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REPORT

ON

BANGLADESH READY-MADE GARMENT EXPORTS

TO THE UNITED STATES:

RECENT DEVELOPMENTS

SUBMITTED TO:
USAID/BANGLADESH

DHAKA, BANGLADESH
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INTRODUCTION

The ready-made garment export industry in Bangladesh is growing rapidly. It shows great potential for further growth and offers the only large scale employment opportunity open to Bangladeshi women. Recent changes in U.S. customs regulations governing trade in textiles, especially a codification of the "rule of origin" which determines a garment's country of export, may drastically affect the industry. Interim Customs regulations relating to textiles and textile products were published in the Federal Register on August 3, 1984 (49 FR 31242). Final regulations have now been adopted, following an extended comment period during which over 650 comments were received.^{1/} In addition, the U.S. is beginning to impose trade restraints on Bangladesh due both to the large increase in exports of ready-made garments from Bangladesh to the U.S. and to pressures from U.S. domestic producers. This report briefly outlines (1) the recent changes; (2) how these changes, especially the criteria to determine "country of origin," may inhibit export to the U.S. of Bangladeshi ready-made garments and (3) restrictions likely to be imposed as Bangladesh's ready-made garments exports to the U.S. increase. The report concludes with a summary of actions being taken by both the Bangladesh Government (BDG) and by the industry to facilitate continued growth of the industry within the parameters of U.S. laws and with recommendations for roles USAID may play in this process.

^{1/} For text of the final regulations, See Appendix I.

I. BACKGROUND

Bangladesh is a relatively new entrant to the world market of ready-made garments. It only began to earn foreign exchange in this area in FY 1977-78.^{2/} It has made remarkable progress, however, largely due to the absence of quota restrictions that affect its competitors, a growing world demand, an abundance of cheap labor, and incentives provided by the BDG such as bonded warehousing procedures which allow free importation of all raw materials for ready-made garments with a minimum of customs formalities. Machinery may be imported at a minimal 2 1/2% rate of duty.

It is relatively simple to enter the industry. The entire operation from import of fabric to export of finished garments can be financed by back to back letters of credit (L/Cs).^{3/} Thus, a new manufacturer encounters minimal start-up and working capital costs.

BDG figures cite approximately 200 garment factories^{4/} currently operating in Bangladesh with more than 80,000 skilled and semi-skilled employees; a significant majority of these employees being women. The garment industry currently provides the only large-scale employment opportunity open to women and holds great promise to improve the economic status of Bangladeshi women.^{5/}

Bangladesh exports ready-made garments to over 21 countries. Major markets include the U.S., France, FRG, Sweden, Switzerland, UK, UAE, the

2/ Bangladesh's export earnings from ready-made garments increased from approximately U.S. \$104,200. (Tk. 2.636 m) in FY 1978-79 to approximately U.S. \$10,841,900. (Tk. 274.219 m) in FY 1982-83. The 1982-83 figure was 55% higher than exports in the preceding year, and FY 1981-82 figures registered a 115% increase over the year before (1980-81). Source: The Manufacture In Bangladesh Of Ready-Made Garments for Export, Report of the Industrial Investment Promotion Unit and the Development of Potential Export Product Lines Unit of the Trade and Industrial Policy Reform Program (TIP). The World Bank estimates of 1983-84 export earnings are U.S. \$ 36 million; it projects earnings of U.S. \$ 81 million in FY 84-85.

3/ "The financing of international trade in garments is facilitated by a governmentally-sanctioned procedure whereby imports of fabric and related materials needed for garment-making are financed by back-to-back letters of credit (L/Cs) which in value may be as high as 75% of the value of the L/Cs pertinent to the export sale of the garments." The 75% figure is usually adequate to meet costs. The back-to-back L/Cs carry a tenor of 120 days which is ordinarily sufficient to allow production and export of garments. Source: The Manufacture In Bangladesh Of Ready-Made Garments for Export Report, P. 43,

4/ In addition, there are approximately 200 garment factories in the pipeline (under construction, license applications pending, etc.). Bangladesh garment manufacturers are members of the Bangladesh Garment Manufacturers and Exporters Association. This group is in close contact with the BDG and is usually included in any discussions regarding garment manufacture.

5/ While being trained, (usually 3 months), workers may be paid as little as 200-300 taka per month. Once trained, however, they usually earn 700-800 taka per month and can aspire to 1200 taka per month.

cited above. Netherlands and Italy. The U.S. share of Bangladesh's export market has increased from 9% (U.S. \$ 2.1 million) in FY 1980-81 to 60% (U.S. \$30.7 million) in FY 1983-84. Projections for FY 1984-85 estimate that U.S. exports will account for 65-70% of Bangladesh's total garment exports. There is much room for properly planned growth, however. Hong Kong, Taiwan and South Korea, the largest exporters of ready-made garments to the U.S., exported over U.S. \$1000 million worth of garments each to the U.S. in FY 1982-83. In that same period, Bangladesh to U.S. exports equalled only an estimated U.S. \$ 3.4 million.^{6/}

Principal finished garments exported from Bangladesh include blouses, shirts, coats and trousers. Exports to the U.S. have concentrated in four U.S. Customs Categories: #334 men's and boy's cotton coats; #340 men's and boy's cotton shirts; #341 women's and girl's cotton blouses and; #335 women's and girl's cotton coats. Concentration in these few categories, coupled with large imports of raw materials, make garments exported from Bangladesh vulnerable to both the new U.S. rules of origin and to quota systems.

