

## **Textile and Apparel Customs Enforcement Textile Enforcement and Security Act (TESA)**

### **ISSUE:**

Since the DR-CAFTA agreement went into effect, the U.S. textile industry has noticed a sharp increase in illegal trafficking of textile and apparel products in the region. For example, the U.S. government has reported that nearly twice as much “U.S.” combed cotton yarn was exported from the United States to the CAFTA region than was actually produced. Additionally, there have been a number of “phony companies” advertising the sale of U.S. yarns and fabric for use in the DR-CFTA region via the Internet, yet Customs and Border Patrol (CBP) has been unable to effectively curtail these illegal activities. Finally, recent information from Mexico shows that up to a third of denim jeans which claim NAFTA origin may be made of Chinese fabric.

### **BACKGROUND:**

The U.S. textile industry depends on strong customs enforcement for its livelihood. The industry is the third largest exporter of textile products in the world with over \$18 billion in exports in 2014. A majority of the industry’s production is exported. Three quarters of the industry’s exports go to trade preference countries, notably CAFTA, NAFTA, and the ANDEAN regions. Due to the high-risk nature and the prevalence of fraud, CBP designated the textile industry as a Priority Trade Issue — yet the industry continues to witness serious fraud.

CBP collects nearly \$40 billion in revenue annually, making it the second largest revenue generator for the U.S. government. Approximately 41% of all duties collected by CBP come from imports of textiles and apparel. Textile and apparel have the highest fraud rankings of any industrial product and by failing to ensure proper enforcement of our agreements and trade obligations, the U.S. government is losing an important revenue source and more importantly, damaging the ability of U.S. manufacturing to compete in the global market.

NCTO believes that textile customs enforcement could be considerably enhanced by addressing some of the issues impacting the industry. NCTO believes that this can be done in a way that increases enforcement as well as trade facilitation, through improved targeting, increased resources, and enhanced authority. This new approach will reduce the need for Customs to conduct broad investigations that can hamper legitimate producers while targeting high risk imports.

## LEGISLATIVE ACTIVITY

In order to address the lack of effective customs enforcement, NCTO is working with textile industry champions in the U.S. House and Senate to introduce the Textile Enforcement and Security Act (TESA), which aims to increase the resources of the Textile and Apparel Office at CBP, improve targeting, and give the office additional authorities.

### TESA 2015 Bill Summary

- Directs the Department of Homeland Security and Department of Treasury to use amounts from the fines and penalties collected from import violations for textiles and apparel to pay for expenses directly related to customs enforcement and training for import specialists.
- Instructs the U.S. government to establish an Electronic Verification Program that tracks yarn and fabric inputs in free trade agreements.
- Increases the number of trained import specialists in textile and apparel verifications at the 15 largest U.S. ports (by value) that process textile and apparel imports. Many textile and apparel trained specialists are currently assigned to low volume textile and apparel ports.
- Directs Customs to assign operations staff to three CAFTA-DR countries for the purposes of in-country training and preference verification of textile and apparel products. Also ensures staff are assigned to other high-volume textile and apparel importing countries in future trade agreements.
- Increases staff positions at Textile and Trade Agreements division in CBP headquarters and focuses staff toward trade preference verifications. Headquarters staff has been significantly reduced over the last seven years.
- Establishes a Textile and Apparel New Importer Program which creates a centralized database for new importers and allows CBP to adjust bond requirements for high-risk importers of textile and apparel goods.
- Establishes a Nonresident Importer Program that ensures the resident agent is held accountable for fraudulent activity involving textile and apparel imports, should the nonresident importer be inaccessible.
- Mandates the government publish names of companies that intentionally violate the rules of textile and apparel trade agreements.
- Clarifies that Customs has the authority to seize fraudulent textile and apparel goods imported under Trade Preference Area and Free Trade Agreement rules.
- Establishes a Textile and Apparel Manufacturing and Supplier Registry pilot program to serve as a centralized database of U.S. producers and manufacturers and suppliers in the NAFTA, CAFTA, and other free trade or preference regions in the Western Hemisphere.

## **POSITION:**

NCTO strongly supports the Textile Enforcement and Security Act of 2015, which provides the Department of Homeland Security the necessary resources, authority, and direction to properly enforce U.S. textile and apparel trade obligations.