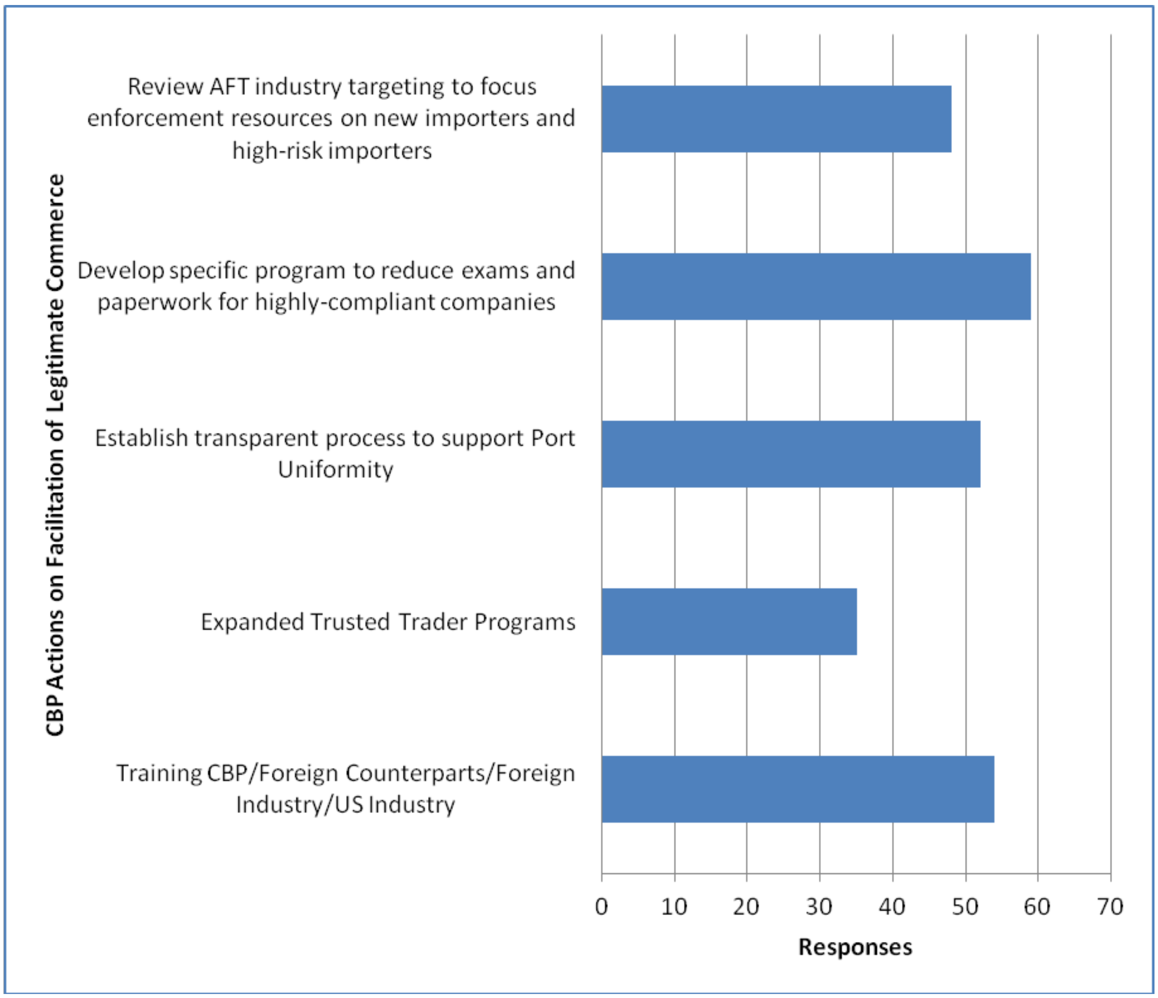
Risk	**Solution**
Lack of uniformity at ports	• Establish centralized authority and decision-making through the CEE. • Expand internal CBP training as well as bi-directional training with AFT industry to enhance and maintain expertise.
Denial of duty free treatment under a preference program or FTA due to insufficient documentation or resulting from textile production verification team visits; CF 28s (Requests for Information) and CF 29s (Notices of Action) for FTA and preference shipments.	• Eliminate multiple CF 28's or 29's through the centralized authority of the CEE. • Eliminate denial of duty-free benefits for minor paperwork discrepancies through the CEE. • Require the CEE to communicate to the trade what it identifies as "high risk" (for example, origin or labeling), so that AFT companies know what to expect. • Develop programs to recognize trusted traders and target enforcement on high risk shipments relying on the expertise of the CEE.

Increased inspections for security	• Use CEE to identify and quickly resolve inspection issues at any port. • Focus on high risk shipments instead of trusted traders
Delays caused by OGAs	• Expand communication between CBP and OGAs. Integration with OGAs is crucial. CEEs will increase uniformity across ports, as well as clear understanding of where ultimate authority lies (at the port, at the CEE, at Customs HQ), etc. • Expand and improve bi-directional training with OGAs and the trade.
IPR enforcement	• Expand communications and training at the CEE and CBP Field Offices to leverage the expertise and enhance enforcement of trademarks and penalties on counterfeit shipments
Tariff classification and preference claim uncertainty	• Create CEE pre-classification program for trusted traders to review classification and technical questions with CBP experts pre-entry. • Expand and improve bi-directional training on tariff classification and FTA requirements.

Part III – Facilitation Opportunities

One overarching theme expressed by the AFT industry during the preparation of this report is that CBP needs to maintain a focus on improved trade facilitation for trusted traders and legitimate trade, and improve targeting of higher-risk importers. There is a perception among some in the trade that, because CBP is a revenue-generating agency, there is a bias to predominantly target the largest importers, particularly in the AFT industry as the industry is subject to the highest duty-rates. The creation of the CEE represents an opportunity to use more sophisticated targeting assessments. The combination of sophisticated targeting and expanded training to close gaps in technical expertise in the field and in the trade will lead to improved rates of compliance. This may or may not necessarily lead to substantially higher increases in revenue collections. The IWG strongly recommends that trade facilitation, expanded trusted trader programs, and improved compliance should be the major goal for CBP and for the CEE. Too much time and too many resources are spent reviewing documentation from trusted traders while smaller high-risk shipments are not reviewed.

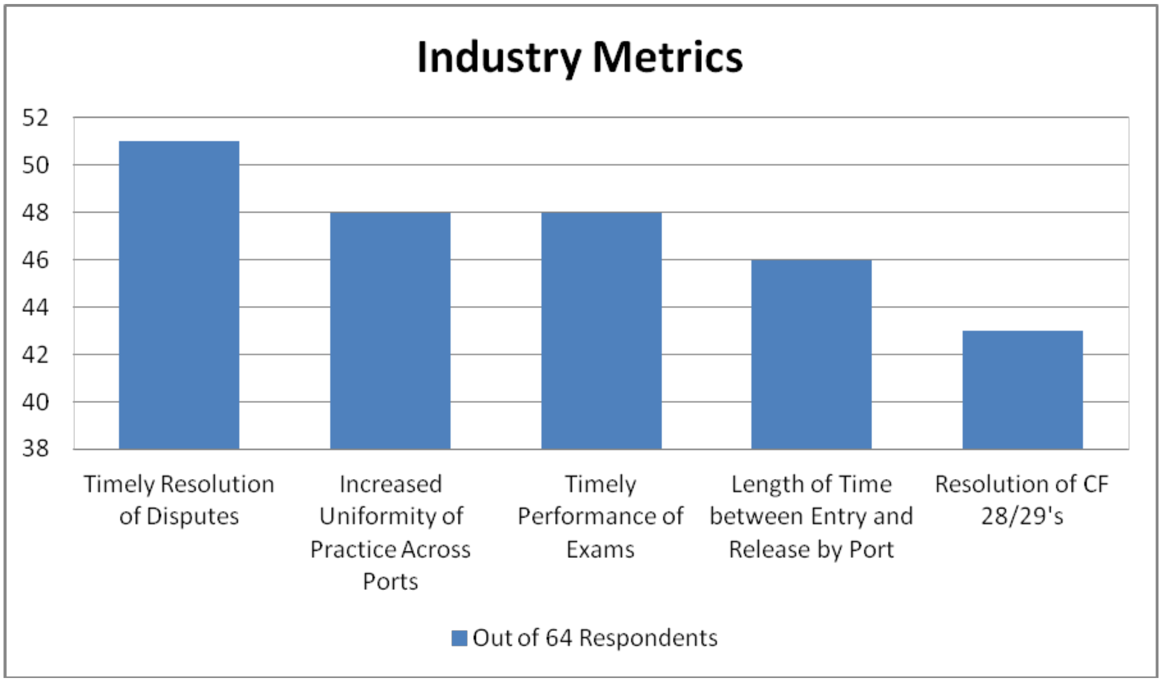
Survey respondents also identified opportunities for CBP to enhance the facilitation of legitimate commerce. Below are top responses from the survey respondents.