II. U.S. RULES AND REGULATIONS THAT EFFECT BANGLADESH READY-MADE GARMENT EXPORTS TO THE U.S.

A. RULES OF ORIGIN

In Section 204 of the U.S. Agricultural Act of 1956 as amended, (7 U.S.C. 1854 ("the Act")), Congress provided authority to the President to negotiate textile restraint agreements with foreign countries in order to implement import policies. Under this Act, the President may also issue regulations to govern entry into the U.S. of merchandise covered by those agreements. In December, 1973, 50 nations meeting under the General Agreement on Tariffs and Trade (GATT) negotiated the Multi-Fiber Arrangement Regarding International Trade in Textiles (MFA). The MFA is the seminal agreement in the international trade of textiles and establishes ground rules for bilateral trade agreements.^{7/} Pursuant to Section 204, the U.S. entered the MFA and

^{6/} The emphasis of this report is not on the economic status of the ready-made garments industry. A few statistics have been included, however, to illustrate the industry's rapid growth rate in the last few years and the potential remaining for further growth. The seminal work in this area was done by the Harvard TIP group and is available in two of its reports: The Manufacture In Bangladesh of Ready-Made Garments for Export and An Analysis of Assistance to Garment Manufacturing in Bangladesh. The information contained therein is current as of 1982-83. Reliable, up-to-date statistics are not readily available, due both to the dynamic nature of the industry and to the inability of the BDG to monitor it.

^{7/} The MFA is the result of efforts of the industrialized countries to negotiate a multi-lateral, multi-fiber agreement to restrict import of textiles and textile products into their markets. The initial MFA was signed in 1973 by 50 countries and has now been extended through July 1986. The MFA "provides a framework for regulating international trade in textiles and apparel with the announced objective of achieving "orderly marketing" and avoiding "market disruption" in importing countries. It provides the basis on which importers may negotiate bilateral agreements, or even unilaterally impose restraints on imports from low-wage producing countries." The Manufacture In Bangladesh Of Ready-Made Garments for Export, p.39.

under its provisions has negotiated bilateral restraint agreements with 20 simulatory countries. The U.S. also has bilateral agreements with eight non-simulatory countries. The Committee for the Implementation of Textile Agreements (CITA) was established by Executive Order 11651 on March 3, 1972 to supervise the implementation of these agreements.

The Reagan administration became concerned about the application of textile agreements following the U.S. Court of International Trade decision in Cardinal Glove Co., Inc. v. U.S. (4 C.I.T 41) which concluded that "absent specific regulatory authority to the contrary, the bilateral textile agreement at issue therein was applicable [only] to textile products in which the agreement country was the "country of exportation" (of finished garments). In reaction to this decision and to a strong lobby by U.S. garment manufacturers, the President issued Executive Order No. 12475. This order directed the Secretary of the Treasury to promulgate regulations governing the entry of textiles and textile products subject to Section 204 of "the Act." The new "country of origin" regulations are the outgrowth of that order.^{8/}

1. Prior Determination of Country of Origin

Prior to the adoption of the new regulations, there were no codified rules defining "country of origin." Thus, the determination of an imported garment's country of origin was made by customs officials on a case-by-case basis at the point of entry into the U.S. There were no consistent criteria for decision, though rules of thumb were developed through practice and interpretation of court decisions.^{9/}

2. New Rules

Under the new "country of origin" regulations, textiles or textile products subject to Section 204 of "the Act" imported into the U.S. are considered to be the product of a particular foreign country or of a territory or insular possession of the U.S., if the article is wholly the growth, product or manufacture of that country. If the imported article consists in whole or in part of materials that originate or were processed in more than one country, the article will be considered the product of that foreign territory or insular possession where it last underwent a substantial transformation (transformed by means of a substantial manufacturing or processing operation into a new and different article of commerce). The key factor now to determine an imported garment's country of origin is the substantially of the transformation.^{10/}

^{8/} Part 12, Customs Regs. (19 CFR Part 12) has been amended to add a new Sec. 12.130. This section provides specific authority mandating that "country of origin" rules be applied to determine whether textiles or textile products are subject to any of the multilateral or bilateral agreements negotiated by the U.S. pursuant to Sec. 204 of "the Act." This makes the "country of origin" determination critical because it will determine whether imported goods come under any trade restraints (e.g., quotas).

