



United States  
International Trade Commission

# Earned Import Allowance Program: Evaluation of the Effectiveness of the Program for Certain Apparel from the Dominican Republic

## Ninth Annual Review

August 2018

Publication Number: 4809

Investigation Number: 332-503

# United States International Trade Commission

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# United States International Trade Commission

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# Table of Contents

<b>Preface</b> .....	<b>3</b>
<b>Overview, Background, and Approach</b> .....	<b>5</b>
Program Activity and Trade .....	8
Recommendations to Improve the Earned Import Allowance Program.....	12
Bibliography .....	13
<b>Figures</b>	
<b>Figure 1:</b> U.S. imports of woven cotton bottoms from and exports of bottom-weight cotton fabrics to the Dominican Republic under the EIAP, by quantity, 2009–17 .....	7
<b>Figure 2:</b> U.S. imports of woven cotton bottoms from and exports of bottom-weight cotton fabrics to the Dominican Republic under the EIAP, by value, 2009–17 .....	7
<b>Figure 3:</b> U.S. imports of qualifying apparel under the EIAP by quantity, 2009–17 .....	9
<b>Figure 4:</b> U.S. imports of qualifying apparel under the EIAP by value, 2009–17 .....	9
<b>Figure 5:</b> U.S. exports of bottom-weight cotton fabrics to the Dominican Republic, by quantity, 2009–17 .....	11
<b>Figure 6:</b> U.S. exports of bottom-weight cotton fabrics to the Dominican Republic, by value, 2009–17 .....	11
<b>Appendixes</b>	
Appendix A Section 2 of Public Law 110-436.....	15
Appendix B <i>Federal Register</i> Notice .....	25
Appendix C Written Submission to the Commission .....	29



# Preface

Section 404(d) of the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act, as amended (the Act) (19 U.S.C. 4112(d)), requires the U.S. International Trade Commission (Commission) to conduct annual reviews of the Earned Import Allowance Program (EIAP) for the Dominican Republic “for the purpose of evaluating the effectiveness of, and making recommendations for improvements in, the program.” The Act directs the Commission to transmit its reports on the results of such reviews to the House Committee on Ways and Means and the Senate Committee on Finance.



# Overview, Background, and Approach

This report contains the results of the Commission’s ninth annual review of the Earned Import Allowance Program (EIAP) for the Dominican Republic. This report assesses the effectiveness of the EIAP in 2017 and through March 2018. Since the Dominican Republic is the only country eligible for the program,<sup>1</sup> this report focuses only on the effectiveness of the program as it relates to trade between the United States and the Dominican Republic. The report also includes a summary of recommendations made by the government of the Dominican Republic related to how the program might be improved.

As noted in prior annual reviews,<sup>2</sup> the EIAP is intended to improve the competitiveness of the Dominican Republic’s apparel industry in the U.S. market by maintaining the economies of scale required to keep the industry viable<sup>3</sup> and to increase the Dominican apparel industry’s access to textile inputs.<sup>4</sup> Section 404(d) of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) Implementation Act, as amended (the Act) (19 U.S.C. 4112(d)),<sup>5</sup> requires the Commission to evaluate the effectiveness of the EIAP, to make recommendations for improving the program, and to submit a report annually to the House Committee on Ways and Means and the Senate Committee on Finance on the results of its review.

The EIAP provides an uncapped duty-free benefit for U.S. imports of certain woven cotton bottoms<sup>6</sup> assembled in the Dominican Republic from third-country fabric.<sup>7</sup> In order to qualify under the EIAP, Dominican firms that assemble and export woven cotton bottoms to the United States using intermediary fabric from third-country markets must provide U.S. Customs with a certificate documenting the amount of certain U.S.-produced woven cotton fabric they have

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<sup>1</sup> Section 404(c)(3) (19 U.S.C. § 4112(c)(3)).

<sup>2</sup> Each of these annual reports is published under “investigation no. 332-503” and can be downloaded from the USITC website. Their full titles and URLs are listed in the bibliography.

<sup>3</sup> USITC hearing transcript, November 18, 2009, 6–8 (testimony of Scott Quesenberry, an independent consultant and former special textile negotiator, Office of the U.S. Trade Representative); USITC, *Earned Import Allowance Program*, 2010, 2–3.

<sup>4</sup> Swift Galey, written submission to the USITC, November 18, 2009; USITC, hearing transcript, November 18, 2009, 23 (testimony of Carlos Moore, AM&S Trade Services, on behalf of Swift Galey); Embassy of the Dominican Republic, written submission to the USITC, April 10, 2015, 2.

<sup>5</sup> Section 404 was added to the Act by section 2 of Public Law 110-436, approved October 16, 2008, “An Act to Extend the Andean Trade Preference Act, and for other Purposes.” (See appendix A for a copy of the statute; see, in particular, sections 404(c) and (d).) Section 404 (e)(1) of the Act states that the program will be in effect for the 10-year period beginning on the date on which the President certifies to the appropriate congressional committees that sections A, B, C, and D to the Annex to Presidential Proclamation 8213 (December 20, 2007) have taken effect. In Proclamation 8323 of November 25, 2008, the President issued the following statement: “3. On August 7, 2008, the United States Trade Representative (USTR) published a notice in the *Federal Register* (73 FR 46057) announcing that August 15, 2008, would be the effective date for sections A, B, C, and D of the Annex to Presidential Proclamation 8213, 4. I have determined, and hereby certify, that the provisions of Proclamation 8213 referenced in section 404(e)(1) of the CAFTA-DR Act, as amended, have taken effect.” 122 Stat. 5389.

<sup>6</sup> Denim cotton bottoms are excluded from coverage under the provision. The provision includes all other cotton woven pants and trousers, bib and brace overalls, breeches and shorts, and skirts and divided skirts.

<sup>7</sup> Third-country fabric refers to fabric that originates in a country outside the United States or the Dominican Republic.

used for apparel production. The program stipulates that for every 2 units of qualifying U.S. fabric purchased for apparel production in the Dominican Republic, a 1-unit credit is received that can be used to import apparel made with third-country fabric duty free into the United States.

This report assesses the effectiveness of the EIAP in 2017 and through March 2018 and summarizes the recommendations received by the Commission from interested parties on how to improve the program. The report draws largely on publicly available trade data and information, as well as data obtained from the U.S. government officials administering the EIAP. During its investigation, the Commission sought comments on the EIAP and recommendations for improving the program via a *Federal Register* notice (appendix B). The Commission received one submission from the government of the Dominican Republic, which is reproduced in its entirety in appendix C. Information from this submission is incorporated into the Commission's report as appropriate.

Based on available information the Commission again finds that, since the program's inception in December 2008 and the first entry of imports under the program in April 2009, the EIAP has not significantly boosted exports of woven cotton bottoms (pants and trousers, bib and brace overalls, breeches and shorts, and skirts and divided skirts) from the Dominican Republic to the United States. A small supplier of woven cotton bottoms to the United States, the Dominican Republic continued to lose U.S. market share in 2017 as total U.S. imports of all woven cotton bottoms from the Dominican Republic (not just those under the EIAP) fell from the previous year. As a result, the Dominican Republic fell in rank to become the 32nd-largest global supplier of all woven cotton bottoms imported into the United States (down from its position as the 26th largest supplier in 2016 and the 11th largest supplier in 2009).<sup>8</sup> Although U.S. exports of bottom-weight cotton fabrics to the Dominican Republic increased 21 percent by value and 1 percent by quantity (measured in square meter equivalents or SMEs) in 2017, the Dominican Republic fell from being the second-largest market for U.S. exports of bottom-weight cotton fabrics in 2009 to the fifth-largest in 2017.<sup>9</sup> Finally, the Dominican Republic accounted for slightly less than 3 percent of the total value of such U.S. cotton fabric exports to the world in 2017, down from 7 percent in 2009.<sup>10</sup>

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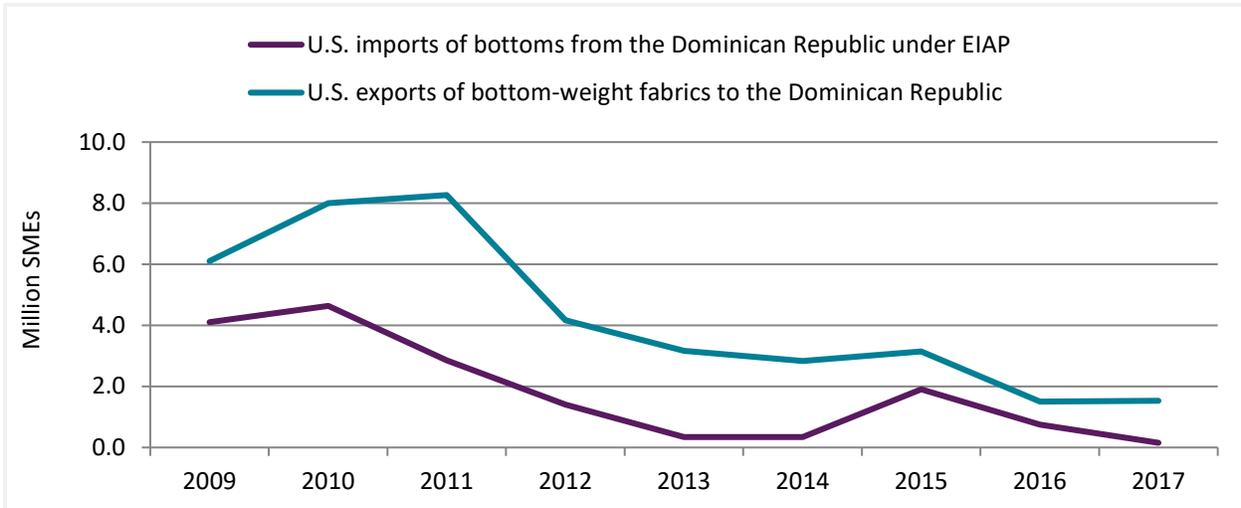
<sup>8</sup> The reference is to all woven cotton bottoms, not just those covered by the EIAP, which does not include woven cotton bottoms made of denim.

<sup>9</sup> The four largest markets for U.S. exports of bottom-weight cotton fabrics in 2017 were Mexico, Honduras, Canada, and Nicaragua.

<sup>10</sup> USITC DataWeb/USDOC (accessed May 10, 2018).

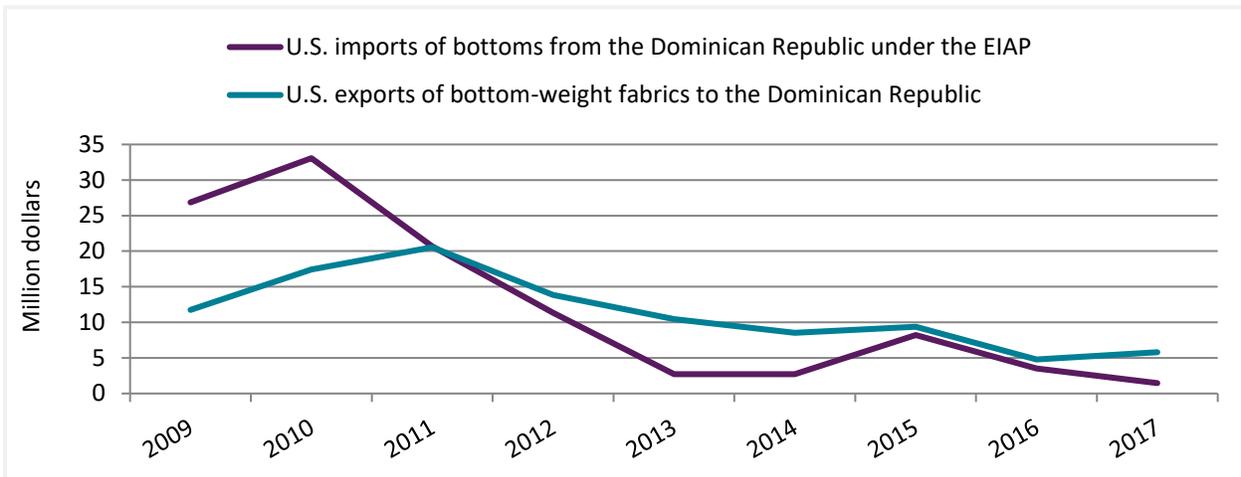
The following charts show the trends in U.S. imports of woven cotton bottoms under the EIAP<sup>11</sup> and U.S. exports of bottom-weight cotton fabrics<sup>12</sup> by quantity and by value during 2009–17.