Part IV – Industry Metrics

Survey respondents identified the key metrics which CBP should use to measure the effectiveness of trade facilitation by the CEEs. These include:

- Timely resolution of disputes (51 of 64),
- Increased uniformity of practice across ports (48 of 64),
- Timely performance of exams (48 of 64),
- Length of time between entry and release by Port (46 of 64), and
- Resolution of CF 28/29's (43 of 64).



It is strongly recommended by the IWG that the AFT CEE will benefit trusted trade partners with direct and expedited communication between CBP HQ and the AFT CEE. AFT importers anticipate that the AFT CEE will provide improved direct communication with CBP HQ which has not always been available via the various ports of entry. IWG members recommend that CBP HQ and the AFT CEE communicate in an enhanced manner which will benefit the trusted trade partners (for example, the AFT CEE should be able to obtain expedited Internal Advice requests from CBP HQ Regulations and Rulings regarding classification, marking, value, cargo security, etc. when requested by trusted trade partners). The IWG believes the CEE should provide enhanced communication benefits with CBP HQ to trusted trade partners not currently available to importers at various ports of entry.

In addition, the IWG recognizes that the AFT CEE, once fully operational and staffed, will improve uniformity of practice, as trusted trade partners will be assigned to a CEE which will provide a single point of processing. The various ports of entry can then shift focus to high-risk shipments. AFT CEE importers should see fewer cargo delays, reduced costs, and overall greater business predictability.

Part V – CEE Location Recommendations

The IWG recognizes that one of the key recommendations is the geographic location of the CEE. Even though the CEEs are "virtual" and will combine CBP expertise from many locations, the CBP team based in the physical location of the CEE represents the leadership and the core expertise. For that reason the industry survey included a question to the trade about what criteria should CBP consider when selecting the geographic location for a CEE. Survey respondents indicated the following:

- Volume of AFT imports at the port (75.4% of respondents identified this criteria)
- CBP specialists at the port (59%),
- Number of AFT HTS#s entered at the port (57.4%)

The survey also asked respondents for their opinions on where the CEE should be located. When first asked to name the top three recommendations for location of AFT CEE, respondents identified:

- LA/LB (77.8%)
- NY/Newark (61.9%)
- Miami (27%)
- Chicago (23.8%)
- Seattle (22.2%), and
- Atlanta (19%).

Because there are CEE's currently located in LA/LB (Electronics) and in NY/Newark (Pharmaceuticals), the survey asked respondents to identify alternative CEE locations if LA/LB or NY/Newark were not available. Following are those rankings:

- Miami (50%)
- Seattle (45.2%)
- Atlanta (33.9%)
- Chicago (32.3%)
- San Francisco (30.6%)
- New Orleans (19.4%).

In addition, the IWG examined other factors such as the concentration of AFT industry expertise near ports, proximity to other ports with industry volume or expertise, and time zones.

For example, with respect to the concentration of AFT importer of record (IOR) headquarter address locations, the IWG found the following:

The top four ports when the AFT industry is ranked simply by number of IORs are:

- NY (4,560)

- LA (3,494)
- Miami (1,097)
- San Francisco (507)

Looking at those same IORs, but instead ranking the ports by the value of trade that occurs, shows:

- NY ($18.2 billion)
- San Francisco ($5.6 billion)
- Minneapolis ($3.5 billion)
- Portland ($3.5 billion), and

Looking at those same IORs, but instead ranking the ports by number of lines of imports, shows:

- NY (2.2 million)
- El Paso (346K),
- San Francisco (323K),
- LA (257K).

In its reviews, the IWG consulted these figures and discussed with key stakeholders to make a recommendation that would make the best fit for the broad scope of the AFT sector.

Recommendation

The IWG is pleased to make the following four recommendations, together with explanations and additional commentary.

1. **LA/Long Beach**
2. **NY/Newark**

The IWG recognizes that there already are successful CEEs located in LA/Long Beach and in New York/Newark. While we are not suggesting that the current CEEs that are located in LA/Long Beach and in New York/Newark be moved, we felt it was important to include those locations in our recommendations. Even though the CEEs are a virtual organization, the IWG strongly believes that it is essential to rely on the existing expertise within CBP and the trade to "stand up" the AFT CEE. By most measures, location of the AFT CEE would make the most sense to be in LA/Long Beach and New York/Newark. These two ports contain many of the traditional experts for all three of the AFT subsectors, and are most familiar with ALL the lines covered by the AFT CEE.

3. **San Francisco**
4. **Seattle**

If neither LA/Long Beach nor NY/Newark are available, the majority of the IWG recommend the AFT CEE be located in San Francisco. After LA/Long Beach and NY/Newark, we believe San Francisco would be a good option for the CEE as there are a large number of AFT importers on the West Coast and San Francisco has a good reputation for being open to the trade, conducting training seminars to industry on AFT issues, and engaging well with other government agencies located in the Bay Area. San Francisco ranks competitively in many of the volume, preference, and proximity characteristics affecting the broad range of the AFT industry identified by IWG members and AFT stakeholders during the review. San Francisco is close to other key ports, such as LA/Long Beach and San Diego. Moreover, its West Coast location and time zone make sense given the great deal of AFT imports that are sourced in Asia, and which will continue to be source there in years to come. If San Francisco is unavailable, the next recommendation is for Seattle for similar reasons.

Dissenting Opinion By NCTO on 3rd Location

NCTO disagrees with the choice of San Francisco or Seattle and in turn suggests Miami or another port with significant preference trade as a preferred third choice. The reasons for not supporting San Francisco or Seattle as a third choice are that most of the concerns cited in the risk and fraud sections of the survey noted problems primarily with preference trade issues and NCTO notes that San Francisco or Seattle have fewer AFT resources in place and both have less experience dealing with concerns regarding preference trade. Miami, however, has more AFT resources and deals with a significant portion of preference trade. Miami was the top choice by survey respondents in selecting a third possible location.

In addition, Miami is also close to other ports which do significant preference trade, including Savannah and Charleston. Miami also has close proximity to the NAFTA, CAFTA countries and to the US textile industry, which is located predominantly in the Southeast. The US textile industry, while not a major importer, is itself a critical stakeholder, particularly in terms of export trade (over $17 billion per year) and in manufacturing employment. In addition, Miami makes sense because the industry is increasingly interacting with US Customs regarding preference fraud and facilitation, including later this month a Customs team meeting with textile industry customs personnel in North Carolina and three textile industry experts participating in Customs training in New York. In closing, it would send an unfortunate message to textile industry stakeholders if a TFA was located in a port that does not have experience, staffing or proximity regarding those issues which the entire trade has identified as the most problematic in terms of facilitation and enforcement in area of textile and apparel.

Additional Notes on CEE Location

The IWG notes that individual factors could also point to other locations, such as Chicago, Miami, Atlanta, Portland, or Norfolk. After considerable discussion, the IWG was unable to reach a consensus or majority recommendation supporting the establishment of the CEE in any of these locations. IWG members felt that these ports did not present the broad industry nexus for the entire AFT industry, nor could they provide the "fast start" needed to cover the range of complicated issues that the AFT CEE will have to address.

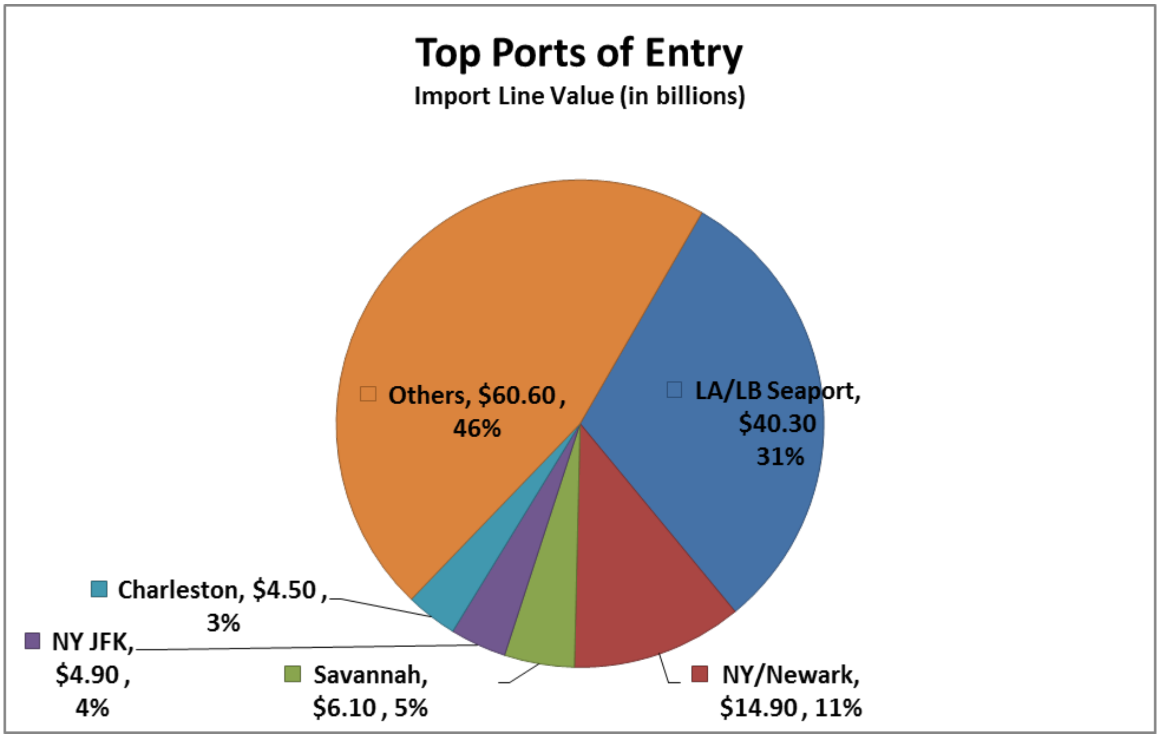
Finally, another factor for CBP to consider is the interaction between companies expected to participate in the AFT CEE along with the Consumer Products and Mass Merchandising (CPMM) CEE. An overwhelming number of survey respondents who answered the question (93.5%) noted that they would interact with the CPMM CEE. As CBP decides final locations for the AFT and CPMM CEEs we strongly recommend that CBP keep this element in mind. CBP may want to co-locate the AFT and CPMM CEEs to accommodate the natural overlap that will likely exist. At a minimum, CBP should identify ways to enhance connectivity between the AFT and CPMM CEEs. IWG members and other stakeholders expressed interest in working with CBP as it addresses this issue.