^{9/} In most cases, for instance, the "country of origin" for a knit or stitchwear garment was considered to be the country where the garment pieces were linked at the neck and/or the collar.

^{10/} For detailed "country of origin" rules, See Appendix I.

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The new regulations require that all imports of textiles or textile products subject to Section 204 (and subjected to manufacturing and/or processing operations in more than one country) be accompanied by a declaration that describes (1) the manufacturing and/or processing operations involved, and (2) the materials used. The declaration must identify the countries, territories or insular possessions involved. Less complicated forms are required if a textile or textile product is wholly the growth product, etc. of one country.^{11/} Declarations may be prepared by the manufacturer, producer, exporter or importer and must be filed upon entry of the goods into the U.S. Determination of country of origin normally will be based on this information, and entry will be denied if the information is deemed incomplete.^{12/}

B. PROBABLE EFFECTS ON BANGLADESH READY-MADE GARMENT EXPORTS TO THE U.S.

Bangladeshi exporters of ready-made garments may encounter problems with the new "country of origin" requirements in the following manner. Prior to the new regulations, a manufacturer could claim as Bangladeshi export products, those garments merely assembled in Bangladesh from imported component parts. As a result, Bangladesh gained access to international garment markets [with export quality merchandise] and the manufacturer in the other country could sell its goods through Bangladesh, a country not subject to quotas.

Under the new rules, however, a manufacturer will find it more difficult to produce pieces or panels of garments, send them for final assembly in another country, and claim the latter country as the "country of origin." Only the assembly of all cut pieces of a garment will usually be considered a substantial manufacturing process that results in a new and different article of commerce (thus qualifying the assembling country as the country of origin). When either less than a complete assembly of all cut pieces of a garment is performed in one country, or the assembly involved is relatively simple, Customs will rule on the particular facts of the case (using criteria set forth in Section 12.130(d) of the new regulations).^{13/} Since assembly of knit-to-shape components (to produce, for example, full fashion sweaters) is a

^{11/} For detailed form requirements, See Appendix I. The new regulations are still in a "shake-out" period, where the minimum amount of information required in practice by customs agents to allow entry of goods into the U.S., has not yet been determined.

^{12/} Additional changes in customs regulations aimed at preventing quota and other trade restraint circumvention include (a) a redefining of "date of exportation" for quota, visa or statistical purposes, (b) regulations that attempt to prevent the "splitting of shipments" to avoid formal entry requirements, (c) requirements for in-bond transportation documentation, and (d) regulations governing informal entry of goods to the U.S. and withdrawals from warehouses for consumption. For details, See Appendix I.

^{13/} See Appendix I for criteria. The final rules to determine "country of origin" for garments assembled from cut cloth are substantially looser than were the interim regulations. Under the latter regulations, the marking of cloth in a commercially meaningful manner was the key to establish country of origin. Thus, a country could not claim as its export product, those garments entirely composed of imported materials unless the cloth had been marked and then assembled in that country. The final rules allow for much more flexibility.

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less complex operation, the joining together of those components in a single country by looping, linking, sewing or other means, even when accompanied by other processes such as washing or drying, will not cause the knit-to-shape components to be substantially transformed. Under the new rules, the country that produces knit panels for such garments will be considered the country of origin. Thus, Bangladesh can continue to claim a garment composed entirely of imported materials as its export product if the cloth is marked in Bangladesh and the garment is then assembled in Bangladesh or (in some cases) if assembly of all cut pieces of a garment is performed in Bangladesh. Bangladesh will only be able to claim a knit-to-wear garment as its product if the yarn is actually knitted into panels or pieces in Bangladesh.

Bangladesh must now take care to ensure that manufacturers from countries subject to quotas, that are affected by these regulations, do not "dump" their excess garments through Bangladesh. The pressures to do so (especially for knit-to-wear garments) probably will increase as the new rules take effect. For example, manufacturers from other countries might transship garments through Bangladesh to acquire papers citing Bangladesh as the "country of origin," or they might simply purchase papers to the same effect even though the goods never touch Bangladesh's soil.^{14/} These more complicated cases may require action by both the BDG and the industry to protect Bangladesh's export markets.

III. RESTRICTIONS LIKELY TO BE IMPOSED AS READY-MADE GARMENT EXPORTS TO THE U.S. INCREASE

The imposition of trade restraints has become imminent, with the rapid growth of the ready-made garment export industry in Bangladesh. As discussed above in Section IIA, both Bangladesh and the United States are participants in the MFA. Under Article III of that agreement, a participating country may call negotiations to discuss trade restraints [e.g., quotas] with another participating country. To do so, the importing country must determine that its market has been "disrupted" (in terms of the definition of market disruption in Annex A of the MFA) by import from the exporting country of a category of textiles or textile products not already subject to restraint. The factors which the MFA specifies as the cause of market disruption are a sharp and substantial increase in imports of particular products from particular countries and the offering of these products by the exporting country at prices substantially below those for similar goods of comparable quality produced in the importing country. The U.S. has recently reached this determination vis-a-vis import of categories #334 (men's and boy's other coats, cotton) and #340 (men's and boy's woven shirts, cotton) (See Sec. I above) and has "called" negotiations with Bangladesh to determine appropriate levels of restraints for category #334.^{15/} In conjunction with these negotiations, the

^{14/} According to Ronald Kresock, the U.S. regional Customs official based in Hong Kong, neither situation is a major problem at present. A few cases are being investigated, however, and the new regulations open the possibility for further abuses.

