Afghanistan and Pakistan Reconstruction Opportunity Zones (ROZs), H.R. 1318/H.R. 1886/H.R. 2410 and S. 496: Issues and Arguments

Mary Jane Bolle
Specialist in International Trade and Finance

October 15, 2009

Congressional Research Service
7-5700
www.crs.gov
R40627

CRS Report for Congress
Prepared for Members and Committees of Congress

Summary

On June 9, 2009, the House Rules Committee issued a rule providing for the consideration of H.R. 1886, the Pakistan Enduring Assistance and Cooperation Enhancement Act. The rule inserted, with modifications, H.R. 1318, the Afghanistan-Pakistan Security and Prosperity Enhancement Act, the ROZ legislation, into the base text of H.R. 1886. On June 11, 2009, the House passed H.R. 1886 by a vote of 234 to 185, and the clerk was directed to add it as new matter to the end of H.R. 2410, the Foreign Relations Authorization Act, Fiscal Years 2010 and 2011. On September 24, 2009, by Unanimous Consent, the Senate passed S. 1707, the Enhanced Partnership with Pakistan Act of 2009, in lieu of H.R. 1886. It did not include the House ROZ language. It became law (P.L. 111-73) on October 15, 2009.

The Afghanistan-Pakistan Security and Prosperity Enhancement Act (H.R. 1318) and the Afghanistan and Pakistan Reconstruction Opportunity Zones Act (S. 496) would establish a unilateral U.S. trade preference program for Afghanistan and parts of Pakistan. In an effort to promote economic development in both countries, the legislation would permit certain goods produced in designated geographic areas called *Reconstruction Opportunity Zones* (ROZs) to be imported into the United States duty-free. ROZs would be a specific type of *export processing zone,* and thus part of a world-wide network of *free trade zones*. Free trade zones are typically fenced-in industrial parks. As such they are self-contained islands of infrastructure necessary to support manufacturing, often located in relatively undeveloped geographic locations. They support economic development by facilitating cooperative production among workers in more than one country.

Both Pakistan and Afghanistan are currently exporting certain goods to the United States duty-free under the *Generalized System of Preferences* (GSP). The ROZ program would offer additional tariff benefits to Afghanistan and Pakistan. In turn, it would place additional requirements on both countries.

The 300 top U.S. import categories from Pakistan are valued at $3 billion. These 300 represent 98 % of all dutiable imports from Pakistan, almost all of which are textile and apparel products. The ROZ proposal would remove tariffs on about half the value of these imports–98 items which are mostly *textile products* such as towels, sheets, comforters, and curtains, which carry an average trade-weighted tariff rate of 8.1%. The ROZ proposal would not remove tariffs on 195 items of which are mostly *apparel items*, such as shirts, trousers, blue jeans, socks and underwear, which carry an average trade-weighted tariff rate of 14.9%.

The legislation appears to be of primarily political and symbolic importance for U.S. relationships with Afghanistan and Pakistan, and was specifically supported by President Obama in his March 27 announcement of a new U.S. strategy for Afghanistan and Pakistan. Proponents of the legislation see it as a way of promoting economic development in remote and restive areas of Afghanistan and Pakistan. On the other hand, there are those who point out restrictions:

- the limited possible locations for ROZ production in order to be eligible for tariff-free treatment;
- the limited range of products eligible for tariff-free treatment;
- the labor requirements in H.R. 1318; and
- security concerns.

Contents

Figures

Tables

Appendixes

Contacts

I. Recent Legislative Action

On June 9, 2009, the House Rules Committee issued a rule providing for the consideration of a Pakistan aid bill, H.R. 1886, the Pakistan Enduring Assistance and Cooperation Enhancement Act.

The House rule inserted with modifications, into the base text of H.R. 1886, H.R. 1318, the Afghanistan-Pakistan Security and Prosperity Enhancement Act, popularly referred to as the reconstruction opportunity zone (ROZ) legislation.

On June 11, 2009, the House passed H.R. 1886 (with H.R. 1318 included) by a vote of 234 to 185. The clerk was then directed to add this enlarged H.R. 1886 as new matter to the end of H.R. 2410, the Foreign Relations Authorization Act, Fiscal Years 2010 and 2011. This authorization bill with the two attachments then went to the Senate.