Annex 1 – Industry Information

Top ports of entry, aggregate AFT imports

For aggregate AFT industry importations during FY 2011, the top five ports of entry by value were:

- LA/LB Seaport ($40.3 billion import line value, or approximately 31% of all industry importations),
- NY/Newark ($14.9 billion, or 11% of industry importations),
- Savannah ($6.1 billion, or 4.6% of industry importations),
- NY JFK ($4.9 billion, or 3.7% of industry importations), and
- Charleston ($4.5 billion, or 3.4% of industry importations).
- Miami, San Francisco and Chicago closely followed.

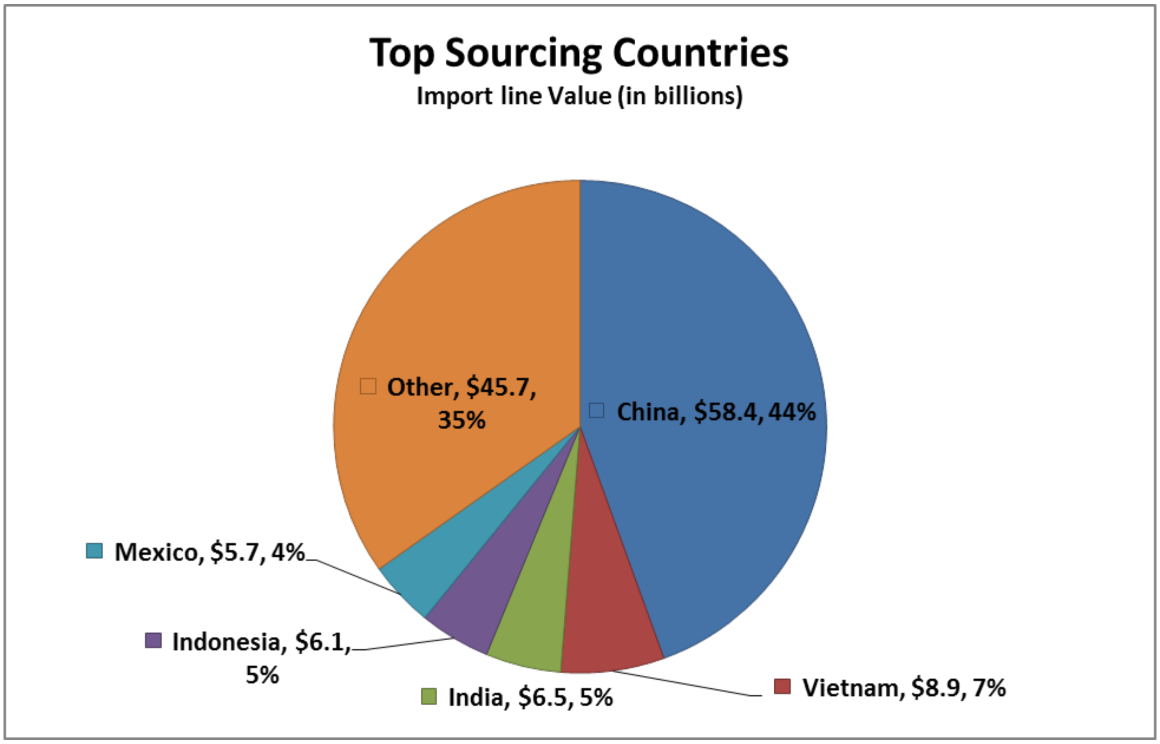


Top sourcing countries, aggregate AFT imports

During FY 2011, the top five sourcing countries of origin for the aggregate apparel, footwear, and textile industry were:

- China ($58.4 billion import line value or 44.5% of all industry importations, $7 billion duties),
- Vietnam ($8.9 billion import line value or 6.7% of industry total, $1.4 billion duties),
- India ($6.5 billion import line value or 4.9% of industry total, $700 million duties),

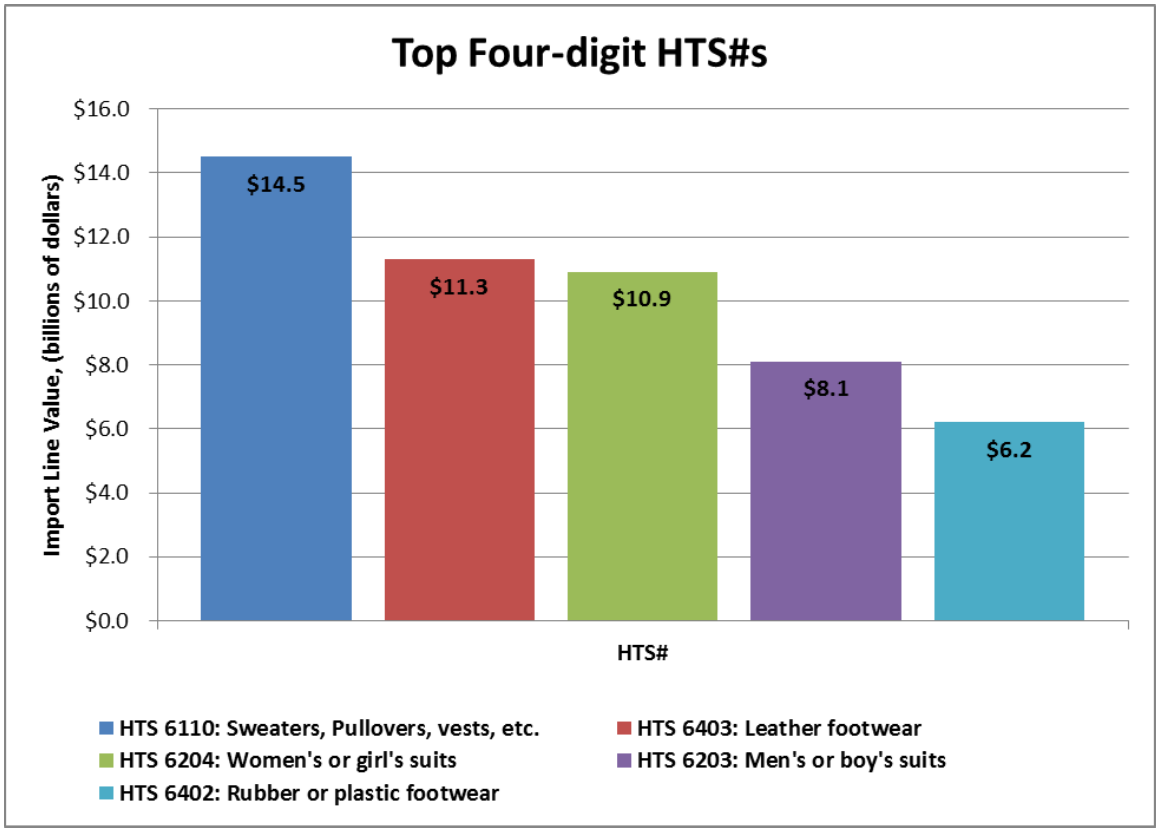
- Indonesia ($6.1 billion import line value or 4.6% of industry total, $1 billion duties), and
- Mexico ($5.7 billion import line value or 4.3% of industry total, $32 million duties).