^{15/} These negotiations were conducted in early April and included discussions on category #340. Under MFA regulations, a "formula level" restraint automatically goes into effect 60 days after a call is made. The negotiating parties can alter that level by agreement. Delegations from both the EEC and Canada have discussed imposing restraints on ready-made garment imports from Bangladesh, but the U.S. will be the first to impose actual quotas.

BDG and the U.S. will soon enter a visa arrangement under which textiles or textile products imported from Bangladesh will be denied entry into the U.S. without a stamp signed by authorized Bangladeshi officials authenticating Bangladeshi origin. [For details of the proposed visa arrangement, See Appendix IV]. Such arrangements usually accompany the imposition of quotas and are used by the importing country to monitor imports.

Bangladesh is now subject to a "formula level" quota in one category of ready-made garment exports to the U.S. Since, as explained above in Section I, Bangladesh's exports to the U.S. have concentrated in four U.S. Customs categories, the BDG can reasonably anticipate being similarly "called" in the remaining categories in the near future.

IV. ACTIONS BANGLADESH IS TAKING TO FACILITATE CONTINUED GROWTH OF READY-MADE GARMENT EXPORTS TO THE U.S. WITHIN PARAMETERS OF U.S. LAW

Both BDG officials and private manufacturers and exporters are aware that they must take some action to respond to the new "country of origin" definitions and to the reality of quotas. In order to better understand the "country of origin" changes and their possible effect on exports, the Export Promotion Bureau [EPB], a semi-autonomous body under the Ministry of Commerce, sponsored meetings with both the U.S. regional customs officer charged with investigating customs violations in Bangladesh and with Teresita Schaffer, former director of the Office of International Trade in the State Department. These meetings were attended by both BDG officials and by private sector manufacturers and exporters. These are just two examples of actions being taken within Bangladesh. In addition, the Bangladesh Embassy in Washington, D.C. has taken an active role in discovering the parameters of the new rules and devising strategies to deal with them.

The BDG has charged the EPB with the responsibility to establish a garment monitoring system and to direct diversification of product line and overseas destination. As a first step, the EPB has proposed to send a delegation composed of one member from EPB, one member from the Ministry of Commerce, and one member from the Garment Manufacturers and Exporters Association to countries in the region such as Pakistan, Singapore, Hong Kong and South Korea that have developed garment monitoring systems^{16/}. This delegation will try to discover the incremental steps involved in developing such systems. The EPB plans to produce guidelines for a Bangladeshi system based on the delegation's findings.^{17/}

In addition, by order of the President, a Pre-Investment Advisory Committee has recently been established to review all new applications for

^{16/} This proposal has gone forward to the Ministry of Commerce for approval.

^{17/} It is probable that the EPB will be assisted in this process by a unit of the TIP team, at least in some aspects of the development of quota monitoring and allocation systems. A proposal for a one year extension (from July 1985-June 1986) of the TIP contract to work in this area has been approved in principle (by the World Bank, TIP and the BDG) and now awaits the completion of required formalities.

garment factories and to direct diversification of the industry.^{18/} The Vice Chairman of EPB chairs the committee and it is composed of representatives of the (1) Ministry of Industries; (2) Ministry of Commerce; (3) Ministry of Jute and Textiles; (4) President's Secretariat (member, EPZ Authority); (5) Director General of Industries; (6) Director, Directorate of Textiles and; (7) Bangladesh Bank. Under this order, a new ready-made garments manufacturer must first apply to the Advisory Committee and receive its sanction before being allowed to open a L/C and commence business.^{19/}

V. RECOMMENDED RULES FOR USAID

As is evident from the preceding section, the BDG is aware of the impending problems in the garments export sector and is taking steps to deal with them. The industry's growth has been so rapid, however, that the BDG's institutional capabilities have not been able to develop apace with that required.

There are many areas where USAID/Dhaka's assistance can be of great use, both to the BDG and to the industry itself. The suggestions below will in no way help Bangladesh to circumvent U.S. Customs policies. Broad U.S. foreign policy interests will best be served by helping the BDG develop an accurate quota monitoring system as quickly as possible^{20/} and by helping develop a strong garments export industry capable of self-policing. The following recommendations will require further definition if USAID/Dhaka chooses to pursue a role in the garments area.