On September 24, 2009, by Unanimous Consent, the Senate passed a slightly different Pakistan aid bill than H.R. 1318/H.R. 1886, included in the House submission. Rather, it passed S. 1707, the Enhanced Partnership with Pakistan Act of 2009. This aid bill did not include the ROZ proposal. S. 1707 was signed by the President and became law (P.L. 111-73) on October 15, 2009.

Back on June 9, when the House Rules Committee inserted the House ROZ proposal (H.R. 1318) into the Pakistan aid bill (H.R. 1886), it made several changes to the ROZ language, which are discussed in greater detail in the sections that follow. In a nutshell, however, the Rules Committee amendment would have:

- offered the President another element of discretion to determine the ability of the country to establish the required labor program: He would have been able to take into account the capability of the country to establish such a technical assistance program for labor (Section 3 in H.R. 1318/S. 496, and Section 403 in H.R. 1886);
- added additional conditions, circumstances, and procedures for extending the initial 16-month grace period of duty free treatment by six month increments under certain circumstances (Section 7/Section 407);
- removed the International Labor Organization (ILO) as the cooperative party to work with Afghanistan or Pakistan to establish a labor monitoring and compliance program, and substituted an entity designated by the Secretary of Labor (Section 7/Section 407); and
- established new customs user fees to be assessed on top of existing customs user fees for the provision of customs services relating to imports and travel from Afghanistan and Pakistan (new Section 411.)

The sections below addresses the ROZ bill as introduced in the House (H.R. 1318) and the Senate (S. 496), with comments indicating changes made to the House bill by the Rules Committee.

II. Introduction

The Afghanistan-Pakistan Security and Prosperity Enhancement Act (H.R. 1318, Van Hollen) and the Afghanistan and Pakistan Reconstruction Opportunity Zones Act (S. 496, Cantwell) would establish a unilateral U.S. trade preference program for Afghanistan and parts of Pakistan. The legislation would permit certain goods produced in designated geographic areas called *Reconstruction Opportunity Zones* (ROZs) to be imported into the United States duty-free.

ROZs would be a specific type of *export processing zone*, and thus part of a world-wide network of *free trade zones*. Free trade zones are typically fenced-in industrial parks. As such they are self-contained islands of infrastructure necessary to support manufacturing, often located in relatively undeveloped geographic locations. They support economic development by facilitating cooperative production among workers in more than one country. That is, they are physically located *inside* the boundaries of a country but are treated as if they were located *outside* the country for customs purposes. Thus, for components or materials which are imported into ROZs, processed into finished goods, and later exported from the country, no tariffs would be payable and customs procedures would be streamlined.

Both Pakistan and Afghanistan are currently exporting certain goods to the United States duty-free under the *Generalized System of Preferences* (GSP).[1] The ROZ program would offer additional tariff benefits to Afghanistan and Pakistan. In turn, it would place additional requirements on both countries.

Where the Congressional Debate Is Focusing

The legislation appears to be of primarily political and symbolic importance for U.S. relationships with Afghanistan and Pakistan, and was specifically supported by President Obama in his March 27th announcement of a new U.S. strategy for Afghanistan and Pakistan. Proponents of the legislation see it as a way of promoting economic development in remote and restive areas of Afghanistan and Pakistan. On the other hand, there are those who point out restrictions:

- the limited possible locations for ROZs;
- the limited range of products eligible for tariff-free treatment;
- the labor requirements in H.R. 1318; and
- security concerns.

Evolution and Purpose of Legislation

The ROZ proposal was originally designed to benefit Pakistan (primarily a textile and apparel exporter) by rewarding it with trade preferences when it was losing U.S. market share to other countries that had free trade agreements with the United States. Similar legislation in the 110th Congress was introduced but not passed.[2] The current version of the ROZ legislation introduced

[1] See CRS Report RL33663, *Generalized System of Preferences: Background and Renewal Debate*, by Vivian C. Jones.

[2] USTR Considers Possible Pakistan Free-Trade Zone, *Inside U.S. Trade*, August 11, 2006.

as H.R. 1318 and S. 496, would permit non-"import sensitive"[3] exports to enter the United States duty-free, as long as the governments of both Afghanistan and Pakistan, the investors, and the products produced in ROZs met specific requirements under the program.