Top four-digit HTS#s, aggregate AFT imports

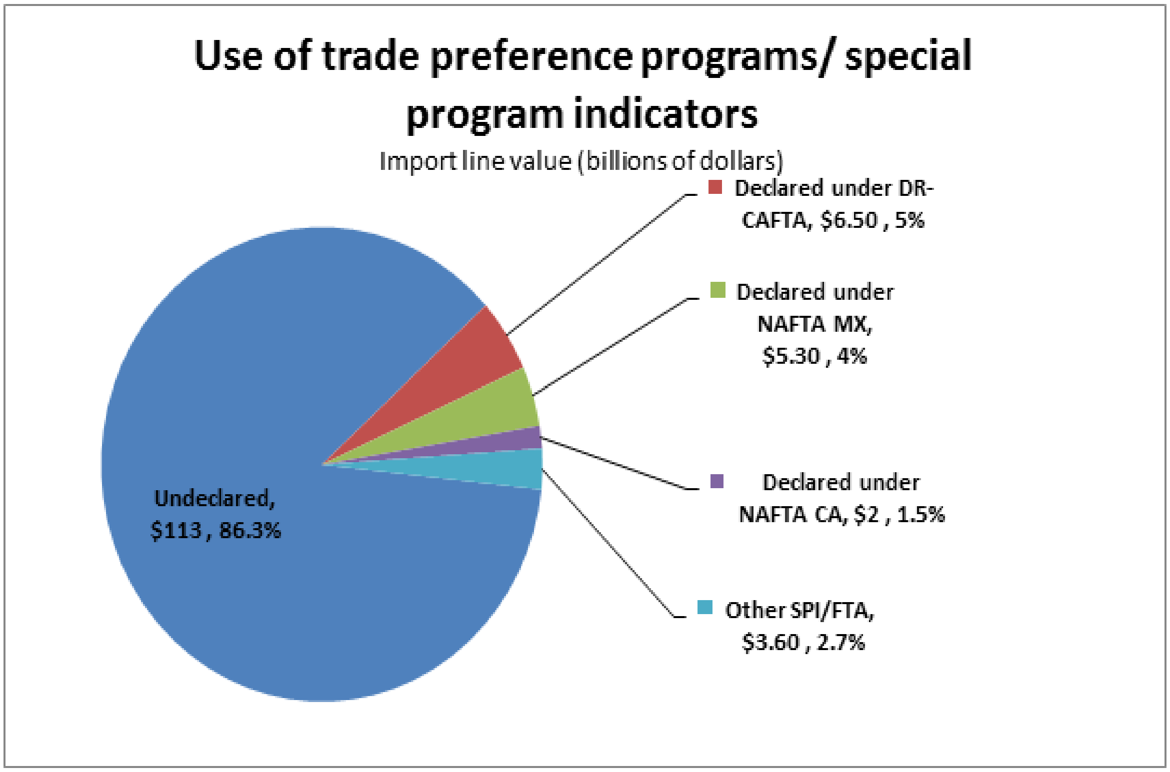
The top five four-digit aggregate Apparel, Footwear and Textiles HTS#s by value during FY 2011 were:

- HTS 6110 sweaters, pullovers, vests, etc. ($14.5 billion import line value, or 11% of industry total, $2.1 billion duties),
- HTS 6403 leather footwear ($11.3 billion import line value, or 8.6% of industry total, $987 million duties),
- HTS 6204 women's or girl's suits ($10.9 billion import line value, or 8.3% of industry total, $1.4 billion duties),
- HTS 6203 men's or boy's suits ($8.1 billion import line value, or 6.1% of industry total, $971 million duties), and
- HTS 6402 rubber or plastic footwear ($6.2 billion import line value, or 4.7% of industry total, $599 million duties).



Entry codes, aggregate AFT imports

The vast majority of aggregate apparel, footwear and textile industry importations were entered under 01 formal consumption entry type during FY 2011 ($124 billion import line value, or 94% of industry total), followed by smaller values entered under 02 quota/visa (only $3.5 billion import line value, or 2.6% of industry total) and 06 FTZ consumption ($3.2 billion import line value, or 2.4% of industry total).

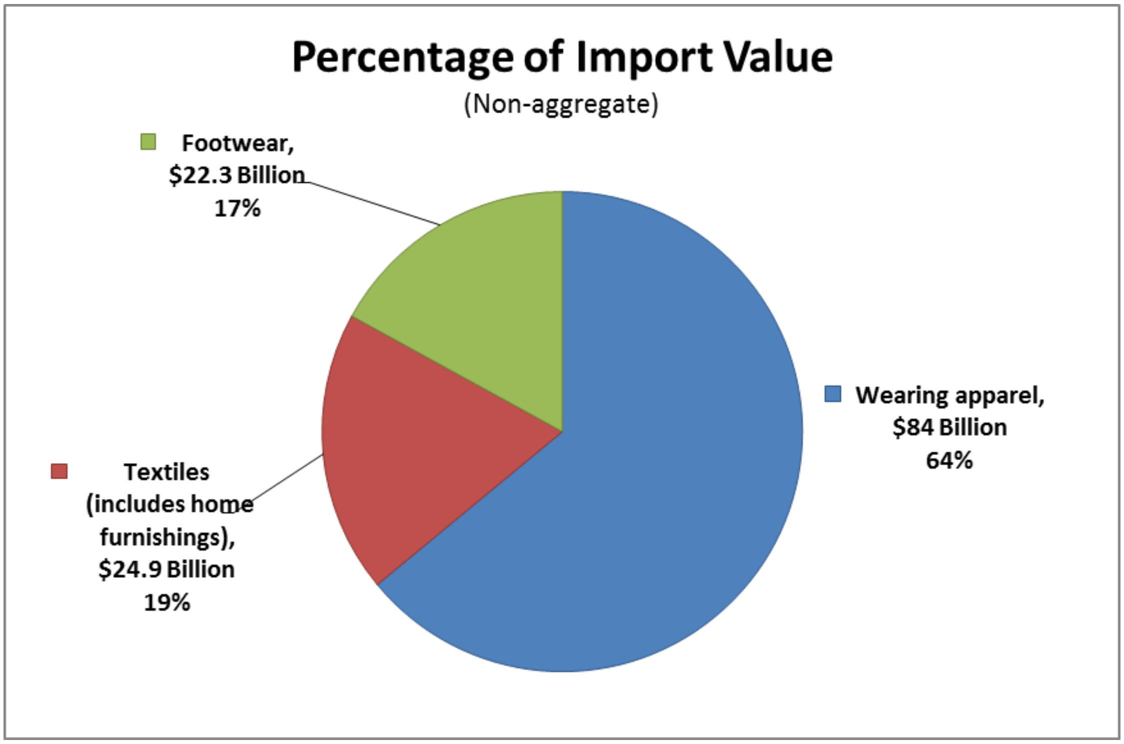


Use of trade preference programs/special program indicators, aggregate AFT imports

Most AFT industry importations were not declared under any trade preference program/special program indicator ($113 billion import line value, or 86% of industry total), and therefore importers paid full duties. $6.5 billion import line value (or 4.9% of industry total) was declared under DR-CAFTA, $5.3 billion (or 4% of industry total) was declared under NAFTA MX, and $2 billion (or 1.5% of industry total) was declared under NAFTA CA. Other SPI/FTA programs combined accounted for $3.6 billion (or 2.7% of industry total). Nearly all AFT industry importations were not subject to any antidumping duties/countervailing duties during FY 2011: $131.1 billion import line value, or 99.8% of industry total, had no ADD/CVD assessed.

Apparel importations comprise a substantial majority of AFT imports

When we review the segmented (non aggregate) data, apparel importations comprised a substantial majority of the industry: 64% (or $84 billion), while 19% (or $24.9 billion) were textiles (including home furnishings), and 17% (or $22.3 billion) were footwear. The top two ports of entry for all three segments were identical: a majority was entered at LA/LB, followed by NY/Newark. China was the top sourcing country for each of the three segmented industries.



Apparel imports, top ports of entry

For apparel importations, the top five ports of entry were:

- LA/LB (30% of total import value, or $25.2 billion import value, $3.8 billion duties),
- NY/Newark (12% or $10.3 billion, $1.3 billion duties),
- NY/JFK (4% or $3.6 billion, $489 million),
- Miami (4% or $3.5 billion, $95 million duties), and
- Savannah (4% or $3.5 billion, $416 million duties).

Apparel imports, top sourcing countries

For apparel imports, the top sourcing countries were:

- China (39% of import value total, or $32.7 billion import value, $4.7 billion duties),
- Vietnam (8% or $6.6 billion, $1.1 billion duties), and
- Indonesia (6% or $5.1 billion, $913 million duties).

Apparel imports, top HTS#s

For apparel imports, the top five four-digit HTS#s were:

- 6110 sweaters/pullovers (17% of import value total, or $14.5 billion import value, $2.1 billion duties),
- 6204 women's or girls' suits, ensembles (13% or $10.9 billion, $1.4 billion duties),

- 6203 men’s or boys’ suits, ensembles (9% or $8.1 billion, $971 million duties),
- 6109 t-shirts, singlets, tank tops (6% or $5.2 billion, $434 million duties), and
- 6104 women’s or girls’ suits, ensembles, knit (5% or $4.2 billion, $603 million duties).