A. FUNDING AND TECHNICAL ASSISTANCE TO TRAIN GARMENT WORKERS

The industry itself is grappling with the problem of the scarcity of appropriately trained personnel. Assistance is required to provide a stable source of skilled workers. Companies are intensifying their training programs and are trying to provide compensation that will enable them to retain the people they have trained, but it is not enough. At present, a few companies are bearing the major costs of training. These companies then lose their workers once they are trained to competitors who can afford to offer better wages since they incur no training costs.

The World Bank, as part of its Small Scale Industries IV Project, is proposing a small component of technical assistance to provide on-the-job training for garment workers. The proposed project will be conducted by expert consultants from Hong Kong and South Korea and will be managed by the Garment Manufacturers and Exporters Association. It is intended only as an interim measure to respond to what the Bank and the industry view as an urgent need.

^{18/} See Appendix V for Notification No. 7/15/84-AEA/26 (February 5, 1985) establishing the Advisory Committee and outlining its terms of reference.

^{19/} The garments sector used to be a "free sector" under the Bangladesh system. It is now termed a "qualified free sector" with the Advisory Committee scrutinizing every request for a new garments factory.

^{20/} In discussions in Washington, D.C., Paul Pilkauskas of the State Department's International Trade Office expressed Washington's strong interest that the BDG establish an accurate export and quota monitoring system as quickly as possible [preferably a system equipped with computers compatible with U.S. systems that track such exports].

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This project does not, however, address the recognized need for a stable source of skilled garment workers. The World Bank reports that the ILO has proposed a project to establish a garments training institute, but that it has been in the works for a long time and is not likely to proceed in the near future.^{21/}

USAID/Dhaka should investigate the status of the proposed ILO project to determine the likelihood that it will proceed and whether it will address the industry's needs. If the results of this inquiry prove to be negative, USAID/Dhaka can play a prominent role here, either in conjunction with the EPB or preferably with the Garment Manufacturer's and Exporter's Association, by providing funding and/or technical assistance to establish such an institute.^{22/} USAID/Dhaka should investigate the costs and procedures involved.

B. FUNDING AND TECHNICAL ASSISTANCE (TA) TO ESTABLISH A GARMENT MONITORING SYSTEM

As outlined above, it is in both the BDG's and in the U.S.'s interests to develop an accurate garment export monitoring system in Bangladesh. USAID/Dhaka can play a prominent role here by providing funding and/or training and technical assistance, for activities such as:

- (1) Sending consultants and/or BDG officials to neighboring countries to study how they have developed and maintained their garment monitoring systems;
- (2) Bringing technical experts to Bangladesh to provide assistance in developing a garments export monitoring system including:
 - (a) training within the EPB of statisticians and technicians and
 - (b) advise as to purchase and installation of appropriate computer systems and accessories; and
- (3) Funding to purchase computer hardware and software, and personnel training to operate the systems.

It is essential that Bangladesh join the "computer age" in this sector. The EPB is now relying on manual statistics acquired through inquiry of garment manufacturers. Such tabulations involve a high degree of error and are time consuming. Without a computer based garments export monitoring

^{21/} The World Bank itself considered funding the establishment of a training institute but determined that the procedures involved were too cumbersome to address what it viewed as an "urgent" need. Such an institute properly focused to meet the industry's needs would, however, complement the World Bank's short term training project.

^{22/} Such a training program must address (in addition to the basic technical training) the need for training in preventive maintenance of garments producing machinery. Bangladesh's garment factories are filled with "state of the art" machinery, but there is virtually no indigenous capacity to maintain or repair the machinery. Unchecked, this could prove a significant constraint to the industry in the future.

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system, the BDG will start out administering quotas with an inaccurate and incomplete data base. This will make for a difficult working relationship with its U.S. counterparts.

A computer based system is expensive to establish and involves extensive upfront and continuing training costs. A great deal of technical knowledge and advice is also required to determine the most appropriate and effective system to install. Preliminary actions such as the BDG's proposed study tour (see Sec. IV) must be followed up with more extensive study. The BDG needs both financial and technical assistance in this area. USAID/Dhaka should therefore consider assisting the BDG through funding and/or technical assistance.

PART 12 - SPECIAL CLASSES OF MERCHANDISE

Part 12 is amended by revising section 12.130 to read as follows:

TEXTILES AND TEXTILE PRODUCTS

§ 12.130 Textiles and textile products country of origin.