The purposes of the ROZ program as enumerated in the bills [Sec. 2(b)] are: (1) to stimulate economic activity and development in Afghanistan and the border region of Pakistan, which are seen as critical fronts in the struggle against violent extremism; (2) to reflect the strong support that the United States has pledged to Afghanistan and Pakistan for their sustained commitment to the global war on terrorism; (3) to support the three-pronged U.S. strategy in Afghanistan and the border region of Pakistan that leverages political, military, and economic tools, with ROZs as a critical part of the economic component of that strategy; and (4) to offer a vital opportunity to improve livelihoods of indigenous populations of areas designated as potential ROZs, as well as to promote good governance, improve economic and commercial ties between the people of Afghanistan and Pakistan, and extend and strengthen the governments of both countries.

ROZs as a Trade Preference Program

The ROZ program is, at its essence, a trade preference program similar to five other trade preference programs. Under such programs, the United States unilaterally permits certain non-import sensitive goods meeting rules-of-origin requirements to enter the United States tariff-free so long as certain conditions are met by the exporting country. Existing U.S. trade preference programs include the Generalized System of Preference (GSP), the Caribbean Basin Economic Recovery Act (CBERA), the Andean Trade Preference Act (ATPA), the African Growth and Opportunity Act (AGOA), the Qualifying Industrial Zone (QIZ) Program under the U.S.-Israel Free Trade Agreement (USIFTA), and the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006.

ROZ and QIZ Trade Preference Programs Compared

The ROZ program was modeled after and is often compared with the Qualifying Industrial Zone (QIZ) program under the *U.S.-Israel Free Trade Agreement Implementation Act*, (P.L. 99-47, as amended by the 1996 *West Bank and Gaza Strip Free Trade Benefits Act* (P.L. 104-234). Both encourage co-operative production by two or more countries. Both are designed to achieve foreign-policy objectives as well as trade objectives. The ROZ and QIZ programs also have a number of differences. The ROZ proposal: (1) has stricter rules-of-origin requirements for textiles and apparel; (2) reinforces rules of origin by specifically prohibiting unlawful transshipment of goods from non-authorized countries; (3) prohibits the establishment of zones in certain economically developed regions of one of the countries (Pakistan). ROZs may be located anywhere in Afghanistan; (4) includes in H.R. 1318, strong labor requirements; and (5) would be implemented in the context of ongoing hostilities throughout Afghanistan and in restive parts of Pakistan. However, the security situation is acute to the point where many believe that the ROZ concept cannot be realistically implemented.

[3] Import sensitive products are determined by the President after receiving the advice of the International Trade Commission, in the context of imports from a ROZ.

Economic Context for the Legislation[4]

Afghanistan has recorded rapid economic growth since 2001, thanks primarily to the construction sector which, assisted by foreign efforts, has rebuilt some infrastructure and private housing. Agriculture, a dominant industry, has experienced strong growth, tempered by several severe droughts in 2001-2007. The country's largest economic sector and agricultural export is opium, which is technically illegal. Afghanistan accounted for roughly 90% of global opium production in 2007, and many senior figures in local and central government reportedly have ties to or are tolerating the opium trade.[5]

Pakistan's economy is dominated by the agricultural sector and its exports are dominated by the textile sector. The textile and apparel sector accounts for two-thirds of export income, and depends on the size of the annual cotton crop. Pakistan's dependence on textiles (and in particular cotton-based textile and apparel manufacturing products) has hampered its economic growth beyond this basic industry.[6]

Trade and Investment Context for Legislation[7]

Trade

Both Pakistan and Afghanistan are small trading partners for the United States, together accounting for less than one-fifth of one percent of all U.S. imports and exports: 0.18% of all U.S. imports and 0.19% of all U.S. exports. For 2008, the United States had a trade deficit with Pakistan ($1.6. billion), and a trade surplus with Afghanistan ($397 million). The value of U.S. trade with Pakistan, at $5.6 billion ($3.6 billion imports and $2.0 billion in exports) is roughly ten times as great as trade with Afghanistan, at $566 million ($85 million in imports and $482 million in exports.)[8]

The value of imports from Afghanistan was so small in 2008 that it equaled only 2% of the value of all U.S. imports from Pakistan. Of U.S. imports from Afghanistan, 70% were U.S. military and related equipment sent to Afghanistan and then returned to the United States. Remaining U.S. import items are primarily works of art more than 100 years old, oil seeds, natural or cultured pearls, precious or semiprecious stones and metals, carpets and other textile floor coverings. Because of the small size and makeup of imports from Afghanistan, discussions of potential trade impact of this proposed legislation, in the discussion that follows, focus on trade with Pakistan.