Apparel imports primarily 01 entry code, and minimal use of trade preference programs for duty-free treatment

95% (or $79.6 billion) of apparel importations were 01 formal consumption entries; just 4% (or $3.2 billion) were quota/visa 02 entries. The vast majority (84% or $70.7 billion) of apparel importations were imported without any SPI/FTA declared and therefore full duties were paid; 7% or $6.1 billion was declared under CAFTA-DR, and 4% or $3.5 billion was declared under MX NAFTA. Apparel importations had zero AD/CVD.

Footwear importations, top ports of entry

For footwear importations, the top five ports of entry were:
- LA/LB (46% of import value total, or $10.3 billion import value, $1 billion duties),
- NY/Newark (8% or $1.9 billion, $191 million duties),
- Tacoma (4% or $978 million, $100 million duties),
- Seattle (3% or $885 million, $90 million duties), and
- NY/JFK (3% or $751 million, $77 million duties).

Footwear imports, top sourcing countries

For footwear imports, the top sourcing countries were:
- China (74% of import value total, or $16.6 billion, $1.7 billion duties),
- Vietnam (8% or $1.9 billion, $239 million duties), and
- Italy (4% or $1 billion, $107 million duties).

Footwear imports, top HTS#s

For footwear imports, the top five HTS#s were:
- 6403 leather footwear (51% of import value total, or $11.3 billion import value, $987 million duties),
- 6402 rubber or plastic footwear (28% or $6.2 billion, $599 million duties),
- 6405 footwear, not elsewhere specified (11% or $2.6 billion, $278 million duties),
- 6404 footwear, uppers textile (7% or $1.6 billion, $345 million duties), and
- 6406 parts of footwear (1% or $374 million, $11 million duties).

Footwear imports primarily 01 entry codes; nearly all had no trade preference programs claimed

91% (or $20.3 billion) of all footwear importations were 01 formal consumption entries; 9% (or $2 billion) were 06 FTZ entries. Vast majority (97% or $21.6 billion) of footwear importations were imported without any SPI/FTA declared and therefore full duties were paid. Footwear importations had zero AD/CVD.

Textile imports, top ports of entry

For textile (including home furnishings) importations, the top five ports of entry were:

- LA/LB (16% of import value total, or $4.7 billion import value, $348 million duties),
- NY/Newark (10% or $2.6 billion, $161 million duties),
- Charleston (8% or $2.2 billion, $131 million duties),
- Savannah (8% or $2 billion, $114 million duties), and
- Norfolk (4% or $1.1 billion, $68 million duties).

Textile imports, top sourcing countries

For textile imports, the top sourcing countries were:

- China (36% of import value total, or $9 billion, $659 million duties),
- India (11% or $2.8 billion, $171 million duties),
- Pakistan (6% or $1.6 billion, $115 million duties),
- Mexico (6% or $1.5 billion, $4.2 million duties), and
- Canada (6% or $1.5 billion, $3.4 million duties).

Textile imports, top HTS#s

For textile imports, the top five four-digit HTS#s were:

- 6302 bed linen, table linen (19% of import value total, or $4.8 billion import value, $357 million duties),
- 6307 made up articles of textile materials (13% or 3.2 billion, $163 million duties),
- 5402 synthetic filament yarn (4% or $1.2 billion, $48 million duties),
- 6303 curtains and interior blinds, valances (4% or $1 billion, $98 million duties), and
- 5603 nonwovens (3% or $894 million, zero duties).

Textile importations primarily 01 entry codes; minimal use of trade preference programs

97% (or $24.1 billion) of textile importations were 01 formal consumption entries; just 1% (or $323 million) was 02 quota/visa. The vast majority (85% or $21.2 billion) of textile importations were imported without any SPI/FTA declared; 5% (or $1.4 billion) was declared each under MX NAFTA and CA NAFTA. 99% (or $24.7 billion) of textile importations had no AD/CVD; there were multiple smaller value AD and CVD cases (largest value was A570-905-021 polyester staple fiber from China, which had $40.2 million).

ANNEX II

AFT CEE IWG Survey Results and Analysis

Stakeholders were invited to complete the AFT CEE survey for a period of two weeks in July 2012. 104 total responses were provided; responses were not required for every question.

Individual responses are included to provide additional detail to the conclusions made by the IWG. Inclusion of a comment, however, does not constitute endorsement by the IWG or its individual members.

Survey respondents were overall positive, albeit with some concerns regarding implementation, about the AFT CEE and believe that maintaining uniformity of practices across ports of entry is the primary objective for the AFT CEE, followed closely by developing partnership programs with industry to facilitate trade for highly compliant companies – including fewer inspections and investigations, and facilitating the timely resolution of trade compliance issues nationwide.

A vast majority (87.9%) of survey respondents identified the U.S. Consumer Product Safety Commission (CPSC) as the predominant other government agency (OGA) which the sector interacts with regarding its imports, followed by Fish and Wildlife Service (FWS) (60.4%). AFT importers also have a significant overlap with the soon-to-be developed Consumer Products and Mass Merchandising (CPMM) CEE as 93.5% of survey respondents anticipate interaction with CPMM CEE in addition to AFT CEE.

Importers anticipate that the AFT CEE will interact with companies participating in the CEE on a monthly basis (34.4%), or a quarterly basis (33.3%). AFT CEE interaction with OGAs is anticipated to be on a monthly basis (31%), followed closely by weekly interaction (28.7%).

The following is a brief summary of each individual survey question and response.

Risks related to different modes of transportation

When asked if there are different risks or issues related to different modes of transportation that should be included in the review by the CEE, diverse responses were provided (43 responses total). Multiple respondents cited the time sensitivity of air freight for urgent shipments/late orders (respondents cited that any delays for exams for air shipments would negate the benefit of air freight). Respondents stated that any assistance by the CEE to expedite such shipments would be a benefit. Additional responses included:

- Exams in the ocean mode can be held up due to terminal infrastructure issues or exam backlogs. Moreover, there is no accountability to ensure exams are handled timely under these circumstances; CBP will push the blame to the terminal operator and the terminal operator will push the blame to Customs;

- Each mode has its own associated risks – for air, cargo could be split on several flights or off-loaded at a Hub airport; for ocean, cargo could be split on two different sailings due to unforeseen weather issues; and all modes could experience damages, weather-related or accidental;
- Using couriers can lead to importers not knowing that they have imports under the courier's IOR#; and
- For our business, small order quantities, special orders and samples generally travel via courier, therefore issuing a CF 28 for this type of merchandise is generally difficult to comply with because the units have already been sold, especially if the CF 28 is issued several months after entry; it would be better to examine the shipment while in transit even if it delays delivery to ultimate consignee.

OGAs AFT importers interact with

Survey respondents were asked to identify, besides CBP, which other government agencies (OGA) they interact with when importing products. Respondents identified:

- U.S. Consumer Product Safety Commission (80 out of 91 respondents total, or 87.9%), followed by
- Fish and Wildlife Service (55 out of 91 respondents, or 60.4%),
- Federal Trade Commission (45 out of 91 respondents, or 49.5%),
- Census Bureau (31 out of 91 respondents, or 34.1%), and
- Food and Drug Administration (30 out of 91 respondents, or 33%).

Survey respondents requested monthly or weekly CEE interaction with the OGA agencies identified above (27 out of 87 respondents, or 31%, requested monthly interaction, and 25 respondents, or 28.7%, cited weekly interaction).

CEE interaction with importers participating in AFT CEE

When asked on average, how often should the CEE interact with the companies participating in the AFT CEE, respondents primarily requested monthly interaction (31 out of 90 respondents total, or 34.4%) followed by quarterly (30 out of 90 respondents, or 33.3%).

AFT importers also import significant mass merchandising products, and may require interaction with Consumer Products CEE

It is clear that many AFT importers have significant crossover with the CPMM CEE (also currently in development), as they also import mass merchandising products. When asked to identify other CEEs which may require interaction due to importation of products not covered by the AFT CEE, respondents identified following:

- CPMM CEE (58 of 62 respondents total, or 93.5%),
- Electronics CEE (17 of 62 respondents, or 27.4%),
- Industrial and Manufacturing Materials CEE (13 of 62 respondents, or 21%),
- Agriculture and Prepared Products CEE (9 of 62 respondents, or 14.5%),

- Pharmaceuticals, Health and Chemicals CEE (8 of 62 respondents, or 12.9%), and
- Base Metals and Machinery CEE (7 of 62 respondents, or 11.3%).

Risks AFT importers face, probability of occurrence of risks

Survey respondents were provided a list of potential risks and asked to rank the risk level for each from highest to lowest risk level that they face as AFT importers. Highest risks (identified as either highest possible risk (1), or second highest possible risk (2)) identified by importers included:

- Lack of uniformity at ports (37 out of 61 respondents total, or 60.6%),
- Denial of duty-free treatment under a preference program or FTA due to insufficient documentation (25 respondents out of 60, or 41.6%),
- Increased inspections for security (24 respondents out of 59, or 40.6%),
- Delays caused by OGA (24 respondents out of 60, or 40%),
- Increased random inspections (24 respondents out of 61, or 39.3%),
- CF 28s (Requests for Information) and CF 29s (Notices of Action, proposed or taken) for FTA and preference shipments (24 respondents out of 61, or 39.3%), and
- Increased exams following textile production verification team visits (24 respondents out of 62, or 38.7%).