(a) General. Textiles or textile products subject to section 204, Agricultural Act of 1956, as amended (7 U.S.C. 1854) include merchandise subject to General Headnote (3)(g)(iii)(C)(1) of the Tariff Schedules of the U.S. (TSUS) (19 U.S.C. 1202) and merchandise:

(1) In chief value of cotton, wool, man-made fibers, or blends thereof in which those fibers, in the aggregate, exceed in value each other single component fiber thereof, or

(2) In which either the cotton content or the man-made fiber content equals or exceeds 50 percent by weight of all component fibers thereof, or

(3) In which the wool content exceeds 17 percent by weight of all component fibers thereof, or

(4) Containing blends of cotton, wool, or man-made fibers, which fibers, in the aggregate, amount to 50 percent or more by weight of all component fibers thereof, and

(5) Which is classified in the tariff item numbers provided for in General Headnotes (3)(g)(iii)(C)(2) or (3)

(g)(iii)(E), TSUS, or (3)(g)(iii)(C)(2) or (3)

(b) Country of origin. For the purpose of this section and except as provided in paragraph (c), a textile or textile product, subject to section 204, Agricultural Act of

(g) Incomplete or insufficient information. If the district director is unable to determine the country of origin of an article from the information set forth in the declaration, the declarant shall submit such additional information as requested. Release of the article from Customs custody will be denied until the determination is made based upon the information provided or the best information available. In this regard if incomplete or insufficient information is provided, the district director may consider the experience and costs of domestic industry in similar manufacturing or processing operations.

(h) Shipments covered by an informal entry. While a declaration is not required for shipments covered by an informal entry, the district director may require such other evidence of the country of origin as deemed necessary. The filing of the appropriate declaration will be required in a case involving consolidation of individual shipments under §§12.131 and 143.22 of this chapter.

(i) Date of exportation. For quota, visa or export license requirements, and statistical purposes, the date of exportation for textiles or textile products, subject to section 204, Agricultural Act of 1956, as amended, shall be the date the vessel or carrier leaves the last port in the country of origin, as defined by this section. Contingency of diversion in another foreign territory or country shall not change the date of exportation for quota, visa or export license requirements or for statistical purposes.

(R.S. 251, as amended, section 484, 46 Stat. 722, as amended, section 624, 46 Stat. 759, section 204, 70 Stat. 200, as amended (19 U.S.C. 66, 1484, 1624, 7 U.S.C. 1854) OMB approval #1515-0140)

1956, as amended, imported into the customs territory of the United States, shall be a product of a particular foreign territory or country, or insular possession of the U.S., if it is wholly the growth, product, or manufacture of that foreign territory or country, or insular possession.

However, except as provided in paragraph (c), a textile or textile product, subject to section 204, which consists of materials produced or derived from, or processed in, more than one foreign territory or country, or insular possession of the U.S., shall be a product of that foreign territory or country, or insular possession where it last underwent a substantial transformation. A textile or textile product will be considered to have undergone a substantial transformation if it has been transformed by means of substantial manufacturing or processing operations into a new and different article of commerce.

(c) Applicability to U.S. articles sent abroad.

Headnote 2, Part 1, Schedule 8, TSUS, provides that any product of the U.S. which is returned after having been advanced in value or improved in condition abroad, or assembled abroad, shall be a foreign article for the purposes of the Tariff Act of 1930, as amended. In order to have a single definition of the term "product of" and, therefore, a single country of origin for a textile or textile product, notwithstanding paragraph (b), merchandise which falls within the purview of Headnote 2, Part 1, Schedule 8, TSUS, may not,

(31-) Textiles and textile products not subject to section 204. Textiles and textile products not subject to section 204, Agricultural Act of 1956, as amended, (see paragraph (a) of this section for products subject to section 204) shall be accompanied by the declaration set forth below:

NEGATIVE DECLARATION

I, _____ (name), declare that the articles described below and covered by the invoice or entry which this declaration relates are not subject to section 204, Agricultural Act of 1956, as amended (7 U.S.C. 1854) and the information set forth in this declaration is correct and true to the best of my information, knowledge, and belief.

Marks of identification, numbers	Description of article and quantity	Country of origin

Date _____

Name _____

Signature _____

Title _____

Company _____

Address _____

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Marks of identifi- cation, numbers	Descrip- tion of article and quan- tity	Description of manufacturing and/or process- ing operations	Date and country of manufacture and/or process- ing		Materials		
			Country	Date of export- ation	Descrip- -tion of ma- terial	Country of produc- tion	Date of expor- tati

Date _____

Name _____

Signature _____

Title _____

Company _____

Address _____

*Country or countries when used in this declaration includes territories and U.S. insular possessions. The country will be identified in the above declaration by the alphabetical designation appearing next to the named country.

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an insular possession of the U.S. or were assembled in,
and/or incorporate fabricated components which are the
product of the U.S. and more than one foreign territory,
country or insular possession of the U.S., shall be
identified in a declaration which is substantially in the
following form:

MULTIPLE COUNTRY DECLARATION

I, _____ (name), declare that the
articles described below and covered by the invoice or entry
to which this declaration relates were exported from the
country* identified below on the dates listed and were
subjected to assembling, manufacturing or processing
operations in, and/or incorporate materials originating in,
the foreign territory or country* or countries*, or the U.S.
or an insular possession of the U.S., identified below. I
declare that the information set forth in this declaration is
correct and true to the best of my information, knowledge,
and belief.