Since the focus of this report is on possible tariff reductions for Pakistan and Afghanistan, the focus that follows is on dutiable imports. These account for 87% of U.S. imports from Pakistan in

[4] For political considerations relating to Afghanistan and Pakistan, see CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman and CRS Report RL33498, *Pakistan-U.S. Relations*, by K. Alan Kronstadt.

[5] Economist Intelligence Unit (EIU) Country Profile, 2008 for Afghanistan.

[6] EIU Country Profile 2008, p. 17.

[7] Unless otherwise indicated, data for this section are taken from Global Trade Atlas, which obtains its data from the U.S. Department of Commerce, Bureau of the Census.

[8] Source of data: U.S. International Trade Commission, *Dataweb*.

2008, ($3.1 out of $3.6 billion) and 1% of imports from Afghanistan ($622 thousand out of $85 million).

Investment

The stock of U.S. foreign direct investment (FDI) in Pakistan, as shown in **Table 1**, gradually increased to a peak of $1.2 billion in 2006, and then declined to $674 million in 2007.[9] This may have been a product of both security issues in Pakistan and changes in the U.S. economy.

Table 1. U.S. Foreign Direct Investment (FDI) in Pakistan, 2000-2007

(in $millions)

Year	2000	2001	2002	2003	2004	2005	2006	2007
FDI	474	474	849	790	945	1100	1200	674

Source: Office of the U.S. Trade Representative. *Foreign Trade Barriers*, various years.

Trade-Related Agreements

The United States concluded a Trade Investment Framework Agreement (TIFA) with Pakistan in 2003, and in 2004 began discussions on a bilateral investment treaty (BIT). However, the BIT was never completed. A TIFA is an agreement that provides a forum for Pakistan and the United States to examine ways to expand bilateral trade and investment by promoting principles that underpin a mutual trade and investment relationship. BITs take the investment relationship to a higher step, by including numerous protections for investors.[10] In 2004, the United States and Afghanistan signed a TIFA. On December 13, 2004, the 148 countries of the World Trade Organization voted to start membership talks with Afghanistan.[11]

III. Major Elements of H.R. 1318 and S. 496

In establishing a program of trade preferences for qualifying products imported into the United States from ROZs in Afghanistan or Pakistan, H.R. 1318 and S. 496 include a number of major elements designed to define geographic areas of Afghanistan and Pakistan that may be designated as ROZs; set out country eligibility criteria; define articles for which duty-free treatment may be authorized; and set out protections against unlawful transshipment. In addition, H.R. 1318, but not S. 496, lays out a program for technical assistance and capacity building, focusing on providing labor protections to workers in ROZs.

---

[9] Source: Office of the U.S. Trade Representative. *Foreign Trade Barriers*, 2009.

[10] Office of the U.S. Trade Representative, *United States, Pakistan Begin Bilateral Investment Treaty Negotiations*, September 28, 2004.

[11] CRS Report RL33498, *Pakistan-U.S. Relations*, by K. Alan Kronstadt. See also, Office of the USTR, *United States and Afghanistan Sign Trade and Investment Framework Agreement*, September 21, 2004.

Permissible Locations for ROZs (Sec. 2/Sec. 402)

ROZs may be established in specific areas of Pakistan, most of which are less developed and more mountainous than regions where most export processing zones currently exist, such as in or near Karachi or the fertile valley surrounding the Indus River and its tributaries. Areas permissible for ROZ establishment include (1) the Federally administered Tribal Areas; (2) areas of Pakistan-administered Kashmir that the U.S. President determines were harmed by the earthquake of October 8, 2005; (3) areas of Baluchistan that are within 100 miles of Pakistan's border with Afghanistan; and (4) the North West Frontier Province. ROZs may be established anywhere in Afghanistan. (See map, **Figure 1**.)