Additional cited import risks included:

- OGAs are not properly staffed to facilitate trade;
- IPR enforcement: the CEE should work with trademark holders and CBP Field Offices to become familiar with the counterfeit markings and indicators of counterfeit shipments; and
- Lack of communication between CBP and OGAs is a risk factor with high level of probability.

Likewise, survey respondents were provided the same list of potential risks and asked to rank the probability of occurrence for each from highest to lowest probability that they face as AFT importers. Highest probability of occurrence (identified as either highest probability (1), or second highest probability (2)) identified by importers included:

- Lack of uniformity at ports (35 out of 60 respondents total, or 58.3%),
- CF 28s and CF 29s for FTA and preference shipments (26 out of 60 respondents, or 43.3%),
- Delays caused by OGA (20 out of 57 respondents, or 35%),
- Tariff classification issues (20 out of 57 respondents, or 35%),
- CF 28s and 29s for other trade (18 out of 58 respondents, or 31%),
- Denial of duty-free treatment under a preference program or FTA due to insufficient documentation (18 out of 58 respondents, or 31%), and
- Increased exams following textile production verification team visits (18 out of 59 respondents, or 30.5%).

Impact of risks on importer's supply chain

Survey respondents provided a significant number of responses (55 total) when asked what is the impact of these risks on the importer's supply chain. Responses were varied but included some similar themes:

- Late delivery to customers, or order possibly being cancelled;
- Delays cause financial loss due to late orders;
- Importer is forced to choose suppliers that can substantiate preference agreements and to have redundant operations;
- Any delays due to exams will disrupt the flow through supply chain and cause late deliveries and missed sales in the stores, which is a particular issue during major sales events such as "back to school" or holidays;
- Exams are costly and some ports are inordinately slow, causing demurrage charges to incur before exam is even scheduled – these goods held by exam also result in penalties from customers for late shipments;
- Higher costs, lost sales, greater inventory investment, and loss of credibility with internal and external customers;
- Denied FTA claims due to CBP misunderstanding of requirements causes unnecessary post-entry work or unpredictable duty liabilities;
- Failure to have on-time shipments;
- Some importers have reluctance to claim FTA preference due to lack of uniformity at ports and unpredictability;
- Delays cause additional increase in supply chain transits and force importers to use air shipments instead of ocean;
- Significant additional work to manage exceptions resulting in higher expenditure on staff and more complex system solutions; delayed shipments require burdensome amounts of communication with all supply chain partners from factory to customer;
- These risks cause delays in the supply chain and can affect store sales, in-stocks (brand reputation), and financial reporting;
- Loss of sales, increase in costs (due to demurrage, storage and exam fees), and added freight cost for expedited service to stores;
- Time analysis of requested documentation (for example, one response to a CF 28 was over 300 pages; a second request from another port asked for proof of Jordan FTA for every style on the entry which resulted in a response of over 500 pages);
- Exams and holds delays merchandise to our customers; CF 28s create an administrative burden; and
- Not meeting inventory needs.

Mitigation strategies by importers to minimize possible risks

Survey respondents were then asked to cite any mitigation strategies that they may use to minimize these risks. Again, responses were diverse and varied (55 respondents total), but multiple respondents cited the importance of maintaining proper documentation and recordkeeping, as well as effective internal pre-entry (including intensive pre-classification process) and post-entry controls and audit reviews. Effective internal import compliance training, as well as partnership with CBP in programs such as CTPAT and ISA was also identified by multiple respondents to minimize risk factors. Some respondents also mentioned the importance of building positive relationships with local CBP ports of entry. Additional remarks included:

- Automation, relationship management with carriers, brokers and CBP;
- Vendor training, internal trade and merchant training, participation in CTPAT and ISA;
- Review entry paperwork for accuracy prior to filing of entry, ensure broker has all required documents, provide training to new vendors when starting to manufacture in a FTA country to ensure proper documentation is kept, and establish internal policies and procedures to ensure compliance;
- Vetting the factory and its capabilities prior to issuing a Purchase Order; additionally, we not allowing broker to file for preference without our approval; review of the production process through an eligibility chart and if that approved eligibility is not included in the commercial documentation, the broker will not file for the FTA/trade preference program;
- Employ LCBs on staff to ensure that all documentation and classification is in line for streamlined entry;
- Classify in advance, review documents, and educate staff;
- Advocate directly and through broker to CBP for explanation of inspection;
- Determine reason for the delay and use corrective action/communication to all parties (vendors, Customs broker, carrier) to ensure any avoidable issues are corrected; additionally, contacting the National Account Manager to request assistance in managing/communicating to CBP;
- Be proactive in classifying products; conduct periodic review of procedures;
- Obtain rulings in advance;
- Ship OGA products separately – use specific ports since can only clear at certain US ports;
- Solid classification practices and strong FTA compliance;
- One container per bill of lading, increased communication;
- Checklists, people, training, and minimize number of entry ports; and
- Make sure documentation is clear and correct.

CEE mitigation strategies to address possible risks

AFT importers were then asked what mitigation strategies the CEE should enact to address these risks. Responses were very diverse (47 respondents total), and included:

- CEE should make it clear what it identifies as high risk (for example, origin or labeling), so that an importer knows what to expect – CEE should communicate in a timely manner;
- CEE should be consistent and uniform – which the Ports have not always been -- and educate CBP personnel on textile issues;

- CEE should be the first point of contact, and explain how to resolve any particular issue – importers should be able to contact the CEE for assistance, and the CEE should ensure that the Ports recognize an importer's trusted trade partner (CTPAT and ISA) status;
- CEE should enact timeframes that are consistent with port charges (for example, demurrage starts in 3-to-5 days so permits to transfer (PTT) should be issued in that timeframe);
- Traditionally compliant importers should be able to provide post-entry samples for exam, if necessary;
- CEE should conduct two-way educational discussions on FTA rules of origin and work with trade on what documentation is necessary to support FTA claims;
- CEE should not issue multiple CF 28s at same time as it impacts resources which must be reallocated to ensure timely responses;
- CEE should ensure that trusted trade partners (CTPAT and ISA) receive all benefits and first-in-line treatment – CEE should also be available to answer questions regarding valuation and classification, for example;
- CEE should set very clear expectations for documentation requirements and then remove importer from receiving CF 28/CF 29s and possible FTA denial, if importer has proven compliance;
- CEE should have experts in very technical footwear and apparel classification and regularly communicate with the National Import Specialist and NCSD, as well as HQ;
- CEE should eliminate the old paradigm of treating textiles and apparel differently from other commodities – with the end of quotas, there is no reason to approach textiles and apparel with more enforcement that any other commodity;
- CF 28s and CF 29s must be timely in order to give the importer the time to comply;
- OGA delays, especially FWS, delay delivery especially during peak season when a FWS clearance can take 4 business days -- FWS must be brought into ABI so that CBP and FWS filing can happen simultaneously;
- Improved targeting to only review shipments posing tangible risks, stopping movement of cargo only when absolutely necessary; risks to revenue should only result in cargo holds in extreme cases with unknown or high risk importers; document reviews should be limited and not result in cargo being held; importers should educate CBP on the most current manufacturing techniques and records available in the manufacturing process (to support FTA claims); importers/brokers should work more collaboratively and openly with various CBP resources to address complex tariff classifications vs. one-on-one informal discussions with NIS/Port or formal ruling requests only; CBP should treat post-entry more like the original entry/summary process vs. handling all refunds as exceptions;
- Training and communication on processes;
- Make sure the CEE Directives are clear, concise, and easily understood; hold trainings classes/webinars for importers; work with companies to identify low risk importers so that focus can be kept on importers that present a higher risk;

- Over the last 15 years, our company has not lost a preference/FTA through a CF 28 or audit – we believe that that historical evidence should be considered in CBP's targeting efforts;
- Engage trade community when embarking on enforcement strategies;
- Education, both internal and external; CEE should welcome education from the trade;
- CEE should have constant communication with CBP, holding them to follow their established guidelines for inspections and exams;
- Facilitate with local port and OGA officials to support the importer in specific issue (for example, CF 28s) or overriding concerns (delays in the port), and with CBP HQ to request reviews or discuss policy concerns;
- Establish uniform classification processes;
- Bring back HTS pre-class service and offer FTA pre-class; better outreach is needed; we need better benefits for ISA – ISA members should get pre-class; put videos on CBP website that explains HTS, buyer/selling agency, FTA, footwear, etc.;
- The CEE should develop a standard set of requirements which can be met using flexible methodologies; work with the importers who know what they are doing – if CBP has audited an importer over and over again (we had 6 FTA COO CF 28s in six months) and passed, that should be acknowledged; and
- A process to utilize the expertise of the "good" players within the AFT community to identify and deal with the "bad" players" within the AFT community.

