LEGISLATIVE DIGEST
HOUSE REPUBLICAN CONFERENCE | CHAIRMAN ADAM PUTNAM

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H.R. 6560 – To establish an earned import allowance program under Public Law 109-53, and for other purposes

FLOOR SITUATION

H.R. 6560 is being considered on the floor under suspension of the rules and will require a two-thirds majority vote for passage. This legislation was introduced by Representative Charles Rangel (D-NY) on July 22, 2008. The bill was referred to the Committee on Ways and Means, but was never considered.

H.R. 6560 is expected to be considered on the floor of the House on July 29, 2008.

SUMMARY

H.R. 6560 amends the Dominican Republic-Central American-United States Free Trade Agreement Implementation Act to require the Secretary of Commerce to establish a "2 for 1" textile and apparel allowance program. Under this provision, when textile producers purchase a certain quantity of U.S. fabric for apparel production in the Dominican Republic, they will receive a credit. This credit may then be used to ship a corresponding quantity of eligible apparel (pants and other bottoms), containing fabric sourced from a third-country that ordinarily would not receive duty-free treatment, from the Dominican Republic to the United States duty-free.

> *Note: Fabrics covered in this program include woven fabric of cotton formed in the United States and certified by the producer as being suitable for use in the manufacture of apparel items such as trousers, bib and brace overalls, breeches and shorts, skirts and divided skirts or pants.*

This program will be in effect for a period of 10 years. H.R. 6560 requires the U.S. International Trade Commission to annually review the program to evaluate its effectiveness and suggest improvements, as well as to report to Congress on such a review.

This bill also extends the existing provisions of the Generalized System of Preferences program for one year (until December 2009) without making any changes to the program. H.R. 6560 additionally provides additional market access for apparel imports from AGOA (Africa) beneficiary countries by removing the "abundant supply" provisions, which limit the use non-AGOA produced fabric, including denim.

H.R. 6560 grants Mauritius "least-developed country" status under AGOA – allowing Mauritius to use third-country fabric in apparel exported duty-free to the United States. Finally, the bill requires the U.S. International Trade Commission and the GAO to recommend potential changes to U.S. preference programs that would encourage increased production of value-added apparel inputs, such as fabric, in Africa.

BACKGROUND

In 2004, the United States, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic signed the Dominican Republic-Central America-United States Free Trade Agreement. The U.S. Senate approved the free trade deal on June 30, 2005. The governments of the Dominican Republic, El Salvador, Guatemala, Nicaragua, Honduras, and Costa Rica have also ratified the agreement. These countries account for the second-largest U.S. export market in Latin America, purchasing about $15 billion of American goods per year.

The United States is a major textile exporter, sending $12.4 billion worth of textiles overseas in 2005 – a 5% rate of growth over the previous year. However, over the past several decades, textile and apparel manufacturing has been shifting to developing countries, with textiles and apparel accounting for large portions of their exports to industrially developed countries like the U.S. As of August 2006, 610,000 Americans were employed in the textile industry.

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ADDITIONAL VIEWS

Ranking Member Jim McCrery (R-LA): "This important expansion of the U.S.-CAFTA-DR fair trade agreement, fully supported by the U.S. textile industry, is an opportunity to expand U.S. manufactured exports to the region and demonstrates how these agreements can benefit U.S. workers… This legislation will provide another opportunity to grow U.S. textile exports and add to the U.S. trade surplus with the CAFTA-DR region." Press Release, July 22, 2008

COST

The Congressional Budget Office (CBO) has estimates that implementing H.R. 6560 will cost $56 million.

STAFF CONTACT

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