Figure 1. Areas of Afghanistan and Pakistan Eligible for Designation of Reconstruction Opportunity Zones (ROZs) as Provided for in H.R. 1318 and S. 496

Source: CRS.

Country Eligibility Criteria for Participating in the ROZ Program (Sec. 3/Sec. 403)

Section 3 of the ROZ bills list extensive and very detailed (i.e., at least 25) country eligibility criteria for participation in the ROZ program. For example, Afghanistan or Pakistan must meet eligibility requirements for designation as a GSP beneficiary developing country. In addition, the country must have established or be making continual progress toward establishing: (1) a market based economy; (2) the rule of law; (3) the elimination of barriers to U.S. trade and investment; (4) the protection of intellectual property; (5) efforts to combat corruption; (6) policies to reduce poverty; (7) policies to increase the availability of health care and educational opportunities; and (8) the protection of human rights and internationally recognized worker rights. According to provisions of the bill, the President can determine whether these eligibility conditions have been met. The bill also gives the President the authority to suspend eligibility if these conditions have not been met and maintained.

Rules Committee Amendment: The Rules Committee amendment would offer the President an additional element of discretion in deciding whether to designate an area of Afghanistan or Pakistan as a ROZ: He would be directed to take in to account the capability of the country to establish a technical assistance program for labor.

Articles Eligible for Duty-Free Treatment under the ROZ Program and Rules of Origin (Sec. 4/Sec. 404 and Sec. 5/Sec. 505)

Sections 4 and 5 of H.R. 1318 and S. 496 identify two groups of eligible articles for tariff elimination–textile and apparel articles, and non-textile and non-apparel articles. Eligible non-textile and non-apparel articles are those listed under the Generalized System of Preferences (GSP) program plus any others identified by the President (after receiving the advice of the U.S. International Trade Commission) as being non-import sensitive in the context of imports from a ROZ. Rules of origin requirements are similar to those for other trade preference programs.[12]

Eligible textile and apparel items under ROZ number roughly 2,785 [defined at the 10-digit Harmonized Tariff Schedule (HTS) level]. Slightly more than 1,625 of these articles would be eligible for duty-free status if imported from either country, so long as rules-of-origin

[12] Non-textile and non-apparel articles designated as eligible under GSP or other program from all developing countries have different rules of origin requirements, depending on whether they are imported from Pakistan or Afghanistan. (1) For those articles imported from Pakistan, 35% of the cost may be constituted by materials and processing from one or more ROZs in Pakistan or Afghanistan; and materials only from the United States (which are limited to 15% of the total cost); (2) For the articles imported from Afghanistan, 35% of the cost may be constituted by materials and processing from one or more ROZs in Pakistan or Afghanistan; materials but not processes from the South Asian Association for Regional Cooperation (SAARC) which includes, besides Afghanistan and Pakistan, Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka; and materials but not processes from the United States (which are limited to 15% of the total); (3) Separate rules of origin are given for GSP articles designated as eligible from a least developed beneficiary developing country and imported from Afghanistan. For non-textile and non-apparel articles imported from Afghanistan, 35% of the cost may be constituted by the sum of: materials and processing operations in one or more ROZs in Afghanistan, materials, but not processes, from SAARC, and materials from the United States (limited to 15% of the total).

requirements are met. Another nearly 1,160 articles would be eligible for duty-free status only if imported from Afghanistan, so long as rules-of-origin requirements are met. In the bills, the articles are identified in two ways: by HTS 10-digit codes, and by quota categories. These quota categories were formerly used under the *WTO Agreement on Textiles and Clothing*, which expired in 2005, and encompass anywhere from 1 to 100 HTS item numbers each.