A _____ (country*)

B _____ (country*)

C _____ (country*)

D _____ (country*)

etc.

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Marks of identification, numbers	Description of article and quantity	Country* of origin	Date of exportation

Date _____

Name _____

Signature _____

Title _____

Company _____

Address _____

*Country when used in this declaration includes territories and U.S. insular possessions. If the entry or invoice to which the declaration relates covers merchandise from more than one country each country will be identified in the declaration by the alphabetical designation appearing next to the named country. In the case of an assembly operation of U.S. components, both the country of assembly and the U.S. shall be reported (e.g. Haiti/U.S.) along with the date of exportation from the country of assembly.

(2) More than one foreign territory or country, or U.S. insular possession. Textiles and textiles products which were subjected to manufacturing or processing operations in, and/or incorporate materials originating in more than one foreign territory or country, or

or insular possession of the U.S. of fabricated components which are in whole the product of the U.S. and/or the single foreign territory or country, or insular possession of the U.S. shall be identified in a declaration which is substantially in the following form:

SINGLE COUNTRY DECLARATION

I, _____ (name), declare that the articles listed below and covered by the invoice or entry to which this declaration relates are wholly the growth, product, or manufacture of a single foreign territory or country, or insular possession of the U.S., or were assembled in the single foreign territory or country, or insular possession of the U.S. of fabricated components which are in whole the product of the U.S. and/or the single foreign territory or country, or insular possession of the U.S. as identified below. I declare, that the information set forth in this declaration is correct and true to the best of my information, knowledge, and belief.

A _____ (country*)

B _____ (country*)

C _____ (country*)

D _____ (country*)

etc.

...of the U.S. and/or the single foreign territory or country, or insular possession of the U.S. as identified below. I declare, that the information set forth in this declaration is correct and true to the best of my information, knowledge, and belief.

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been cut from fabric in another foreign territory or country, or insular possession, into a completed garment (e.g. the complete assembly and tailoring of all cut pieces of suit-type jackets, suits, and shirts).

(2) An article or material usually will not be considered to be a product of a particular foreign territory or country, or insular possession of the U.S. by virtue of merely having undergone any of the following:

(i) Simple combining operations, labeling, pressing, cleaning or dry cleaning, or packaging operations, or any combination thereof;

(ii) Cutting to length or width and hemming or overlocking fabrics which are readily identifiable as being intended for a particular commercial use;

(iii) Trimming and/or joining together by sewing, looping, linking, or other means of attaching otherwise completed knit-to-shape component parts produced in a single country, even when accompanied by other processes (e.g. washing, drying, mending, etc.) normally incident to the assembly process;

(iv) One or more finishing operations on yarns, fabrics, or other textile articles, such as showerproofing, superwashing, bleaching, decatizing, fulling, shrinking, mercerizing, or similar operations; or

(v) Dyeing and/or printing of fabrics or yarns.

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(f) Declaration of manufacturer, producer, exporter, or importer of textiles and textiles products. All importations of textiles and textiles products subject to section 204, Agricultural Act. of 1956, as amended, shall be accompanied by the appropriate declaration(s) set forth in paragraph (f)(1) or (f)(2) below. All importations of textiles and textile products covered by General Headnotes (3)(g)(iii)(C)(2) or (3)(g)(iii)(E), TSUS, and not subject to section 204 shall be accompanied by the declaration set forth in paragraph (f)(3) below. The declaration(s) shall be filed with the entry. The declaration(s) may be prepared by the manufacturer, producer, exporter or importer of the textiles and textile products. If multiple manufacturers, producers, or exporters are involved, a separate declaration prepared by each may be filed. A separate declaration may be filed for each invoice which is presented with the entry. The determination of country of origin, other than as set forth in paragraph (g) of this section, will be based upon information contained in the declaration(s). The declaration(s) shall not be treated as a missing document for which a bond may be filed. Entry will be denied unless accompanied by a properly executed declaration(s).

(1) Single foreign territory or country, or U.S. insular possession. Textiles or textile products which are wholly the growth, product, or manufacture of a single foreign territory or country, or insular possession of the U.S., or assembled in a single foreign territory or country,

(iv) The level or degree of skill and/or technology required in the manufacturing or processing operations in each foreign territory or country, or insular possession of the U.S.

(v) The value added to the article or material in each foreign territory or country, or insular possession of the U.S., compared to its value when imported into the U.S.

(e) Manufacturing or processing operations.

(1) An article or material usually will be a product of a particular foreign territory or country, or insular possession of the U.S., when it has undergone prior to importation into the U.S. in that foreign territory or country, or insular possession any of the following:

(i) Dyeing of fabric and printing when accompanied by two or more of the following finishing operations: bleaching, shrinking, fulling, napping, decatizing, permanent stiffening, weighting, permanent embossing, or moireing;

(ii) Spinning fibers into yarn;

(iii) Weaving, knitting or otherwise forming fabric;

(iv) Cutting of fabric into parts and the assembly of those parts into the completed article; or

(v) Substantial assembly by sewing and/or tailoring of all cut pieces of apparel articles which have

upon its return to the U.S., be considered a product of the U.S.