**Figure 1:** U.S. imports of woven cotton bottoms from and exports of bottom-weight cotton fabrics to the Dominican Republic under the EIAP, by quantity, 2009–17



Source: USITC DataWeb/USDOC (accessed March 26 and May 10, 2018).

**Figure 2:** U.S. imports of woven cotton bottoms from and exports of bottom-weight cotton fabrics to the Dominican Republic under the EIAP, by value, 2009–17



Source: USITC DataWeb/USDOC (accessed March 26 and May 10, 2018).

<sup>11</sup> The data on U.S. imports of woven cotton bottoms under the EIAP (classified in HTS 9822.06.05) are provided to the USITC by the U.S. Department of Commerce, Office of Textiles and Apparel.

Source: USITC DataWeb/USDOC (accessed March 26 and May 10, 2018).

<sup>12</sup> U.S. exports of bottom-weight cotton fabrics are classified in Schedule B codes 5208.13.0000, 5208.19.2000, 5208.33.0000, 5208.39.2000, 5208.59.1000, 5209.32.0000, 5209.39.0030, 5209.42.0030, 5210.32.0000, 5210.39.2000, 5211.32.0000, 5211.39.0030, 5211.42.0030, 5211.42.0050, 5212.13.0000, 5212.23.0000, and 5212.24.0000.

## Program Activity and Trade

As of March 2018, 13 companies in the United States and the Dominican Republic<sup>13</sup> had accounts entitling them to participate in the EIAP.<sup>14</sup> Four of the registered firms earned export credits and used the program in 2017 and the first quarter of 2018—one less than was reported in the last three annual reviews.<sup>15</sup> As of March 31, 2018 (the latest date for which data are available), the U.S. Department of Commerce had issued export credits totaling 19.23 million SMEs of fabric since the program began on December 1, 2008.<sup>16</sup> Based on the previous figure reported in the Commission's eighth annual review (19.18 million SMEs), this indicates that about 40,000 SMEs of export credits were issued between April 1, 2017, and March 31, 2018.<sup>17</sup>

From the start of the EIAP on December 1, 2008, through March 2018, U.S. imports of woven cotton bottoms under the program totaled about 16.5 million SMEs. This leaves a balance of about 2.7 million SMEs in credits that could be used to import woven cotton bottoms free of duty under the EIAP using third-country fabrics before all the existing credits are used.<sup>18</sup>

In 2017, the quantity of U.S. imports under the program fell 80 percent, from 745,000 SMEs in 2016 to about 154,000 SMEs (figure 3), and the value of U.S. imports under the program fell 59 percent, from \$3.5 million in 2016 to \$1.5 million (figure 4). As a result, U.S. imports under the program in 2017 reached an all-time low.<sup>19</sup> U.S. imports under the program in the first quarter of 2018 decreased compared to the first quarter of 2017, from 41,000 SMEs to 18,000 SMEs by quantity and from \$426,000 to \$190,000 by value.<sup>20</sup>

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<sup>13</sup> Seven of these firms are U.S. companies, while 6 are Dominican firms. In 2017, the number of companies with accounts entitling them to participate in the EIAP increased from 12 to 13. The new registered account, however, did not make any deposits. U.S. government official, email messages to USITC staff, May 1, 2018, and May 18, 2018.

<sup>14</sup> In year 1 of the EIAP, 9 companies were registered to use the program. USITC, *Earned Import Allowance Program*, 2010, 3-1.

<sup>15</sup> U.S. government official, email message to USITC staff, May 1, 2018; USITC, *Earned Import Allowance Program*, 2017, 9; USITC, *Earned Import Allowance Program*, 2016, 11. One Dominican apparel producer stated that his company has not used the EIAP since 2014, preferring instead to import under Haiti's HOPE/HELP programs. Dominican apparel industry representative, email message to USITC staff, May 10, 2018.

<sup>16</sup> Based on data reported on [www.otexa.trade.gov](http://www.otexa.trade.gov), May 15, 2018.

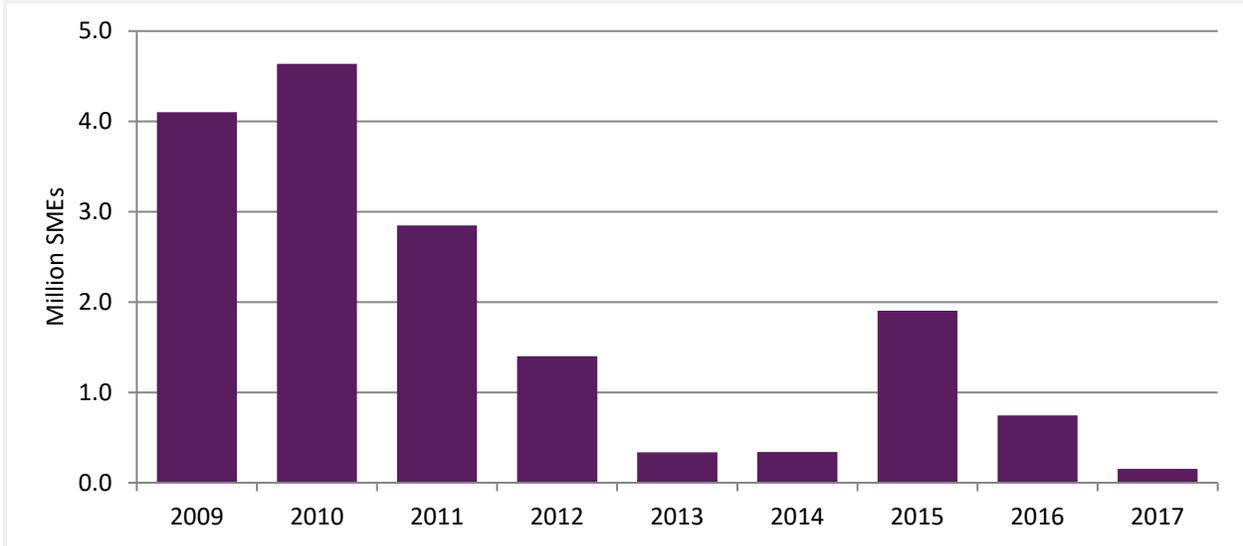
<sup>17</sup> Figures may not add up to totals shown due to rounding. U.S. government official, email message to USITC staff, May 15, 2018.

<sup>18</sup> Calculated based on credits earned totaling 19.2 million SMEs, minus U.S. imports of 16.5 million SMEs under the program. U.S. government official, email message to USITC staff, May 15, 2018.

<sup>19</sup> Conversely, total U.S. imports of woven cotton bottoms from the world increased by \$2.0 million (26 percent) from 2016 to 2017 and by \$3.7 million (61 percent) from 2009 to 2017—totaling \$9.9 million in 2017. There was a sharp increase in imports under the program in 2015, which industry representatives attributed to “incidental large orders rather than to the EIAP.” USITC, *Earned Import Allowance Program*, 2015, 12.

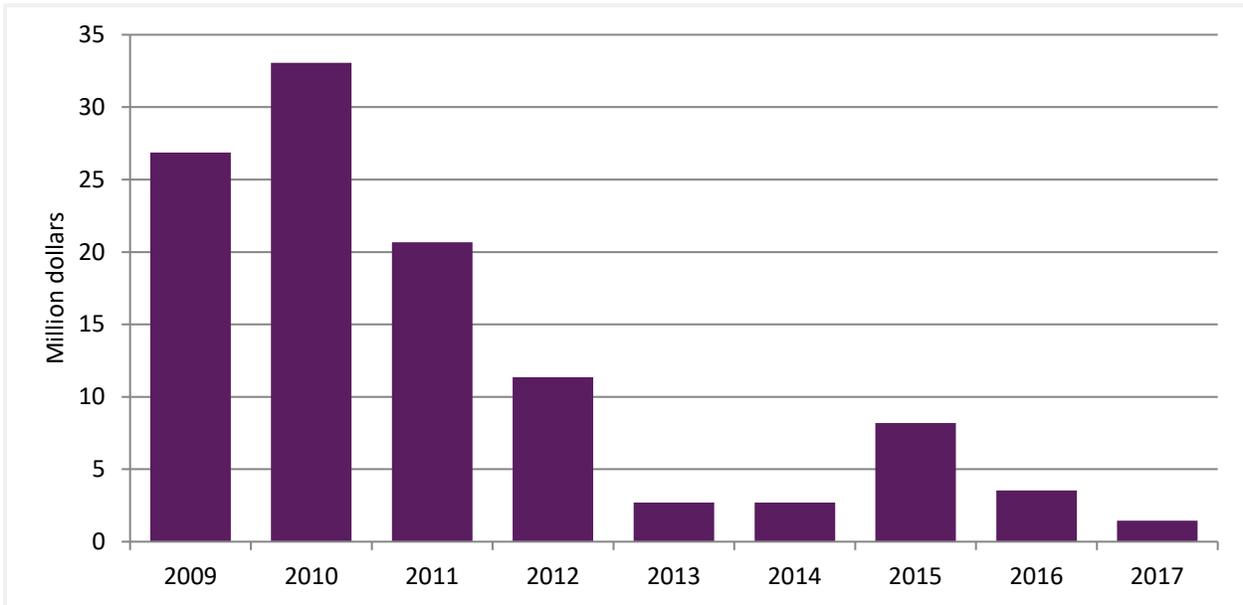
<sup>20</sup> USDOC, OTEXA (accessed May 9, 2018).

**Figure 3:** U.S. imports of qualifying apparel under the EIAP by quantity, 2009–17



Source: USDOC, OTEXA (accessed May 9, 2018).

**Figure 4:** U.S. imports of qualifying apparel under the EIAP by value, 2009–17



Source: USDOC, OTEXA (accessed May 9, 2018).