Rules of origin for textile and apparel products require that products be wholly the growth, product, or manufacture of one or more ROZs, except that articles cut or knit to shape and sewn or otherwise assembled in one of more ROZs from their component parts may use imported fabric.[13]

Details on those imports from Pakistan that would be afforded tariff-free treatment under ROZ, and those which would not, are discussed beginning on p. 11, and shown in **Appendix Tables A-1 through A-3.**

Protections Against Unlawful Transshipment (Sec. 6/Sec. 406)

To guard against unlawful transshipment of articles from ROZs to the United States, duty-free treatment is conditioned on certain enforcement measures: Afghanistan or Pakistan, respectively: (1) must have adopted an effective visa or electronic certification system, domestic laws, and enforcement procedures to prevent unlawful transshipment and false documentation. Such laws and regulations would permit the U.S. Customs and Border Protection (CBP) access to investigate thoroughly allegations of unlawful transshipment; (2) must agree to provide the CBP with a monthly report on relevant shipments and cooperate with the United States to address any necessary actions; (3) must agree to require each ROZ production entity to register with the government and provide specific information; [14] and (4) must agree to require that all entities in ROZs maintain complete records for at least five years after production or export. It is up to the President to determine whether compliance has been met. If transshipment conditions are not met, he may suspend eligibility.

[13] Textile and apparel articles may be imported duty-free directly from ROZs in *either Pakistan or Afghanistan* if: (1) the article is wholly the growth, product, or manufacture of one or more ROZs; (2) the article is yarn, thread, twine, cordage, rope, cable, or braiding, and the fibers are spun in or extruded in one or more ROZs; (3) the article is a fabric and the fibers, filaments, or yarns are woven, knitted, needled, tufted, felted, entangled, or transformed by any other fabric-making process in one of more ROZs; or (4) the article is any other textile or apparel article and is cut (or knit-to-shape) and sewn or otherwise assembled in one or more ROZs from its component pieces. Certain other textile and apparel articles may be directly imported into the United States only from a ROZ in *Afghanistan* duty-free if: (1) the article is wholly the growth, product, or manufacture of one of more ROZs in Afghanistan; (2) the article is a yarn, thread, twine, cordage, rope, cable, or braiding and the constituent staple fibers are spun in or the continuous filament fiber is extruded in one or more ROZs in Afghanistan; (3) the article is fabric, including a fabric classifiable under chapter 59 of the HTS (impregnated, coated, covered, or laminated textile fabrics; or textile articles of a kind suited for industrial use) and the constituent fibers, filaments, or yarns are woven, knitted, needled, tufted, felted, entangled, or transformed by any other fabric-making process in one of more ROZs in Afghanistan; or (4) the article is any other textile or apparel article that is cut (or knit-to-shape) and sewn or otherwise assembled in one or more ROZs in Afghanistan from its component pieces.

[14] This information includes the production entity's name, address, telephone, fax and e-mail numbers/addresses, names and nationalities of owners, directors, corporate officers and positions within the business; the number of employees and their occupations; a general description of covered articles and the production capacity of the plant; the number and types of machines in use; the number of hours the machines operate each week; the identity of any supplier to the entity of textile or apparel goods, fabrics, yarns, fibers, etc.; and the name and contact information for each of its customers in the United States.

In addition, the U.S. Customs and Border Protection (CBP) shall submit to Congress no later than March 31 of each year, a report on the effectiveness of the visa or electronic certification system, and on measures taken by Afghanistan and Pakistan to prevent circumvention. For additional customs enforcement by the CBP, the bill authorizes the appropriation of $10 million annually for FY2010–FY2023. If the President determines, based on sufficient evidence, that an entity has engaged in unlawful transshipment, he shall deny eligibility to the entity, its successor, and any other entity owned, operated, or controlled by the same principals.

Technical Assistance, Capacity Building, Compliance Assessment, and Remediation Program (Labor Protections, Sec. 7/Sec. 407)

Beginning 16 months after the President notifies Congress of his intent to designate an area as a ROZ under Section 3, each ROZ shall continue to receive duty-free treatment under the act only if the President certifies to Congress that Afghanistan or Pakistan, respectively: (a) has implemented labor requirements of this section; and (b) has agreed to require and has developed a system to ensure that each textile or apparel exporter participates in the labor and registry program, described below.

Under the original bill, the President could extent the period for compliance by Afghanistan and Pakistan beyond 16 months if he determined the country had made a good faith effort toward such compliance and provided appropriate congressional committees with reports every six months on Afghanistan's or Pakistan's progress in meeting the requirements.