Possible CBP actions to help facilitate movement of legitimate commerce

When survey respondents were asked what CBP can do to help further facilitate the movement of legitimate commerce, respondents were provided a list of possible actions and asked to check all that may apply. Top actions requested by respondents (65 total) included:

- Develop specific program to reduce exams for highly compliant companies (59 out of 65 respondents total, or 90.8%),
- Expand opportunities for programs to reduce paperwork and reduce exams (57 out of 65 respondents, or 87.7%),
- Expanded training within CBP on AFT issues (54 out of 65 respondents, or 83.1%),
- Establish transparent process to support port uniformity (52 out of 65 respondents, or 80%), and
- Expand trusted trader programs (49 out of 65 respondents, or 75.4%).

Some additional other remarks included:

- CBP should provide metrics to importers that participate in partnership programs, and how they compare to other peers in the industry that are not members;
- CBP should push the OGAs to do their job; CBP should build better bridges with OGAs;

- Let the industry train CBP – we know the industry better than CBP does; and
- We don't need new programs – CBP needs to rethink some of its targeting strategies.

As a follow up, survey respondents were asked to recommend a strategy for CBP to achieve the above recommendations. Respondents were varied (41 total), but included:

- CBP should remove the bias that being a revenue-generating agency can cause – CBP should not target those with deep pockets and good programs, but instead target those with weak programs and gaps in compliance that may leave us vulnerable to terrorism in Trade and shortfalls in revenue;
- CBP should employ more resources in training;
- CBP should become familiar with importers and review past history and program participation before deciding on exams, issuing CF 28s, etc.;
- CBP should develop training, webinars (which are key as travel may be limited) and seminars relating to port operations, what CBP looks for in entries of this commodity, Trade Agreements from CBP's perspective, etc., for port uniformity, the CEE should visit the main ports to get a complete understanding of the ports' process and analyze major differences – this is particularly important on trade exams, production record requests and review, Trade Agreement documentation requests and review, and causes for holds and exclusions;
- CBP needs to establish uniformity – importers have guidelines and best practices, why not develop the same for ports and CEEs;
- CBP needs to use its own data to stop targeting for exam companies which have had no issues or material discrepancies,
- CBP needs to ensure significant industry participation in CEE policy development and enforcement actions;
- CBP should utilize small groups of representative companies/industries via a smaller working group to develop strategies;
- CBP should offer more Customs Trade Symposium-type meetings in various locations;
- CBP should have the CEE be well-trained and versed on the specific industry so they can easily answer questions, connect importers to OGAs, and get answers on questions for their regulations;
- CBP should engage with those companies that are CTPAT Tier III and have demonstrated compliance by record, and not be artificial deferral of audits that some in ISA do;
- CBP should provide clear communication, customer service mentality, institute port uniformity, provide email/phone/online resources for importers to receive up to date info and announcements, and be able to ask questions openly;
- CBP should spend more time targeting and focusing on new importers and high-risk importers, and should establish a database with a list of all CF 28 and CF 29s issued for importers and manufacturers, and list results of these 28 and 29s – this would hopefully cut back on amount of CF 28s for the same manufacturers at different ports (it may also be nice if a positive result is received, then there was a six-month to one year grace period for this importer and manufacturer);

- Training vendors/companies the requirements and processes need to comply with CBP regulations;
- Focused and thorough training for employees in the CEE on issues that arise for importers in the CEE; there needs to be a clear strategy and process (from all parties, including ports and the CEEs) for handling imports from trusted traders differently than higher-risk importers;
- Extend (with modifications as necessary) internal CBP training to foreign counterparts, foreign industry and U.S. industry;
- It appears to us as a highly compliant importer that we end up training the Import Specialists through a bombardment of CF 28s, so we would suggest to begin with in-house training;
- Engage trade more frequently and provide metrics, informed compliance publications, quarterly meetings or conference calls, etc.;
- For companies which are CTPAT Tier 3 and ISA, they should receive some special privileges;
- CBP should expand its definition of trusted trader to review trade compliance (for example, focused assessment results) and not rely solely on CTPAT cargo security as the criteria for compliance of trusted trader; focus on trade facilitation by reducing amount of paperwork or establishing methodology to reduce exams/holds by more effectively evaluating the compliance of importers;
- Simplify drawback, simplify HTS, and simplify first sale;
- Work with the trusted traders to listen; our technologies and production methods are far beyond the rules that CBP has in place, which require us to hang onto antiquated processes just to satisfy CBP audits; and
- Serious consideration needs to be given to the definition of “trusted trader” in collaboration with the trade community; incentives for allowing this status should include a real and measurable reduction in exams, paperwork, CF 28s, etc.
- CTPAT must be a requirement for inclusion, given the industry partnership and overwhelming adoption by the trade

CBP measures to encourage companies to utilize FTAs/trade preference programs

Survey respondents were then asked if there were specific measures that CBP could take to encourage more companies to take advantage of trade preference programs and FTAs. Responses were varied (42 total), but some themes were very common, such as reduction of cumbersome rules of origin and burdensome proof requirements. Responses included:

- FTA rules are very complicated and can be intimidating -- the CEE and CBP should provide the rules in clearer terms so that an importer can feel more comfortable that they are fully meeting the requirements – CBP should develop forms for each FTA or preference program and provide clear expectations on any supporting documentation;
- Reward importers who consistently meet the requirements for FTAs by reducing the number of CF 28s, exams, etc.;

- Reduce paperwork required to support/prove FTA qualifications – share information on factories in specific countries with FTAs that do production in the AFT industry;
- Less CF 28s for companies that have successfully demonstrated compliance to FTA rules or sufficiently answered prior CF 28s on FTA verification;
- Permit advance agreements of eligibility by supplier;
- Require uniformity among ports of origin verification requirements – written expectation of documents needed to support FTA origin claims;
- FTAs and trade preference programs are far too complicated and the risk of non-compliance penalties are so high that an importer has to think twice about utilizing what may be a valid FTA benefit – explaining tariff shifts and Regional Value Content to a foreign trading partner is nearly impossible; and
- Making evidence of claims easier to comply with – limit documentation required;
- Ensure that rules of origin and short supply lists are less restrictive and simplified; also, to not be too critical of typographical errors in documentation when there is strong evidence that the goods comply;
- In our industry, the rules of origin are extremely complex and then the entry is followed up with a CF 28; to date, importers do not make use of NAFTA as they expect it will lead to an automatic audit of the shipment;
- The reason apparel importers don't take advantage of FTAs is yarn forward and complex rules; USTR should negotiate FTAs with simple and flexible rules of origin; CBP can expand its partnership program benefits to include FTA facilitation;
- Pre-class FTA;
- More transparent communication to create awareness – explain yarn forward, regional value content, etc.;
- Expand trusted trader program or some type of FTA trusted trader process;
- Train CBP internal staff – change the CBP attitude to working together;
- Educate importer on documents required for each FTA and provide checklists for the importer to follow; and
- The companies that do take advantage of these programs are often approached by CBP with such suspicion; if CBP took the approach of partnering with "trusted traders" to understand how both the manufacturers and the importers actually conduct business so that when a question is required, CBP has a rational approach and reasonable understanding of business practice, it would encourage more companies to participate.
- Eliminate the reconciliation requirement for any zero duty programs

Suggestions for CBP to address problems with fraud

When survey respondents were asked if they had any specific suggestions for how CBP could effectively address problems with fraud, respondents (out of 34 total) were varied and diverse including:

- CBP should work with highly compliant companies and U.S. textile trade associations, plus seek additional resources;

- CBP should ask for undeniable proof of origin and send representatives to visit and confirm existence of sources;
- CBP should visit yarn, thread, and fabric manufacturers, and send Jump Team to risky factories – CBP should provide clear expectations on substantiating documentation and CBP-created forms;
- It is well known that CBP traditionally reviews larger importers, but smaller entities move below the radar and are more likely to not be audited;
- CBP should provide an IOR look-up on ACE so importers can verify their DDP vendors;
- CBP should work with legitimate importers and trademark holders to understand the patterns/indicators of fraudulent shipments;
- CBP should continue to educate companies on how to register their brand(s);
- Reduce the expenses of legitimate companies – CBP should target the small and medium importers who do not get checked often;
- CBP should create more penalties for both exporters and importers, and be sure to investigate to see if importer performed reasonable care – if fault was on side of exporter to defraud the importer, solely penalize the exporter;
- CBP should partner with foreign counterparts;
- CBP should create a known compliance importer list – the ports should be able to identify these importers who have successfully passed an FA in the past 2-3 years, and from there, different audit parameters can be established based upon longevity of import history, frequently used HTS classifications, pass/fail CF 28 responses for particular commodities, FTA usage, etc.;
- CBP should provide outreach and training for trusted trade partners; and
- Reallocate CBP resourced to the 1-to-2% of new/risky importers – work with trade to collaborate on fraud intelligence;
- CBP should use more historical information in determining risk/fraud; the targeting should be more refined and specific;
- Increased training of CBP personnel on how to better detect fraud; allow industry and trade to provide information and training on industry trends and issues;
- You need quick and nimble audit teams – that identifies IOR, cranks out CF 28, request photos of products, visits importer, especially non-resident IOR or get IOR point of contact from broker;
- CBP could be more holistic about the approach they take targeting fraud and security risk at the source – many of the same "trusted traders" invest significant time and resources in their factories in the interest of on-time orders, CTPAT, quality assurance, brand protection and social responsibility; it does not appear that CBP gives much regard to the investment and internal knowledge as a mitigating factor for other risks; I also believe these activities are legitimate "trusted trader" behaviors/programs because better partner knowledge and earlier information in an importer's supply chain; much of what the trade hears is how CBP is going to catch the bad guys instead of how they are going to acknowledge, partner with, and eliminate from the risk pool the good guys;
- None of us want those who commit fraud to benefit; it handicaps us all and makes it that much harder for us to do our jobs, but you are more likely to find it by

looking somewhere new than by looking where you haven't been able to find it before; and

- Legitimate traders are competitively disadvantaged when traders break the law – severe fines and penalties must be levied on traders, brokers and buyers of product that are entered into the U.S. incorrectly (undervalued).