The decline in U.S. imports under the EIAP in 2017 continued into early 2018. U.S. government officials and one former user of the program have attributed the drop in U.S. imports under the EIAP to several factors. In 2017, representatives of the Dominican Republic's apparel industry stated, as they had previously, that Haiti's lower labor rates and the favorable trade

preferences offered to Haiti under the HOPE/HELP<sup>21</sup> programs motivated them to switch to sourcing woven cotton bottoms from Haiti.<sup>22</sup> The HOPE/HELP programs offer more sourcing flexibility, cover a wider range of products, and include a tariff preference level (TPL) for woven apparel that allows the use of third-country fabric up to a specified level.<sup>23</sup> Also, the decline in U.S. imports under the EIAP likely reflects a significant decline in woven trouser manufacturing capacity in the Dominican Republic, along with a simultaneous shift by U.S. importers to Asian suppliers during the life of the program.<sup>24</sup> Since the program began, U.S. imports of woven cotton bottoms from Asian firms have significantly increased, suggesting that U.S. apparel brands that had sourced from the Dominican Republic relocated production of these goods to Asian suppliers.<sup>25</sup> Finally, uncertainty surrounding the program's renewal after it expires on December 1, 2018, may also explain why U.S. imports of woven cotton bottoms under the program reached their lowest level in 2017.<sup>26</sup>

Total U.S. exports to the Dominican Republic of bottom-weight cotton fabrics rose slightly in 2017, increasing 1 percent in quantity to 1.5 million SMEs and rising 21 percent in value to \$5.8 million in 2017 (figures 5 and 6).<sup>27</sup> During the first quarter of 2018, U.S. exports of these fabrics rose 8 percent in quantity compared to the first quarter of 2017, but fell 6 percent in value compared to the first quarter of 2017.<sup>28</sup>

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<sup>21</sup> The HOPE/HELP laws are the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 (HOPE I), the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2008 (HOPE II), and the Haiti Economic Lift Program Act of 2010 (HELP).

<sup>22</sup> Dominican apparel industry representative, email messages to USITC staff, May 10 and 14, 2018. In 2009 Haiti supplied \$22.2 million of woven cotton bottoms to the United States; In 2017 it increased exports of these goods to \$65.7 million to become the United States' 16<sup>th</sup>-largest supplier.

<sup>23</sup> USITC DataWeb/USDOC (accessed May 21, 2018); Dominican industry representative, email message to USITC staff, May 14, 2018.

<sup>24</sup> U.S. government official, email message to USITC staff, May 10, 2018.

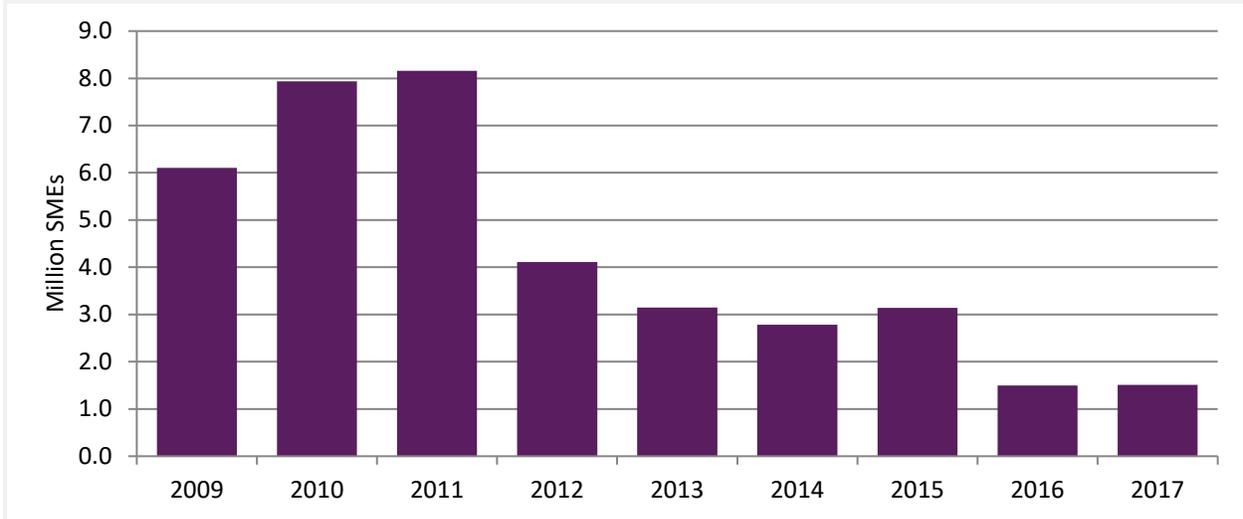
<sup>25</sup> U.S. imports of woven cotton bottoms increased from its largest supplier, China, by 46 percent between 2009 and 2017 to \$2.7 million. Over the same period imports from Bangladesh and Vietnam (the United States' second and fourth largest suppliers) increased by 88 percent to \$1.9 million and by 84 percent to \$1.2 million, respectively. USITC DataWeb/USDOC (accessed May 21, 2018).

<sup>26</sup> U.S. government official, email message to USITC staff, May 10, 2018.

<sup>27</sup> Total U.S. exports of bottom-weight cotton fabrics to the world totaled \$186 million in 2017—an increase of \$425,000 (0.2 percent) from 2016 and \$10.3 million (6 percent) from 2009.

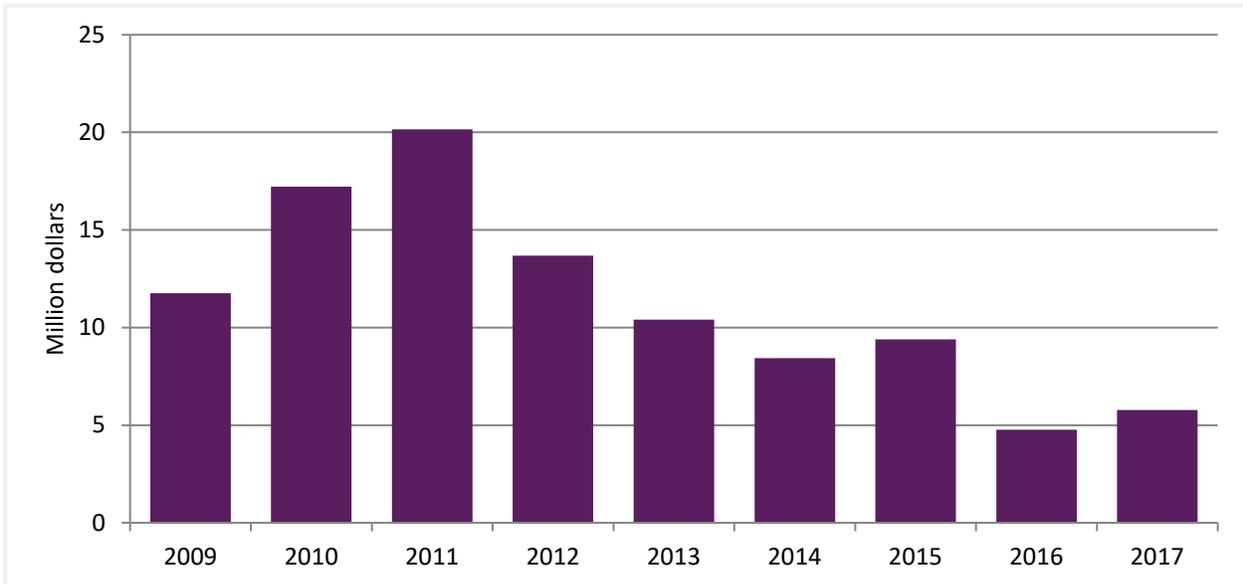
<sup>28</sup> USITC DataWeb/USDOC (accessed May 10, 2018).

**Figure 5:** U.S. exports of bottom-weight cotton fabrics to the Dominican Republic, by quantity, 2009–17



Source: USITC DataWeb/USDOC (accessed May 10, 2018).

**Figure 6:** U.S. exports of bottom-weight cotton fabrics to the Dominican Republic, by value, 2009–17



Source: USITC DataWeb/USDOC (accessed May 10, 2018).

## Recommendations to Improve the Earned Import Allowance Program

The recommendations offered during the ninth annual review of the EIAP were virtually the same as those received by the Commission during the previous eight annual reviews.<sup>29</sup> The Commission received one new written statement from the government of the Dominican Republic,<sup>30</sup> which reiterated the following recommended changes:

1. Lower the 2-for-1 ratio of U.S. to foreign fabric to 1 for 1;
2. Expand the program coverage to enable other types of fabrics and apparel items to be included in the EIAP;
3. Change the requirement that dyeing and finishing of eligible fabrics occur in the United States.

The government of the Dominican Republic said that these changes would help apparel manufacturers in the Dominican Republic take advantage of the program, help overturn the decline exhibited in textile and apparel bilateral trade flows, and help maintain balanced market access conditions with new preferential trading partners.<sup>31</sup> The government of the Dominican Republic noted that in 2017, imports under the EIAP reached their lowest point since the implementation of the program in 2009 and that as a result, the Dominican Republic continues to lose market share as a provider to the U.S. of woven cotton bottoms.<sup>32</sup> The government stated that an additional challenge has been the unavailability of bottom-weight fabrics made within the United States, which is making it very difficult for manufacturers to collect sufficient credits in their EIAP accounts.<sup>33</sup>

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<sup>29</sup> The only exception is that in the 2016 report, the American Apparel and Footwear Association (AAFA) offered a new recommendation—“add countries to the program to foster CAFTA-DR regional integration and to create more opportunities.” USITC, *Earned Import Allowance Program*, 2016, 15. In 2018, a representative of the AAFA noted that its recommendations were unchanged from all prior years. U.S. industry representative, email message to USITC staff, February 27, 2018. No statements received by the Commission recommended the extension of the program past its expiration date of December 1, 2018.

<sup>30</sup> See appendix C for a copy of the submission.

<sup>31</sup> Government of the Dominican Republic, written submission to the USITC, April 30, 2018, 3.

<sup>32</sup> Government of the Dominican Republic, written submission to the USITC, April 30, 2018, 2.

<sup>33</sup> Government of the Dominican Republic, written submission to the USITC, April 30, 2018, 3.

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- \_\_\_\_\_. *Earned Import Allowance Program: Evaluation of the Effectiveness of the Program for Certain Apparel from the Dominican Republic, Sixth Annual Review*. USITC Publication 4544. Washington, DC: USITC, 2015. <http://www.usitc.gov/publications/332/pub4544.pdf>.
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4417. Washington, DC: USITC, 2013.

<http://www.usitc.gov/publications/332/pub4417.pdf>.

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<http://www.usitc.gov/publications/332/pub4340.pdf>.

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\_\_\_\_\_. Hearing transcript in connection with inv. no. 332-503, *Earned Import Allowance Program: Evaluation of the Effectiveness of the Program for Certain Apparel from the Dominican Republic*, November 18, 2009.

\_\_\_\_\_. Interactive Tariff and Trade DataWeb (DataWeb)/U.S. Department of Commerce (USDOC). <http://dataweb.usitc.gov> (accessed various dates in May 2018).

# **Appendix A**

## **Section 2 of Public Law 110-436**

All pages could not be OCR'd to create a full 508 compliant report. Upon request a transcript may be provided.





PUBLIC LAW 110-436—OCT. 16, 2008

## ANDEAN TRADE PREFERENCE EXTENSION

Public Law 110-436  
110th Congress

An Act

Oct. 16, 2008  
[H.R. 7222]

To extend the Andean Trade Preference Act, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. EXTENSION OF ANDEAN TRADE PREFERENCE ACT.**

(a) EXTENSION.—Section 208 of the Andean Trade Preference Act (19 U.S.C. 3206) is amended to read as follows:

President.  
Foreign countries.  
Time period.  
Reports.  
Deadline.