Rules Committee Amendment: The amendment by the Rules Committee would add procedures for extending eligibility for six month and subsequent six month periods. These procedures include offering opportunities for public comment, and the publication of substantiating information in the *Federal Register* to initial requirements for consultation with appropriate committees and declaration of "extraordinary circumstances."

Section 7 would also set out requirements and responsibilities for (1) a labor official to be designated in Afghanistan and Pakistan respectively; (2) **as amended by the Rules Committee Amendment**, a designee of the U.S. Labor Department to monitor labor conditions in ROZ plants and offer technical assistance on their remediation; (3) the President of the United States to report annually to appropriate congressional committees on various labor efforts of Afghanistan and Pakistan; and (4) the Secretary of Labor to report to appropriate congressional committees an evaluation of the labor condition monitoring program and options for expanding it.

Responsibilities of Labor Officials in Afghanistan and Pakistan

The designated labor official in Afghanistan and Pakistan, reporting directly to that President shall develop and maintain a registry of textile or apparel exporting enterprises and a system to ensure their participation in a labor standards compliance program conducted with the help of the ILO.

ILO Responsibilities

The original bill provided that the ILO would operate a program with the labor officials of Afghanistan and Pakistan, respectively, to assess compliance by textile or apparel exporting companies listed in the registry, with core labor standards and conditions of work relating to minimum wages, hours of work and health and safety regulations. In addition, the ILO would identify and assist textile and apparel exporters in remediating deficiencies, conduct follow-up site visits and provide training to workers and management. The ILO would also provide a publicly available annual report, which would identify whether each exporting enterprise listed in the registry, has met the labor conditions. For each enterprise with labor deficiencies, the report would describe deficiencies; offer suggestions; and describe remediation efforts and progress made. The ILO would also assist the governments of Afghanistan and Pakistan in promoting core labor standards and educating labor officials, worker representatives, labor inspectors, judicial officers, and other relevant personnel about them.

Rules Committee Amendment: The amendment by the Rules Committee removes the ILO as the cooperative party to work with Afghanistan or Pakistan to establish a labor monitoring and compliance program. It substitutes an entity designated by the Secretary of Labor (p. 51) It also instructs the Secretary of Labor (p. 60) to evaluate the program and options for expanding it to include non-textile or non-apparel articles (p. 61).

Presidential Responsibilities

Under H.R. 1318 and S. 496, the President of the United States would determine whether Afghanistan and Pakistan are protecting core labor standards. Every two years the President would identify whether a textile or apparel exporting enterprise listed in the registry has failed to comply with core labor standards and labor laws of Afghanistan and Pakistan, and seek to assist any enterprises that have failed to comply. If such efforts fail, he shall withdraw, suspend, or limit the application of preferred treatment.

The President would be required to transmit an annual report to the House Ways and Means and Senate Finance Committees on the implementation of this capacity-building section (Section 7.) The bill authorizes a total appropriation of $20 million to carry out this section, for the entire period October 1, 2009 through September 30, 2014.

Changes Embodied in Rules Committee Amendment: The amendment by the Rules Committee adds additional conditions, circumstances, and procedures for extending the initial 16-month grace period of duty free treatments by six month increments when "extraordinary circumstances" exist that preclude Afghanistan or Pakistan from meeting the technical assistance labor requirements The original bill required that extension (for unspecific time periods) be dependent on Afghanistan's or Pakistan's "good faith effort" toward compliance, and reports to appropriate congressional committees on steps toward full compliance and progress. The amendment adds procedures for extending eligibility for six months, and subsequent six month periods. These procedures include offering opportunities for public comment, and the publication of substantiating information in the *Federal Register*. The amendment also extends the period for which the $20 million authorization would extend, nine more years, so that the authorization extends from October 1, 2009, through September 30, 2014.

Limitations on Providing Duty-Free Treatment (Sec. 9/Sec. 409)

The legislation would allow the President to waive the application of duty-free treatment if he determines that providing such treatment is inconsistent with the national interests of the United States, and shall advise Congress of such.

Termination of Benefits (Sec. 10/Sec. 410)

Duty free treatment would remain in effect through September 30, 2024 under provisions of these bills.