(d) Criteria for determining country of origin. The criteria in subparagraphs (1) and (2) of this paragraph shall be considered in determining the country of origin of imported merchandise. These criteria are not exhaustive. One or any combination of criteria may be determinative, and additional factors may be considered.

(1) A new and different article of commerce will usually result from a manufacturing or processing operation if there is a change in:

- (i) Commercial designation or identity,
- (ii) Fundamental character or
- (iii) Commercial use.

(2) In determining whether merchandise has been subjected to substantial manufacturing or processing operations, the following will be considered:

(i) The physical change in the material or article as a result of the manufacturing or processing operations in each foreign territory or country, or insular possession of the U.S.

(ii) The time involved in the manufacturing or processing operations in each foreign territory or country, or insular possession of the U.S.

(iii) The complexity of the manufacturing or processing operations in each foreign territory or country, or insular possession of the U.S.

TEXT OF PROPOSED VISA SYSTEM BETWEEN U.S. AND BDG

(EXCERPT FROM 85 STATE 014730)

1. Each shipment of cotton fiber textiles or textile products shall be visaed or certified by the placing of the original circular visa stamped in blue ink on the front of the original copy of the invoice (special Customs invoice, Form 5515, or commercial invoice). The original visa shall not be affixed to duplicate copies of the invoice. The original copy of the invoice with the original visa will be required to enter the shipment into the United States. Duplicate copies of the invoice and/or visa may not be used. Each visa certification will include its number and date and the signature of the issuing official. The visa shall also state the correct categories and quantities in the shipment in applicable category units. However, if the quantity indicated on the export visa is more than that of the shipment, entry shall be permitted after the entry is conditionally accepted. The U.S. Customs Service will not return the original copy of the invoice if that document is deficient. Rather, Customs will provide the importer with a certified copy of the invoice for use in obtaining a new original invoice with (the) original visa or a waiver. If import quotas are in force, the original category and/or quantity if incorrect will be deducted and only the correct quantity and/or category noted on the replacement invoice will be charged to the quota. Lists of categories or items of exports to be covered under (the) visa are contained in Annex A (omitted). Both sides reserve their rights to expand or amend the list subject to mutual agreement (Annex A contains 41 category descriptions).

2. Prior to implementation, your Government (BDG) shall provide my Government (U.S.) with two original specimens of the visa stamping and two samples of the authorized signatures. Officials authorized to sign visas shall not exceed five in number and should changes occur, original signature specimens shall be provided in a timely manner.

3. Cotton fiber textiles and textile products which are not accompanied by an original signed visa in accordance with the provisions above will be denied entry by my Government (U.S.) except upon specific request of your Government (BDG) ("Visa Waiver").

4. The United States of America will publish in its Federal Register the visa requirements set out in this letter upon receipt of a) your letter confirming on behalf of your Government (BDG) acceptance of this administrative arrangement and b) specimens of the visa stamp and authorized signatures. The arrangement shall take effect upon publication in the Federal Register or at a mutually agreed later effective date.

5. Either Government may terminate this visa system by giving 90 days written notice to the other.

GARMENTS INDUSTRY ADVISORY COMMITTEE'S TERMS OF REFERENCE

(EXCERPT FROM BDG ORDER NO. 7/15/84-AEA/26, DATED FEBRUARY 5, 1985)

3. TOR of the Committee will be as below:
 - a) The Committee will accept and consider proposals to set up new units in the Garment Sector.
 - b) The Committee will examine and evaluate the proposals in the light of present capacity, demand for the garment category in the overseas market, diversification of items, etc.
 - c) After evaluation, the Committee will submit a specific recommendation on the application. On the basis of the recommendation of the Committee, (the) Ministry of Textiles will consider giving permission to set up the new garment industry.
 - d) The Committee will prepare expert recommendations for successful diversification of this industry in the light of real information and external factors such as the international market, etc.
 - e) The Committee will prepare specific proposals as to the steps to be taken for the balanced growth of the ready-made garment industry considering its recent expansion. The Committee will also put (forth) recommendations as to steps to be taken to prompt the present sanctioned/established industries to diversify production.
4. The Committee will have the right to accept the expert opinion of the concerned Ministry/Department or any other quarter at the time of evaluation of the application.
5. The Committee will submit its recommendation and report to the Ministry of Commerce.
6. The Committee/its secretariat will collect, preserve and publish all sorts of statistics regarding the garment industry of the country and it will be termed as the central source of statistics of the garment industry.
7. EPB will act as secretariat of this Committee.
8. This Committee will sit at least once a month in meeting to facilitate the work.
9. This order will come into force at once.

By Order of the President

Sd/-
(M. Akhter Ali)
Joint Secretary