**“SEC. 208. TERMINATION OF PREFERENTIAL TREATMENT.**

“(a) IN GENERAL.—No duty-free treatment or other preferential treatment extended to beneficiary countries under this title shall—

“(1) remain in effect with respect to Colombia or Peru after December 31, 2009;

“(2) remain in effect with respect to Ecuador after June 30, 2009, except that duty-free treatment and other preferential treatment under this title shall remain in effect with respect to Ecuador during the period beginning on July 1, 2009, and ending on December 31, 2009, unless the President reviews the criteria set forth in section 203, and on or before June 30, 2009, reports to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives pursuant to subsection (b) that—

“(A) the President has determined that Ecuador does not satisfy the requirements set forth in section 203(c) for being designated as a beneficiary country; and

“(B) in making that determination, the President has taken into account each of the factors set forth in section 203(d); and

“(3) remain in effect with respect to Bolivia after June 30, 2009, except that duty-free treatment and other preferential treatment under this title shall remain in effect with respect to Bolivia during the period beginning on July 1, 2009, and ending on December 31, 2009, only if the President reviews the criteria set forth in section 203, and on or before June 30, 2009, reports to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives pursuant to subsection (b) that—

“(A) the President has determined that Bolivia satisfies the requirements set forth in section 203(c) for being designated as a beneficiary country; and

“(B) in making that determination, the President has taken into account each of the factors set forth in section 203(d).

PUBLIC LAW 110-436—OCT. 16, 2008

122 STAT. 4977

“(b) REPORTS.—On or before June 30, 2009, the President shall make determinations pursuant to subsections (a)(2)(A) and (a)(3)(A) and report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives on—

- “(1) such determinations; and
- “(2) the reasons for such determinations.”.

(b) TREATMENT OF CERTAIN APPAREL ARTICLES.—Section 204(b)(3) of such Act (19 U.S.C. 3203(b)(3)) is amended—

- (1) in subparagraph (B)—
  - (A) in clause (iii)—
    - (i) in subclause (II), by striking “6 succeeding 1-year periods” and inserting “7 succeeding 1-year periods”; and
    - (ii) in subclause (III)(bb), by striking “and for the succeeding 1-year period” and inserting “and for the succeeding 2-year period”; and
  - (B) in clause (v)(II), by striking “5 succeeding 1-year periods” and inserting “6 succeeding 1-year periods”; and
- (2) in subparagraph (E)(ii)(II), by striking “December 31, 2008” and inserting “December 31, 2009”.

**SEC. 2. EARNED IMPORT ALLOWANCE PROGRAM.**

(a) IN GENERAL.—Title IV of the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act (Public Law 109-53; 119 Stat. 495) is amended by adding at the end the following:

**“SEC. 404. EARNED IMPORT ALLOWANCE PROGRAM.**

19 USC 4112.

“(a) PREFERENTIAL TREATMENT.—

“(1) IN GENERAL.—Eligible apparel articles wholly assembled in an eligible country and imported directly from an eligible country shall enter the United States free of duty, without regard to the source of the fabric or yarns from which the articles are made, if such apparel articles are accompanied by an earned import allowance certificate that reflects the amount of credits equal to the total square meter equivalents of fabric in such apparel articles, in accordance with the program established under subsection (b).

“(2) DETERMINATION OF QUANTITY OF SME.—For purposes of determining the quantity of square meter equivalents under paragraph (1), the conversion factors listed in ‘Correlation: U.S. Textile and Apparel Industry Category System with the Harmonized Tariff Schedule of the United States of America, 2008’, or its successor publications, of the United States Department of Commerce, shall apply.

Applicability.

“(b) EARNED IMPORT ALLOWANCE PROGRAM.—

“(1) ESTABLISHMENT.—The Secretary of Commerce shall establish a program to provide earned import allowance certificates to any producer or entity controlling production of eligible apparel articles in an eligible country for purposes of subsection (a), based on the elements described in paragraph (2).

“(2) ELEMENTS.—The elements referred to in paragraph (1) are the following:

- “(A) One credit shall be issued to a producer or an entity controlling production for every two square meter equivalents of qualifying fabric that the producer or entity

controlling production can demonstrate that it has purchased for the manufacture in an eligible country of articles like or similar to any article eligible for preferential treatment under subsection (a). The Secretary of Commerce shall, if requested by a producer or entity controlling production, create and maintain an account for such producer or entity controlling production, into which such credits may be deposited.

“(B) Such producer or entity controlling production may redeem credits issued under subparagraph (A) for earned import allowance certificates reflecting such number of earned credits as the producer or entity may request and has available.

“(C) Any textile mill or other entity located in the United States that exports qualifying fabric to an eligible country may submit, upon such export or upon request, the Shipper’s Export Declaration, or successor documentation, to the Secretary of Commerce—

“(i) verifying that the qualifying fabric was exported to a producer or entity controlling production in an eligible country; and

“(ii) identifying such producer or entity controlling production, and the quantity and description of qualifying fabric exported to such producer or entity controlling production.

“(D) The Secretary of Commerce may require that a producer or entity controlling production submit documentation to verify purchases of qualifying fabric.

“(E) The Secretary of Commerce may make available to each person or entity identified in the documentation submitted under subparagraph (C) or (D) information contained in such documentation that relates to the purchase of qualifying fabric involving such person or entity.

“(F) The program shall be established so as to allow, to the extent feasible, the submission, storage, retrieval, and disclosure of information in electronic format, including information with respect to the earned import allowance certificates required under subsection (a)(1).

“(G) The Secretary of Commerce may reconcile discrepancies in the information provided under subparagraph (C) or (D) and verify the accuracy of such information.

“(H) The Secretary of Commerce shall establish procedures to carry out the program under this section by September 30, 2008, and may establish additional requirements to carry out the program.

“(c) DEFINITIONS.—For purposes of this section—

“(1) the term ‘appropriate congressional committees’ means the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate;

“(2) the term ‘eligible apparel articles’ means the following articles classified in chapter 62 of the HTS (and meeting the requirements of the rules relating to chapter 62 of the HTS contained in general note 29(n) of the HTS) of cotton (but not of denim): trousers, bib and brace overalls, breeches and shorts, skirts and divided skirts, and pants;

“(3) the term ‘eligible country’ means the Dominican Republic; and

Procedures.  
Deadline.

“(4) the term ‘qualifying fabric’ means woven fabric of cotton wholly formed in the United States from yarns wholly formed in the United States and certified by the producer or entity controlling production 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, all the foregoing of cotton, except that—

“(A) fabric otherwise eligible as qualifying fabric shall not be ineligible as qualifying fabric because the fabric contains nylon filament yarn with respect to which section 213(b)(2)(A)(vii)(IV) of the Caribbean Basin Economic Recovery Act applies;

“(B) fabric that would otherwise be ineligible as qualifying fabric because the fabric contains yarns not wholly formed in the United States shall not be ineligible as qualifying fabric if the total weight of all such yarns is not more than 10 percent of the total weight of the fabric, except that any elastomeric yarn contained in an eligible apparel article must be wholly formed in the United States; and

“(C) fabric otherwise eligible as qualifying fabric shall not be ineligible as qualifying fabric because the fabric contains yarns or fibers that have been designated as not commercially available pursuant to—

“(i) article 3.25(4) or Annex 3.25 of the Agreement;

“(ii) Annex 401 of the North American Free Trade Agreement;

“(iii) section 112(b)(5) of the African Growth and Opportunity Act;

“(iv) section 204(b)(3)(B)(i)(III) or (ii) of the Andean Trade Preference Act;

“(v) section 213(b)(2)(A)(v) or 213A(b)(5)(A) of the Caribbean Basin Economic Recovery Act; or

“(vi) any other provision, relating to determining whether a textile or apparel article is an originating good eligible for preferential treatment, of a law that implements a free trade agreement entered into by the United States that is in effect at the time the claim for preferential treatment is made.

“(d) REVIEW AND REPORT.—

“(1) REVIEW.—The United States International Trade Commission shall carry out a review of the program under this section annually for the purpose of evaluating the effectiveness of, and making recommendations for improvements in, the program.

“(2) REPORT.—The United States International Trade Commission shall submit to the appropriate congressional committees annually a report on the results of the review carried out under paragraph (1).

“(e) EFFECTIVE DATE AND APPLICABILITY.—

“(1) EFFECTIVE DATE.—The program under this section shall be in effect for the 10-year period beginning on the date on which the President certifies to the appropriate congressional committees that sections A, B, C, and D of the Annex to Presidential Proclamation 8213 (December 20, 2007) have taken effect.

President.  
Certification.

“(2) APPLICABILITY.—The program under this section shall apply with respect to qualifying fabric exported to an eligible country on or after August 1, 2007.”.

(b) CLERICAL AMENDMENT.—The table of contents for the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act is amended by inserting after the item relating to section 403 the following:

“Sec. 404. Earned import allowance program.”.

**SEC. 3. AFRICAN GROWTH AND OPPORTUNITY ACT.**

(a) IN GENERAL.—Section 112 of the African Growth and Opportunity Act (19 U.S.C. 3721) is amended—

(1) in subsection (b)(6)(A), by striking “ethic” in the second sentence and inserting “ethnic”; and

(2) in subsection (c)—

(A) in paragraph (1), by striking “, and subject to paragraph (2),”;

(B) by striking paragraphs (2) and (3);

(C) in paragraph (4)—

(i) by striking “Subsection (b)(3)(C)” and inserting “Subsection (b)(3)(B)”; and

(ii) by redesignating such paragraph (4) as paragraph (2); and

(D) by striking paragraph (5) and inserting the following:

“(3) DEFINITION.—In this subsection, the term ‘lesser developed beneficiary sub-Saharan African country’ means—

“(A) a beneficiary sub-Saharan African country that had a per capita gross national product of less than \$1,500 in 1998, as measured by the International Bank for Reconstruction and Development;

“(B) Botswana;

“(C) Namibia; and

“(D) Mauritius.”.

(b) APPLICABILITY.—The amendments made by subsection (a) apply to goods entered, or withdrawn from warehouse for consumption, on or after the 15th day after the date of the enactment of this Act.

(c) REVIEW AND REPORTS.—

(1) ITC REVIEW AND REPORT.—

(A) REVIEW.—The United States International Trade Commission shall conduct a review to identify yarns, fabrics, and other textile and apparel inputs that through new or increased investment or other measures can be produced competitively in beneficiary sub-Saharan African countries.

(B) REPORT.—Not later than 7 months after the date of the enactment of this Act, the United States International Trade Commission shall submit to the appropriate congressional committees and the Comptroller General a report on the results of the review carried out under subparagraph (A).

(2) GAO REPORT.—Not later than 90 days after the submission of the report under paragraph (1)(B), the Comptroller General shall submit to the appropriate congressional committees a report that, based on the results of the report submitted

19 USC 3721  
note.

under paragraph (1)(B) and other available information, contains recommendations for changes to United States trade preference programs, including the African Growth and Opportunity Act (19 U.S.C. 3701 et seq.) and the amendments made by that Act, to provide incentives to increase investment and other measures necessary to improve the competitiveness of beneficiary sub-Saharan African countries in the production of yarns, fabrics, and other textile and apparel inputs identified in the report submitted under paragraph (1)(B), including changes to requirements relating to rules of origin under such programs.

(3) DEFINITIONS.—In this subsection—

(A) the term “appropriate congressional committees” means the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate; and

(B) the term “beneficiary sub-Saharan African countries” has the meaning given the term in section 506A(c) of the Trade Act of 1974 (19 U.S.C. 2466a(c)).