As a follow up, survey respondents were then asked if they had any specific suggestions for how CBP could effectively address problems with fraudulent claims of duty benefits in trade preference programs and FTAs (31 respondents total). Several respondents indicated industry education, as well as less focus on the largest importers (and instead focus on small entities, and new importers. Additional responses included:

- A form for every program would help make claims more consistent – additional training for the Import Specialists on what to look for, or how to identify potential fraudulent information;
- More robust trusted trade partner (CTPAT/ISA) participation, so CBP focus can be on riskier or unknown entities;
- Create a standard form/application importers fill out with essential information needed to confirm FTA requirements are met instead of asking for a large binder full of documents to support claims;
- Recognize trusted trader participation (CTPAT/ISA) specific to FTA compliance as FTA compliance is incorporate into ISA program controls and reviews;
- CBP should build a list of known compliant exporters of FTA goods and target their goods less frequently for post-entry review;
- Reallocate CBP resources to the 1-to-2% of new/risky importers;
- Monetary penalties;
- Establish historical data, on an importer and factory basis;
- Pre-certify factories that qualify for duty preference; and
- The more complex these FTAs are, the harder to catch fraud – are you sure it is negligence or fraud?

Key metrics CBP should be measuring to determine effectiveness of trade facilitation

When asked to identify the key metrics CBP should be measuring to determine effectiveness of trade facilitation, survey respondents were provided a list and asked to identify all that may apply. Most frequently cited key metrics included:

- Timely resolution of disputes (51 out of 64 responses total, or 79.7%),
- Increased uniformity of practice across ports (48 out of 64 responses, or 75%),
- Timely performance of exams (48 out of 64 responses, or 75%),
- Length of time between entry and release by Port (46 out of 64 responses, or 71.9%), and
- Number of CF 28s/CF 29s by Port with top reasons (43 out of 64 responses, or 67.2%).

Some additional other specified responses included:

- More timely receipt of refunds and liquidations – CBP shouldn't just assign its staff to audit importers who are highly compliant just to give them something to do;
- Importers need a metric on VACIS exams – currently, there is no easy way for an importer to see how many shipments undergo security reviews;
- CBP needs to first become consistent at all ports;
- Binding rulings turnaround, fraud cases; and
- Increased participation in a trusted partner program.
- Robust account, no a specific shipment issue/item

Anticipated CEE impact on the metrics to measure and determine effectiveness of trade facilitation

Survey respondents were then asked what kind of an impact they believe the CEE will have on these metrics (36 respondents total). Responses were varied from minimal to a very positive impact. Some individual responses included:

- Focusing attention on these issues will help.
- The CEE will hopefully reduce intensive exams by reviewing prior exam results – increase the speed at which the intensive exams occur.
- Main impact will be port consistency/uniformity – measuring the operations at each port will provide a better view of where the inconsistencies are, which will provide the ability to directly address issues and develop training or procedures for a more predictable import process;
- The CEE may have more of an impact on these metrics than account managers do;
- If the CEE is accepted by the ports, then it will be game-changing – if the CEE struggles to make changes at the ports and does not have enough power, then nothing will change;
- The impact should be very positive for the importing community – most companies have adopted lean manufacturing and inventory principals, so the lead times on import flows are critical;
- Clear and consistent communication with the trade community should lower dispute resolution timeframes and length of time between entry release by port – a greater understanding of FTAs and other duty preference programs should increase once importers see greater predictability from CBP;
- The CEE has the potential to have a tremendous impact on these metrics, if designed and executed properly;
- They could have a tremendous impact on these metrics by acting as a uniform service center for their respective industries and partnering with trusted importers to better facilitate compliance and reduce risk;
- Hopefully, the CEE will be able to identify and address problematic processes and strive to improve them through facilitation and greater understanding of what really is necessary to achieve their goals;

- Developing the metrics will help to develop a baseline and future targets for each component/metric; taking action on what is measured will be the key to success;
- By reviewing an importer's overall performance instead of just the current entry, I believe there will be greater understanding between CBP and the import community;
- It will not be effective without outreach;
- I think some of these are more difficult to impact because there is a sense of job security at ports who do the most exams, issue more CF 28s, etc.; and
- They can have a great impact if they have real procedural decision-making power.

Criteria CBP should use when selecting location of AFT CEE

Survey respondents were next asked what criteria CBP should use when selecting the location of a CEE. Respondents were provided multiple criteria and asked to indicate all criteria which would apply (61 respondents total). Top criteria which CBP should use when selecting location of AFT CEE include:

- Volume of AFT imports at the port (46 out of 61 respondents total, or 75.4%),
- CBP specialists at the port (36 out of 61 respondents, or 59%),
- Number of AFT HTS#s entered at the port (35 out of 61 respondents, or 57.4%), and
- Location of companies with top import volumes (33 out of 61 respondents, or 54.1%).

Additional other specified responses added the following:

- Location is way over emphasized – geographic locations should not manage relative to excellence in execution;
- Fast alignment of policy to practice and accountability.
- Both air and ocean access; and
- Near key decision-makers and trade associations.

Top three recommendations for AFT CEE location

Per survey respondents, the top three recommendations for the location of the AFT CEE are:

- LA/LB (49 out of 63 respondents total, or 77.8%),
- NY, NY (39 out of 63 respondents, or 61.9%), and
- Miami (17 out of 63 respondents, or 27%).
- Chicago (23.8%), Seattle (22.2%), and Atlanta (19%) closely followed.

When we consolidate regional area selections, Miami/Atlanta/New Orleans/Tampa was selected (in top 3) with response count of 36, and Seattle/Portland/San Francisco was selected (in top 3) with response count of 26. If we add LA/LB and San Diego to the Pacific Northwest Coast region (Seattle/Portland/San Francisco), then this greater West Coast region was selected (in top 3) with response count of 78 (response count exceeds total number of answered question as participants could select three locations).

As a follow up, and as that LA/LB has the Electronics CEE and NY, NY has the Pharmaceuticals CEE, survey respondents were asked to exclude NY and LA (as well as Houston and Detroit, where CEEs will soon be opened), and to identify top three recommendations for location of AFT CEE. With LA/LB and NY, NY excluded, the top three locations for AFT CEE were:

- Miami (31 out of 62 respondents total, or 50%),
- Seattle (28 out of 62 respondents, or 45.2%), and
- Atlanta (21 out of 62 respondents, or 33.9%).
- Chicago (32.3%), San Francisco (30.6%) and New Orleans (19.4%) closely followed.

When we consolidate regional area selections, Miami/Atlanta/New Orleans/Tampa was selected (in top 3) with response count of 66 (response count exceeds total number of answered question as participants could select three locations), and Seattle/Portland/San Francisco was selected (in top 3) with response count of 57. If we add San Diego to the Pacific Northwest Coast region (Seattle/Portland/San Francisco), then this greater West Coast region was selected (in top 3) with response count of 62.

Main objectives for the CEE

Survey respondents were then asked what they believed should be the main objective(s)/goal(s) for the CEE. A list of objectives was provided, and respondents were asked to identify all that would apply. Top objectives for the CEE included:

- Maintain uniformity of practices across ports of entry (56 out of 66 respondents total, or 84.8%),
- Develop partnership programs with industry to facilitate trade for highly-compliant companies – including fewer inspections and investigations (52 out of 66 respondents, or 78.8%),
- Facilitate the timely resolution of trade compliance issues nationwide (51 out of 66 respondents, or 77.3%),
- Further strengthen critical agency knowledge on key industry practices (48 out of 66 respondents, or 72.7%),
- Develop trade enforcement operations that target high-risk companies (47 out of 66 respondents, or 71.2%), and
- Focus CBP enforcement resources on higher-risk imports (47 out of 66 respondents, or 71.2%).

Additional cited other top CEE objectives included:

- The OGA element is the key to the success of the CEE;
- Suggest CBP program opportunities for importers based on their product lines; and
- Business execution in a secure environment of country, company, and consumer.