(d) CLERICAL AMENDMENT.—Section 6002(a)(2)(B) of Public Law 109–432 is amended by striking “(B) by striking” and inserting “(B) in paragraph (3), by striking”. 19 USC 3721.

**SEC. 4. GENERALIZED SYSTEM OF PREFERENCES.**

Section 505 of the Trade Act of 1974 (19 U.S.C. 2465) is amended by striking “December 31, 2008” and inserting “December 31, 2009”.

**SEC. 5. CUSTOMS USER FEES.**

(a) IN GENERAL.—Section 13031(j)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(j)(3)) is amended—

(1) in subparagraph (A), by striking “November 14, 2017” and inserting “February 14, 2018”; and

(2) in subparagraph (B)(i), by striking “October 7, 2017” and inserting “January 31, 2018”.

(b) REPEAL.—Section 15201 of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246) is amended by striking subsections (c) and (d). *Ante*, p. 2262.

**SEC. 6. TIME FOR PAYMENT OF CORPORATE ESTIMATED TAXES.**

The percentage under subparagraph (C) of section 401(1) of the Tax Increase Prevention and Reconciliation Act of 2005 in effect on the date of the enactment of this Act is increased by 2 percentage points.

26 USC 6655 note.

**SEC. 7. TECHNICAL CORRECTIONS.**

Section 15402 of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246) is amended—

(1) in subsections (a) and (b), by striking “Carribbean” each place it appears and inserting “Caribbean”; and

*Ante*, p. 2289.

122 STAT. 4982

PUBLIC LAW 110–436—OCT. 16, 2008

(2) in subsection (d), by striking “231A(b)” and inserting “213A(b)”.

Approved October 16, 2008.

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LEGISLATIVE HISTORY—H.R. 7222:

CONGRESSIONAL RECORD, Vol. 154 (2008):

Sept. 29, considered and passed House.

Oct. 2, considered and passed Senate, amended.

Oct. 3, House concurred in Senate amendment.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 44 (2008):

Oct. 16, Presidential remarks.



# **Appendix B**

## ***Federal Register Notice***



hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the **Federal Register** on August 10, 2017 (82 FR 37465). A revised schedule of the Commission's reviews was published on October 27, 2017 (82 FR 49849). The hearing was held in Washington, DC, on January 4, 2018, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission made these determinations pursuant to section 751(c) of the Act (19 U.S.C. 1675(c)). It completed and filed its determinations in these reviews on February 26, 2018. The views of the Commission are contained in USITC Publication 4764 (February 2018), entitled *Cut-to-Length Carbon-Quality Steel Plate from India, Indonesia and Korea: Investigation Nos. 701-TA-388, 389, and 391 and 731-TA-817, 818, and 821 (Third Review)*.

By order of the Commission.  
Issued: February 26, 2018.

**Lisa R. Barton,**

Secretary to the Commission.

[FR Doc. 2018-04227 Filed 3-1-18; 8:45 am]

**BILLING CODE 7020-02-P**

## INTERNATIONAL TRADE COMMISSION

[USITC SE-18-012]

### Government in the Sunshine Act Meeting Notice

**AGENCY HOLDING THE MEETING:** United States International Trade Commission.

**TIME AND DATE:** March 9, 2018 at 11:00 a.m.

**PLACE:** Room 101, 500 E Street SW, Washington, DC 20436, Telephone: (202) 205-2000.

**STATUS:** Open to the public.

**MATTERS TO BE CONSIDERED:**

1. Agendas for future meetings: None.
2. Minutes.
3. Ratification List.
4. Vote in Inv. Nos. 701-TA-597 and 731-TA-1407 (Preliminary) (Cast Iron Soil Pipe from China). The Commission is currently scheduled to complete and file its determinations on March 12, 2018; views of the Commission are currently scheduled to be completed and filed on March 19, 2018.
5. Outstanding action jackets: None.

In accordance with Commission policy, subject matter listed above, not disposed of at the scheduled meeting, may be carried over to the agenda of the following meeting.

By order of the Commission.

Issued: February 27, 2018.

**William R. Bishop,**

Supervisory Hearings and Information Officer.

[FR Doc. 2018-04364 Filed 2-28-18; 11:15 am]

**BILLING CODE 7020-02-P**

## INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-503]

### Earned Import Allowance Program: Evaluation of the Effectiveness of the Program for Certain Apparel From the Dominican Republic, Ninth Annual Review

**AGENCY:** United States International Trade Commission.

**ACTION:** Notice of opportunity to provide written comments in connection with the Commission's ninth annual review.

**SUMMARY:** The U.S. International Trade Commission (Commission) has announced its schedule, including deadlines for filing written submissions, in connection with preparing a report on its ninth annual review in investigation No. 332-503, *Earned Import Allowance Program: Evaluation of the Effectiveness of the Program for Certain Apparel from the Dominican Republic, Ninth Annual Review*.

**DATES:**

April 30, 2018: Deadline for filing written submissions.

August 3, 2018: Transmittal of ninth report to House Committee on Ways and Means and Senate Committee on Finance.

**ADDRESSES:** All Commission offices, including the Commission's hearing rooms, are located in the United States International Trade Commission Building, 500 E Street SW, Washington, DC. All written submissions, including statements, and briefs, should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW, Washington, DC 20436. The public file for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

**FOR FURTHER INFORMATION CONTACT:**

Project Leader Mary Roop (202-708-2277 or [mary.roop@usitc.gov](mailto:mary.roop@usitc.gov)) for information specific to this investigation. For information on the legal aspects of this investigation, contact William Gearhart of the Commission's Office of the General Counsel (202-205-3091 or [william.gearhart@usitc.gov](mailto:william.gearhart@usitc.gov)). The media should contact Margaret O'Laughlin,

Office of External Relations (202-205-1819 or [margaret.olaughlin@usitc.gov](mailto:margaret.olaughlin@usitc.gov)). Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal at 202-205-1810. General information concerning the Commission may also be obtained by accessing its website (<http://www.usitc.gov>). Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000.

**Background:** Section 404 of the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act (DR-CAFTA Act) (19 U.S.C. 4112) required the Secretary of Commerce to establish an Earned Import Allowance Program (EIAP) and directed the Commission to conduct annual reviews of the program to evaluate its effectiveness and make recommendations for improvements. Section 404 of the DR-CAFTA Act authorizes certain apparel articles wholly assembled in an eligible country to enter the United States free of duty if accompanied by a certificate that shows evidence of the purchase of certain U.S. fabric. The term "eligible country" is defined to mean the Dominican Republic. More specifically, the program allows producers (in the Dominican Republic) that purchase a certain quantity of qualifying U.S. fabric to produce certain cotton bottoms in the Dominican Republic to receive a credit that can be used to ship a certain quantity of eligible apparel using third-country fabrics from the Dominican Republic to the United States free of duty.

Section 404(d) directs the Commission to conduct an annual review of the program to evaluate the effectiveness of the program and make recommendations for improvements. The Commission is required to submit its reports containing the results of its reviews to the House Committee on Ways and Means and the Senate Committee on Finance. Copies of the Commission's prior reports are available on the Commission's website at [www.usitc.gov](http://www.usitc.gov), including the eighth annual report, which was published on September 28, 2017 (ITC Publication 4730). The Commission expects to submit its report on its ninth annual review by August 3, 2018.

The Commission instituted this investigation pursuant to section 332(g) of the Tariff Act of 1930 to facilitate docketing of submissions and also to facilitate public access to Commission records through the Commission's EDIS electronic records system. The Commission published notice of

institution of this investigation in the **Federal Register** on April 29, 2009 (47 FR 19592), and published notice of the Commission's invitation to submit information in connection with the eighth annual report in the **Federal Register** on May 1, 2017 (82 FR 20375).

**Written Submissions:** Interested parties are invited to file written submissions concerning this ninth annual review. All written submissions should be addressed to the Secretary, and all such submissions should be received no later than 5:15 p.m., April 30, 2018. All written submissions must conform to the provisions of section 201.8 of the *Commission's Rules of Practice and Procedure* (19 CFR 201.8). Section 201.8 and the Commission's Handbook on Filing Procedures require that interested parties file documents electronically on or before the filing deadline and submit eight (8) true paper copies by 12:00 p.m. eastern time on the next business day. If confidential treatment of a document is requested, interested parties must file, at the same time as the eight paper copies, at least four (4) additional true paper copies in which the confidential information must be deleted (see the following paragraphs for further information regarding confidential business information). Persons with questions regarding electronic filing should contact the Office of the Secretary, Docket Services Division (202-205-1802).

**Confidential Business Information.** Any submissions that contain confidential business information must also conform to the requirements of section 201.6 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the "confidential" or "non-confidential" version, and that the confidential business information is clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available for inspection by interested parties.

The Commission will not include any confidential business information in the report that it sends to the Committees or makes available to the public. However, all information, including confidential business information, submitted in this investigation may be disclosed to and used: (i) By the Commission, its employees and offices, and contract personnel (a) for developing or maintaining the records of this or a related proceeding, or (b) in internal investigations, audits, reviews, and

evaluations relating to the programs, personnel, and operations of the Commission including under 5 U.S.C. Appendix 3; or (ii) by U.S. government employees and contract personnel for cybersecurity purposes. The Commission will not otherwise disclose any confidential business information in a manner that would reveal the operations of the firm supplying the information.

**Summary of Written Submissions:** The Commission intends to publish a summary of the written submissions of interested persons in an appendix to its report. Persons wishing to have a summary of their position included in the appendix should include a summary with their written submission. The summary may not exceed 500 words, should be in MSWord format or a format that can be easily converted to MSWord, and should not include any confidential business information. The summary will be published as provided if it meets these requirements and is germane to the subject matter of the investigation. In the appendix the Commission will identify the name of the organization furnishing the summary, and will include a link to the Commission's Electronic Document Information System (EDIS) where the full written submission can be found.

By order of the Commission.

Issued: February 27, 2018.

**Lisa R. Barton,**

*Secretary to the Commission.*

[FR Doc. 2018-04308 Filed 3-1-18; 8:45 am]

**BILLING CODE 7020-02-P**

**DEPARTMENT OF JUSTICE**

**Drug Enforcement Administration**

[Docket No. DEA-392]

**Bulk Manufacturer of Controlled Substances Application: Stepan Company**

**ACTION:** Notice of application.

**DATES:** Registered bulk manufacturers of the affected basic classes, and applicants therefore, may file written comments on or objections to the issuance of the proposed registration in accordance with 21 CFR 1301.33(a) on or before May 1, 2018.

**ADDRESSES:** Written comments should be sent to: Drug Enforcement Administration, Attention: DEA Federal Register Representative/DRW, 8701 Morrisette Drive, Springfield, Virginia 22152.

**SUPPLEMENTARY INFORMATION:** The Attorney General has delegated his authority under the Controlled Substances Act to the Administrator of the Drug Enforcement Administration (DEA), 28 CFR 0.100(b). Authority to exercise all necessary functions with respect to the promulgation and implementation of 21 CFR part 1301, incident to the registration of manufacturers, distributors, dispensers, importers, and exporters of controlled substances (other than final orders in connection with suspension, denial, or revocation of registration) has been redelegated to the Deputy Assistant Administrator of the DEA Diversion Control Division ("Deputy Assistant Administrator") pursuant to section 7 of 28 CFR part 0, appendix to subpart R.

In accordance with 21 CFR 1301.33(a), this is notice that on January 22, 2018, Stepan Company, 100 W Hunter Ave., Maywood, NJ 07607 applied to be registered as a bulk manufacturer of the following basic classes of controlled substances:

Controlled substance	Drug code	Schedule
Cocaine .....	9041	II
Ecgonine .....	9180	II

The company plans to manufacture the above-listed controlled substances in bulk for sale to its customers. No other activities for these drug codes are authorized for this registration.

Dated: February 20, 2018.

**Susan A. Gibson,**

*Deputy Assistant Administrator.*

[FR Doc. 2018-04269 Filed 3-1-18; 8:45 am]

**BILLING CODE 4410-09-P**

**DEPARTMENT OF LABOR**

**Office of the Secretary**

**Agency Information Collection Activities; Submission for OMB Review; Comment Request; Agreement and Undertaking**

**ACTION:** Notice of availability; request for comments.

**SUMMARY:** The Department of Labor (DOL) is submitting the Office of Workers' Compensation Programs (OWCP) sponsored information collection request (ICR) titled, "Agreement and Undertaking," to the Office of Management and Budget (OMB) for review and approval for continued use, without change, in accordance with the Paperwork

# **Appendix C**

## **Written Submission to the Commission**





## EMBAJADA DE LA REPÚBLICA DOMINICANA

Washington, D.C.

EDW-0364-18

The Embassy of the Dominican Republic presents its compliments to the United States International Trade Commission and pursuant to its request concerning the Earned Import Allowance Program, published on March 2nd, 2018, we hereby submit the comments from the Government of the Dominican Republic for the ninth annual review of the Earned Import Allowance Program (EIAP).

The Dominican Republic wishes for an improved EIAP and this year's submission annexes the previous written statements that reiterate our recommendations to modify the EIAP. These are:

1. Changing the 2:1 ratio to 1:1;
2. Expand the program's coverage to enable other fabrics and products to gain benefits.
3. Reverse the "wholly formed" interpretation by the Commerce Department, to allow U.S. qualifying greige fabrics to be dyed and finished outside the United States.

As stated, we continue to believe that these changes would significantly help Dominican apparel manufacturers to take a greater advantage of the Program, and contribute to overturn the negative trend exhibited in textile and apparel bilateral trade flows, while helping to maintain balanced market access conditions with new preferential trading partners.

The Embassy of the Dominican Republic avails itself of this opportunity to renew to the United State International Trade Commission the assurances of its highest consideration.



April 27, 2018  
Washington, D.C.

*Annexes: Letter addressed to Ambassador José Tomás Pérez from the National Free Zones Council of the Dominican Republic.*



4749

Año del Fomento de las Exportaciones



**Mr. José Tomás Pérez**

Ambassador

Embassy of the Dominican Republic in the United States of America

Washington, D.C. 20008

**Re:** International Trade Commission's Ninth Annual Review of the Dominican Republic Earn Import Allowance Program (DR-EIAP)

**Annex:** Communications from by the National Free Zones Council of the Dominican Republic (CNZFE) dated: November 3<sup>rd</sup> 2009; April 11<sup>th</sup>, 2012; April 10<sup>th</sup>, 2013; April 10<sup>th</sup>, 2014, April 10<sup>th</sup>, 2015; April 15<sup>th</sup>, 2016; June, 29<sup>th</sup> 2017.

Dear Ambassador Pérez:

On March 2nd, 2018, the United States International Trade Commission (USITC) made public in the Federal Register (83 FR 9028) the ninth annual review of the Dominican Republic Earn Import Allowance Program (DR-EIAP), under its investigation No. 332-503.

The National Free Zones Council of the Dominican Republic appreciates the continued opportunity to reaffirm its views and recommendations for improving the effectiveness of the DR-EIAP.

The DR-EIAP is the result derived from the bilateral negotiations of the DR-CAFTA and is designed to fulfill a commitment with our country, serving as an instrument for maintaining the competitiveness of the apparel manufacturers in Dominican Republic, while promoting exports and jobs in the U.S. textile industry. However, as it has been shown in every USITC Report evaluating the effectiveness of the program since 2010, this instrument has not provided the incentives necessary for achieving these goals.

In 2017, imports under the DR-EIAP touched its lowest point since the implementation of the program in 2009, experiencing a decrease of 94.5%. As a result, the Dominican Republic continues to lose market share as a U.S. provider of "cotton bottoms", evidencing the inefficiency of the program as it is currently structured. Furthermore, the Dominican Republic was the second largest US export market for "cotton broad woven fabrics" in 2006, buying more than US\$ 200 million to US mills. In 2017 manufacturers located in our country imported only US\$11.8 million, registering a decrease of 94.06%. Undoubtedly, this downtrend

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## Año del Fomento de las Exportaciones

represents an immense lost opportunity to create jobs and trade for both US mills and Dominican apparel companies.

In the previous written submissions to the USITC we highlighted the remarkable value of the apparel industry for the Dominican economy. Only a handful of industries in our country have the ability to create a significant amount of jobs, mainly in economically depressed areas. However, it has been very difficult for manufacturers to preserve these jobs when they have not been granted a scheme that could effectively compensate the expectations of the DR-CAFTA when the "pocketing rule" was amended.

As previously stated, the potential benefits of the DR-EIAP have been undermined by the unavailability of fabrics in the U.S., due to the relocation of mills and strategic operations to Asia, which makes it almost impossible for manufacturers to collect enough credits in their DR-EIAP accounts. This circumstance reduces the attractiveness of the DR-EIAP for both manufacturers and U.S. customers, because they will only be able to engage in production programs that are in place for a strict short period of time.

For all these reasons, we reiterate our recommendations of introducing the following modifications to the Program:

1. Changing the 2:1 ratio to 1:1;
2. Expand the program's coverage to enable other fabrics and products to gain benefits.
3. Reverse the "wholly formed" interpretation by the Commerce Department, to allow U.S. qualifying greige fabrics to be dyed and finished outside the United States, and;

We continue to believe that these changes would significantly help Dominican apparel manufacturers to take a greater advantage of the Program, and contribute to overturn the negative trend exhibited in textile and apparel bilateral trade flows, while helping to maintain balanced market access conditions with new preferential trading partners.

Sincerely,

  
Luisa Fernandez Duran

Ambassador - Executive Director  
LFD/edc/hs



"Año del Desarrollo Agroforestal"

29 JUN 2017

06851

**Mr. José Tomás Pérez**

Ambassador

Embassy of the Dominican Republic in the United States of America

Washington, D.C. 20008

**Re:** International Trade Commission's Eighth Annual Review of the Dominican Republic Earned Import Allowance Program (DR-EIAP)

**Annex:** Communications from the National Free Zones Council of the Dominican Republic (CNZFE) dated: November 3<sup>rd</sup> 2009; April 11<sup>th</sup>, 2012; and April 10<sup>th</sup>, 2013; April 10<sup>th</sup>, 2014, April 10<sup>th</sup>, 2015, April 15<sup>th</sup>, 2016.

Dear Ambassador Pérez:

On May 1, 2017, the United States International Trade Commission (USITC) made public in the Federal Register (82 FR 20375) the eighth annual review of the Dominican Republic Earned Import Allowance Program (DR-EIAP), under its investigation No. 332-503.

On this subject, the National Free Zones Council of the Dominican Republic appreciates the continued opportunity to reaffirm its views and recommendations for improving the effectiveness of the DR-EIAP, as indicated in the annexed communications sent to the USITC and the Dominican Embassy in the United States of America.

The DR-EIAP is the result derived from the bilateral negotiations of the DR-CAFTA and is designed to fulfill a commitment with our country, serving as an instrument for maintaining the competitiveness of the apparel manufacturers in the Dominican Republic, while promoting exports and jobs in the U.S. textile industry. However, as it has been shown in every USITC Report evaluating the effectiveness of the program since 2010, this instrument has not provided the necessary incentives for achieving these goals.

In 2016, imports under the DR-EIAP touched its lowest point since the implementation of the program in 2009, experiencing a decrease of 87%. As a result, the Dominican Republic continues to lose market share as a U.S. provider of "cotton bottoms", evidencing the inefficiency of the program as it is currently structured. Furthermore, seven years ago the Dominican Republic ranked as the second largest export market for cotton broad woven fabrics manufactured in the United States, however, to this date it ranks as the fifth. Additionally, the imports of trousers, breeches and shorts in general show a decrease of 80% since 2009.

In the previous written submissions to the USITC, we highlighted the remarkable value of the apparel industry for the Dominican economy, considering that only a handful of industries in our country have the ability to create an important amount of jobs, mainly in economically depressed areas. Nevertheless, it has been very difficult for manufacturers to preserve these jobs when they have not been provided with a scheme that could effectively compensate the expectations of the DR-CAFTA when the "pocketing rule" was amended.

As previously stated, the potential benefits of the DR-EIAP have been undermined by the unavailability of fabrics in the U.S., due to the relocation to Asia of mills and strategic operations, which makes it almost impossible for manufacturers to collect enough credits in their DR-EIAP accounts. This circumstance reduces the attractiveness of the DR-EIAP for both manufacturers and U.S. customers, because they will only be able to engage in production programs that are in place for a strict short period of time.

For all these reasons, we reiterate our recommendations of introducing the following modifications to the Program:

1. Changing the 2:1 ratio to 1:1;
2. Expand the program's coverage to enable other fabrics and products to gain benefits.
3. Reverse the "wholly formed" interpretation by the Department of Commerce and allow U.S. qualifying greige fabrics to be dyed and finished outside the United States.

We continue to believe that these changes would significantly help Dominican apparel manufacturers to take a greater advantage of the Program, and contribute to overturn the negative trend exhibited in textile and apparel bilateral trade flows, while helping to maintain balanced market access conditions with new preferential trading partners.

Sincerely,



**Luisa Fernández Durán**  
Ambassador - Executive Director

LFD/EDC/hsm



*"Año del Fomento a la Vivienda"*

APR 15 2016

03679

**Mr. José Tomás Pérez**  
Ambassador  
Embassy of the Dominican Republic in the United States of America  
Washington, D.C. 20008

**Re:** International Trade Commission's Seventh Annual Review of the Dominican Republic Earn Import Allowance Program (DR-EIAP)

**Annex:** Communications from by the National Free Zones Council of the Dominican Republic (CNZFE) dated: November 3<sup>rd</sup> 2009; April 11<sup>th</sup>, 2012; and April 10<sup>th</sup>, 2013; April 10<sup>th</sup>, 2014; April 10<sup>th</sup>, 2015.

Dear Ambassador Pérez:

On March 9th, 2016, the United States International Trade Commission (USITC) made public in the Federal Register (81FR12522) the seventh annual review of the Dominican Republic Earn Import Allowance Program (DR-EIAP), under its investigation No. 332-503.

The National Free Zones Council of the Dominican Republic appreciates the continued opportunity to once again reaffirm its views and recommendations for improving the effectiveness of the DR-EIAP, as indicated in the annexed notes sent to the USITC and the Dominican Embassy in the United States of America.

As you know, DR-EIAP was designed to fulfill a commitment with our country, derived from bilateral negotiations in DR-CAFTA as an instrument to maintain competitiveness of the apparel manufacturers in Dominican Republic, while promoting exports and jobs in the textile industry of the United States. However, as concluded in every USITC Report evaluating the effectiveness of the program, this instrument does not provided enough incentives for achieving these goals.

As a result, neither Dominican woven cotton bottoms manufacturers, nor United States' cotton woven fabrics producers, are benefiting from the program. During the last seven years, U.S. imports of Dominican cotton bottoms have continuously declined, having as a consequence a downturn in U.S. exports cotton woven fabrics to the Dominican Republic. Apparel specifically Imported under the DR-EIAP, have decreased in 5 of the 7 years that the program has remained in place, while according to the U.S. Office of Textiles and Apparel (OTEXA) only 12 exporting companies out of 98 with capacity for manufacturing cotton bottom woven, have benefited at least once from the program.

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The remarkable value of the apparel industry for the Dominican economy has been constantly outlined by our Government in all the previous written submissions to the USITC. Few industries in our country have the ability to create an important amount of jobs, mainly in economically depressed areas. It is very difficult for manufacturers to preserve these jobs when they have not been granted a scheme that can effectively compensate the expectations of DR-CAFTA when the "pocketing rule" was amended.

Moreover, the outcome of negotiations between the United States and Asian-Pacific countries for the Trans-Pacific Partnership (TPP), presents major concerns regarding granted concession for more flexible Rules of Origin, relative to those negotiated in other FTA's concluded by the U.S., in this particular case with countries that do not have an open market economy and maintain a large network of state-owned enterprises that enjoy disproportional incentives.

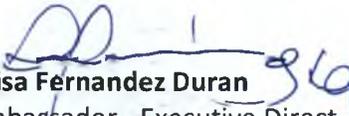
A country like Vietnam will benefit from similar credit program, unfortunately with greater incentives than the DR-EIAP. In that sense, the competitiveness of the Dominican apparel industry, one of the five major clients of U.S. textile manufacturers, - a position that none of the Asian TPP signatory countries have come close to occupy - is at a real risk of disappearing.

For all these reasons, and especially now at times when the entry into force of the TPP is near, we reiterate our recommendations of introducing the following modifications to the Program:

1. Changing the 2:1 ratio to 1:1;
2. Expand the program's coverage to enable other fabrics (such as Denim and other man-made fiber fabrics) and products to gain benefits.
3. Reverse the "wholly formed" interpretation by the Commerce Department, to allow U.S. qualifying greige fabrics to be dyed and finished outside the United States, and;

We continue to believe that these changes would significantly help Dominican apparel manufacturers to take a greater advantage of the Program, and contribute to overturn the negative trend exhibited in textile and apparel bilateral trade flows, while helping to maintain balanced market access conditions with new preferential trading partners.

Sincerely,

  
**Luisa Fernandez Duran**  
Ambassador - Executive Director



LFD/edc



03240

*"Año de la Atención Integral a la Primera Infancia"*

10 ABR 2015

**Mr. José Tomás Pérez**

Ambassador

Embassy of the Dominican Republic in the United States of America

Washington, D.C. 20008

**Re:** International Trade Commission's Sixth Annual Review of the Dominican Republic Earn Import Allowance Program (DR-EIAP)

**Annex:** Communications from by the National Free Zones Council of the Dominican Republic (CNZFE) dated: November 3<sup>rd</sup> 2009; April 11<sup>th</sup>, 2012; and April 10<sup>th</sup>, 2013; April 10<sup>th</sup>, 2014.

Dear Ambassador Pérez:

On February 24, 2015, the United States International Trade Commission (USITC) made public in the Federal Register (80 FR 9746) the sixth annual review of the Dominican Republic Earn Import Allowance Program (DR-EIAP), under its investigation No. 332-503.

In that regard, the National Free Zones Council of the Dominican Republic appreciates the continued opportunity to reaffirm its views and recommendations for improving the effectiveness of the DR-EIAP, as indicated in the annexed communications sent to the USITC and the Dominican Embassy in the United States of America.

The DR-EIAP was designed to fulfill a commitment with our country, derived from the bilateral negotiations of the DR-CAFTA, serving as an instrument for maintaining the competitiveness of the apparel manufacturers in Dominican Republic, while promoting exports and jobs in the U.S. textile industry. However, as concluded in every USITC Report evaluating the effectiveness of the program since 2010, this instrument has not provided enough incentives for achieving these goals.

In return, the Dominican Republic continues to lose market share as a U.S. provider of "cotton bottoms". In 2014, imports under the DR-EIAP touched its lowest point since the implementation of the program in 2009, experiencing a decrease of 89.9%, and evidencing the unattractiveness of the program as it is currently structured. Moreover, our country now ranks as the sixth largest export market for cotton broadwoven fabrics manufactured in the United States, while five years ago (when the program was established) it was the second largest market, experiencing a decrease in export value of 55%.

The remarkable value of the apparel industry for the Dominican economy has been

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constantly outlined by our Government in the previous written submissions to the USITC. Only a handful of industries in our country have the ability to create an important amount of jobs, mainly in economically depressed areas. However, it has been very difficult for manufacturers to preserve these jobs when they have not been granted a scheme that could effectively compensate the expectations of the DR-CAFTA when the "pocketing rule" was amended.

As previously stated, the potential benefits of the DR-EIAP have been undermined by the unavailability of fabrics in the U.S., due to the relocation of mills and strategic operations to Asia, which makes it almost impossible for manufacturers to collect enough credits in their DR-EIAP accounts. This circumstance reduces the attractiveness of the DR-EIAP for both manufacturers and U.S. customers, because they will only be able to engage in production programs that are in place for a strict short period of time.

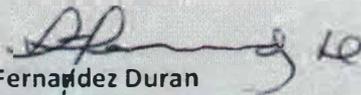
Moreover, there is now New Free Trade Agreements currently in negotiation between the United States and Asian-Pacific countries, that are requesting more flexible Rules of Origin than those negotiated in other FTA's concluded by the U.S., and some of which do not have an open market economy and maintain a large network of state-owned enterprises that enjoy disproportioned incentives. Therefore, the Dominican apparel industry, one of the five major clients of U.S. textile manufacturers, is at a real risk of disappearing.

For all these reasons, we reiterate our recommendations of introducing the following modifications to the Program:

1. Changing the 2:1 ratio to 1:1;
2. Expand the program's coverage to enable other fabrics and products to gain benefits.
3. Reverse the "wholly formed" interpretation by the Commerce Department, to allow U.S. qualifying greige fabrics to be dyed and finished outside the United States, and;

We continue to believe that these changes would significantly help Dominican apparel manufacturers to take a greater advantage of the Program, and contribute to overturn the negative trend exhibited in textile and apparel bilateral trade flows, while helping to maintain balanced market access conditions with new preferential trading partners.

Sincerely,



**Luisa Fernandez Duran**  
Ambassador - Executive Director

LFD/DL/edc



*"Año de la Superación del Analfabetismo"*

10 ABR 2014

003045

**Mr. Anibal De Castro**

Ambassador

Embassy of the Dominican Republic in the United States of America

Washington, D.C. 20008

**Re:** International Trade Commission's fifth annual review of the Dominican Republic Earn Import Allowance Program (DR-EIAP)

**Annex:** Communications from by the National Free Zones Council of the Dominican Republic (CNZFE) dated: November 3<sup>rd</sup> 2009; April 11<sup>th</sup>, 2012; and April 10<sup>th</sup>, 2013.

Dear Ambassador De Castro:

On February, 28, 2014 the United States International Trade Commission (USITC) made public in the Federal Register (79 FR 11465) the fifth annual review of the Dominican Republic Earn Import Allowance Program (DR-EIAP), under investigation No. 332-503.

In that regard, the National Free Zones Council of the Dominican Republic wishes to reiterate its recommendations for improving the effectiveness of the DR-EIAP as indicated in the annexed communications sent to the USITC and the Dominican Embassy in the United States of America. The Government of the Dominican Republic believes that, although the DR-EIAP was designed to fulfill a commitment with our country, derived from the bilateral negotiations to amend the DR-CAFTA, the program has not provided enough incentives for persevering the competitiveness of our apparel industry.

As USITC's statistics provided in previous communications, the Dominican Republic continues to lose market share as a U.S. provider of "cotton bottoms". Last year, U.S. imports under the DR-EIAP decreased by 76.3% compare to year 2012, evidencing the unattractiveness of the program as it is currently structured. Moreover, our country now ranks as the fifth largest export market for cotton woven fabrics manufactured in the United States, while five years ago it was the second largest market, experiencing a decrease in export value of 76%.

The remarkable value of the apparel industry for the Dominican economy has been rigorously outlined by our Government in the previous written submissions to the USITC. Few business sectors in our country have the ability of creating an important amount of jobs, mainly in economically depressed areas. However, it has been very difficult for manufacturers to preserve jobs when they have not been granted with a



scheme that could effectively compensate expectations of the DR-CAFTA, when the "pocketing rule" was amended.

As previously stated, the potential benefits of the DR-EIAP have been undermined by the unavailability of fabrics in the U.S., due to the relocation of mills and strategic operations to Asia, which makes it almost impossible for manufacturers to collect enough credits in their DR-EIAP accounts. This circumstance reduces the attractiveness of the DR-EIAP for both manufacturers and U.S. customers, because they will only be able to engage in production programs that are in place for a strict short period of time.

For this reasons, we reiterate our recommendations of introducing the following modifications to the Program:

- Changing the 2:1 ratio to 1:1;
- Reverse the "wholly formed" interpretation by the Commerce Department, to allow U.S. qualifying greige fabrics to be dyed and finish outside the United States, and;
- Expand the program coverage to enable other fabrics and products to gain benefits.

We still believe that these changes would significantly help Dominican apparel manufacturers to take a greater advantage of the Program, and contribute to overturn the negative trend exhibited in textile and apparel bilateral trade flows.

Moreover, with major ongoing changes in the U.S. trade policy that could negatively affect the competitiveness of the Dominican Republic in the U.S. apparel import market, we are confident that the proposed amendments will also help to maintain balanced market access conditions with new preferential trading partners.

Sincerely,

  
**Lulsa Fernandez Duran**  
Ambassador - Executive Director

LFD/DL/edc



10 ABR 2013

002640

*"Año del Bicentenario del Natalicio de Juan Pablo Duarte"*

Mr. Anibal De Castro  
Ambassador  
Embassy of the Dominican Republic in the United States of America  
1715 22nd Street NW  
Washington, D.C. 20008

Re: International Trade Commission's fourth annual review of the Dominican Republic Earned Import Allowance Program (DR-EIAP).

Dear Ambassador De Castro:

On March 14 of the current year, the United States International Trade Commission (USITC) made public in the Federal Register (78 FR 16297) the fourth annual review of the Dominican Republic Earned Import Allowance Program (DR-EIAP), under investigation No. 332-503. In that regard, pursuant to section 404(d) of the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act (19 U.S.C. 4112(d)), and section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), the National Free Zones Council of the Dominican Republic (CNZFE) wishes to communicate -through the Embassy, its current view on the effectiveness of the mentioned program.

In this occasion, our government reiterates its understanding that the effectiveness of the DR-EIAP should always be evaluated as an instrument to maintain the competitiveness of the apparel manufacturers in the Dominican Republic, while promoting exports and jobs in the US textile industry. Additionally, it is imperative to bear in mind that this program was designed to fulfill a commitment to our country, derived from the bilateral negotiations to amend the DR-CAFTA, in which our government agreed to provide a benefit in the form of a change in the rules of origin for pocketing fabrics, in exchange of equivalent measures to preserve the competitiveness of the industry.

Accordingly, we would like to emphasize the relevance and recent performance of the apparel industry in the Free Zones of the Dominican Republic, and its links to the United States textile industry. This industry continues to be one of the strongest economic sectors in our country, contributing nearly 3% of the country's Gross Domestic Product (GDP). Furthermore, in the Free Zones, which is one of the greatest employers of the country -mainly in economic depressed areas- apparel manufacturers employ 30.2% of total jobs.

C-7

Leopoldo Navarro #61, Edif. San Rafael, 5to Piso, Santo Domingo, República Dominicana, Apdo. Postal 21430  
Tel: 809-686-8077 • Fax: 809-686-8079 • www.cnzfe.gob.do • E-mail: l.fernandez@cnzfe.gob.do • RNC: 4-01-50140-6



Notwithstanding the trade preferential treatment granted by the United States to the Dominican Republic -in the context of DR-CAFTA's textile provisions and EIAP- in the period 2004-2009, the Dominican apparel industry experienced a recession that markedly affected employment and exports. In the mentioned period, CNZFE registered a decline in employment of 49%. Moreover, the value of total apparel exports to the United States decreased 59%, and the value of Dominican imports of fabrics manufactured in the United States, decreased 69%. When considering only cotton broadwoven fabrics, the decrease has been 91%, according to data from the U.S. Office for Textile and Apparel. This is particularly important taking into account that last year, our country was the fifth largest export market for cotton broadwoven fabric manufactured in the United States. However, five years ago, the Dominican Republic was the second largest market.

Nevertheless, in the subsequent period 2009-2012, the Dominican Republic evidenced a slow and gradual recovery of its exports, achieving a modest growth of 6%, even when facing strong competition from Asian manufacturers who receive substantial grants from their respective governments. Regardless of the latest growing period, US cotton broadwoven exports to the Dominican Republic have decreased, while other woven fabrics, such as man-made fibers, evidenced a growth of 28.7%.

As pointed out in previous communications sent to the USITC, there are several elements undermining the effectiveness and potential of the DR-EIAP. These elements suggest that an upgrade in DR-EIAP is needed to restore competitiveness to the industry. For the complete duration of the EIAP implementation period, we have been constantly receiving reports from our apparel manufacturers, stressing the unavailability of several types of fabrics in the U.S., due to price competitiveness and to the relocation of facilities and strategic operations to Asia. For this reason, most of the fabrics demanded by the market are now being developed and manufactures outside the U.S. Consequently, these materials must be purchased from companies located in Asia, which makes it almost impossible for producers to collect enough credits in their EIAP account.

From a broader perspective, recent USITC data supports this assertion. In 2012, Dominican cotton bottom exports to the US using regional/US inputs decreased 36.7%. On the other hand, non-DR-CAFTA qualifying exports of the same products increased 187.4%. In that scenario, exporters have been forced to carry the burden of the non-preferential tariff due to the cotton woven fabric unavailability in the Region.

At the same time, the inability to exploit the potential of the program has obligated cotton bottoms manufacturers to develop other market segments. Recently, we have observed an overall growth trend in man-made fiber products exports that could represent an opportunity for improving the effectiveness of the program, for both Dominican apparel manufacturers and US woven fabric exporters. According to the

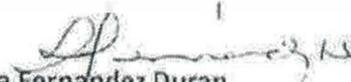
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USITC Dataweb, last year Dominican exports of man-made fiber bottoms using DR-CAFTA Inputs experienced a growth of 11.5%. Including other fabrics in the program would further increase other US woven fabric exports to the Dominican Republic, promoting at the same time competitiveness of Dominican apparel manufacturers, fulfilling the original intention of the program.

Finally, we maintain our position that in order to make effective the DR-EIAP and maintain its objective of preserving competitiveness of trouser manufacturers in the Dominican Republic, the current 2:1 ratio of the Program should be changed to a 1:1 ratio. Considering the current state of the U.S. textile industry and the new sources for the fabrics demanded by the market, the Dominican apparel manufacturers are unable to take full benefit of the Program, as import-exports statistics confirm. Granting the proposed 1:1 ratio, and at the same time, expanding the coverage of "qualifying fabrics" (such as denim and other man-made fiber fabrics) under the EIAP would ensure and encourage growth in textile and apparel trade flows between U.S. and Dominican Republic. We are confident that our proposal would fully exploit the potential of the program.

Sincerely,

  
Luisa Fernandez Duran  
Ambassador - Executive Director

LFD/DL/edc





002320

11 ABR 2012

*"Año del Fortalecimiento del Estado Social y Democrático de Derecho"*

**Mr. Anibal de Castro**  
Ambassador  
Embassy of the Dominican Republic  
1715 22<sup>nd</sup> St, NW  
Washington, D.C. 20008

**Re: International Trade Commission's third annual review of the EIAP, published March 7, 2012 in the Federal Register (77 FR 14568).**

Dear Ambassador de Castro,

Pursuant to section 401(d) of the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act (19 U.S.C. 4112(d)), and section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), the National Free Zones Council of the Dominican Republic wishes to submit comments in connection with the International Trade Commission's third annual review of the EIAP, published March 7, 2012 in the Federal Register (77 FR 14568).

As pointed out in previous communications sent to the Commission, the Government of the Dominican Republic firmly believes that the effectiveness of the EIAP should be evaluated as a measure designed to maintain the competitiveness of the apparel manufacturers in the Dominican Republic, while at the same time preserving and promoting the use of U.S. fabrics for such garments. It is important to recall that this program was intended to fulfill a commitment to the Dominican Republic, derived from the bilateral negotiations to amend the DR-CAFTA, in which our government agreed to provide a benefit in the form of a change in the rules of origin for pocketing fabrics, in exchange for equivalent measures to maintain the competitiveness of trouser and suit manufacturers in the Dominican Republic.

In this context, and taking into account the purposes of the program, we consider relevant to elucidate the importance and recent performance of the apparel industry in the Dominican Republic and its links to the United States' textile industry. Free Zones, where most apparel manufacturers are located, continue to be one of the most dynamic economic sectors in the Dominican Republic contributing nearly 4% to the country's GDP. Furthermore, within free zones, which is one of the greatest generators of employment in the country, (mainly in economic depressed areas) apparel manufacturers account for 35% of total employment.

  
Luis Poldo Navarro #61, Edif. San Rafael, 5to Piso, Santo Domingo, República Dominicana, Apdo. Postal 21430  
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However, despite DR-CAFTA's textile provisions and the EIAP, the Dominican apparel industry has remained in a downtrend, notably affecting employment and exports. In 2011, the National Free Zones Council of the Dominican Republic registered a decline in employment of 49% since 2006 in the apparel industry. Moreover, the volume of total apparel exports to the United States decreased 62%. In addition, the value of Dominican imports of fabrics manufactured in the United States has decreased close to 55%. When considering only cotton broadwoven fabrics, the decrease has been 85% according to data from the U.S. Office for Textile and Apparel.

We take this opportunity to highlight the factors that are undermining the EIAP, which are the fundamental reasons for why we still believe that an upgrade in the EIAP is needed to restore competitiveness to the industry. Since the initiation of the program, we have been constantly receiving reports from our apparel manufacturers regarding the unavailability of several types of fabrics in the U.S. due to price competitiveness and the relocation of facilities and strategic operations to Asia. For this reason, most of the fabrics demanded by the market are now being manufactured outside the United States. Consequently, these fabrics must be purchased from producers located in Asia, which makes it almost impossible for producers to collect enough credits in their EIAP account.

We firmly believe that in order to make the EIAP cost-efficient and maintain its intention of preserving competitiveness of trouser and suit manufacturers in the Dominican Republic, the current 2:1 ratio of the program should be changed to a 1:1 ratio. This suggestion takes into consideration the current state of the U.S. textile industry, as well as the fact that new sources for the fabrics demanded by the market are not allowing, as import-exports statistics confirmed, Dominican apparel manufacturers to take full advantage of the program. Granting the proposed 1:1 ratio, and at the same time, expanding the coverage of "qualifying fabrics" (such as denim and other man-made fiber fabrics) under the EIAP would ensure and encourage growth in textile and apparel trade flows between the U.S. and the Dominican Republic.

Sincerely,

  
Luisa Fernandez Duran  
Ambassador/Executive Director



LFD/DL/edc



007633

03 NOV 2009

Marilyn R. Abbott  
Secretary to the Commission  
U.S. International Trade Commission  
500 E Street SW  
Washington D.C. 20436

Dear Mrs. Abbott:

Pursuant to section 404(d) of the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act (19 U.S.C. 4112(d)), and pursuant to section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), the Government of the Dominican Republic wishes to comment on the effectiveness of the Earned Import Allowance Program (EIAP).

The implementation of this program by the United States is designed to fulfill a commitment to the Dominican Republic, derived from the bilateral negotiations to amend the DR-CAFTA, in which our government agreed to provide a benefit in the form of a change in the rules of origin for pocketing fabrics, in exchange of equivalent measures to maintain the competitiveness of trouser and suit manufactures in the Dominican Republic. Therefore, the effectiveness of the EIAP should be evaluated as a measure designed to maintain the competitiveness of the apparel manufactures in the Dominican Republic, while at the same time preserving and promoting the use of U.S. fabrics for such garments.

Under the EIAP, Dominican apparel manufacturers purchase two square meters equivalents (SME) of U.S. fabric for each SME of third country fabric they use in the production of trousers destined for the U.S. market. The trousers then enter the U.S. duty-free, thereby increasing export opportunities for U.S. yarn and fabric producers and Dominican apparel manufacturers, while offering U.S. importers competitive regional sourcing.

In times of severe economic downturn and substantial changes in the trade framework related to textile and apparel, we wish to highlight the great importance of concrete measures like the EIAP to stimulate both the U.S. textile industry and the Dominican apparel manufactures. This is particularly relevant given the structure of the market in the Dominican Republic where Export Processing Zones remains the sector which generates the most employment in the economy, of which the apparel industry contributes 40% of this total.

Unfortunately, a considerable decline of employment continues to register in the Dominican apparel industry (15% in 2008). Further, a significant number of plant closures (27% in 2008), and a decrease in exports (16% in 2008), weakens the position of Dominican exporters in the U. S. market.



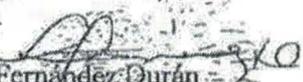
Although this decline can be attributed to certain underlying reasons at global scale, it is our understanding that the expected full benefit under the EIAP to offset the downtrend has yet been attended by U.S. and D.R. industries, owing to the current manner in which the Office of Textile and Apparel (OTEXA) is implementing the Program.

OTEXA is interpreting the term “wholly formed” as requiring qualifying woven fabrics to be dyed and finished in the United States, which severely undermines the intention and effectiveness of the Program.

Qualifying woven fabric is defined in Section 2 of the Andean Trade Preference Extension Act of 2008 (Public Law 110-436, 122 Stat. 4976) (“ATPEA”) as “woven fabric of cotton wholly formed in the United States from yarns wholly formed in the United States” and intended for production of apparel in the Dominican Republic. The ATPEA does not define the term “wholly formed” as to require qualifying fabrics to be “dyed and finished” in the United States”.

The term “wholly formed” should not be implemented in a manner to include dyeing and finishing operations in the U.S. since it constitutes a significant burden for the Dominican trouser industry and results in a unnecessary hinder to both U.S. and Dominican textile and apparel industry to take full advantage of the intended relief.

Sincerely,

  
Luisa Fernández Durán  
Executive Director