Increase in Customs User Fees (Sec. 411)

The Rules Committee Amendment establishes new section increasing the level of customs user fees. It would require the Secretary of the Treasury to increase the amount of fees charged and collected under Section 13031(a) of the Consolidated Omnibus Budget Reconciliation Act of 1985 [19 USC 58c(a)] for the provision of customs services for imports and travel from Afghanistan and Pakistan. The amount of the increase would be not less than $12 million for the period beginning the date of enactment through September 30, 2014. It would be not less than $105 million for the period beginning on the date of enactment through September 30, 2019. The above amount would be in addition to the level of normal customs user fees that would otherwise be charged and collected under Section 13031(a) of 19 USC 58c(a).

IV. Potential Issues

The main issue in the ROZ legislation is: Can the concept be implemented; and would businesses invest the resources needed to make ROZs work? Textile and apparel products, particularly those made of cotton, are the main Pakistani export to the United States. Production typically takes place in developed areas, including around Karachi on the Arabian Sea. This legislation offers a different approach to production, offering tariff benefits for goods produced in remote, undeveloped, mountainous, and earthquake affected areas along Pakistan's borders with Afghanistan, China, and India, and in rugged Afghanistan—all places located 200 to 800 miles or more from the sea. The question is, are the potential tariff benefits from producing permitted items in ROZs (and any wage savings from producing in remote parts of Pakistan and Afghanistan) substantial enough to outweigh security and transportation requirements and labor issues relating to the bill?

Tariff Line Issues

Summary

The ROZ legislation would remove tariffs from 1,626 textile and apparel categories (referred to as "tariff lines" at the 10-digit HTS level) imported from Pakistan and/or Afghanistan and meeting rules-of-origin requirements. It would remove tariffs from an additional 1,157 categories imported from Afghanistan alone and meeting rules-of-origin requirements.

The question for analysis is, how many of those 1,626 import categories slated for tariff removal (if the goods are imported from Pakistan), represent major U.S. import categories from Pakistan?

To answer this question, CRS compared the top 300 (10-digit) Pakistani-sourced *dutiable import items for consumption*[15] in the United States against the 1,626 items slated for tariff removal. These 300 items accounted for $3.0 billion, or 98% of all dutiable imports for consumption from Pakistan in 2008. CRS found that the ROZ proposal would remove tariffs on 98 of those 1,626 items.

These 98 items represented half the value (49%) of all such imports from Pakistan ($1.479 billion). By value, most of these 98 items, (87%) are *textile products* such as towels, sheets, comforters, and curtains, with an average trade-weighted tariff rate of 8.1%. The remaining 13% are apparel products (defined in the paragraph below.) (These 98 categories are detailed in **Table A-1**.)

Not among the 1,626 categories for tariff removal were another 195 categories of textile and apparel imports from Pakistan. These 195 categories accounted for another half the total value of dutiable imports from Pakistan ($1.534 billion, or 50%). They are primarily (88%) *apparel items*, such as shirts, trousers, blue jeans, socks and underwear, with an average trade-weighted tariff rate of 14.9%. The remaining 12% are textile products. (These items are detailed in

[15] This represents a change in the most recent version of this report. Previous versions based the analysis on all imports, which included those that were re-exported, and those that remained in warehouses for a particular year. This change was made so that the analysis would better conform to the purpose of the legislation.

Table A-2.)

The remaining seven items of the 300 are non-textile and apparel imports. These items total $29 million, and account for less than 1% of the 300 dutiable imports from Pakistan in 2008. These items include rice, honey, heavy fuel oils, certain containers, and cutting shears, with an average trade-weighted tariff rate of 1.7%. (These items are detailed in **Table A-3**.)

CRS then examined Afghanistan imports for consumption in the United States and found that their value totaled only $207 thousand (0.01% of the value of such imports from Pakistan.) Among the dutiable consumer good imports from Afghanistan are carpets, with a total import value of $11 thousand (most carpets from Afghanistan already enter the United States duty-free), and clothing valued at around $19 thousand.

Discussion

Types of items slated for newly tariff-free U.S. import under the ROZ legislation are limited, particularly textile and apparel items, compared with what Pakistan actually produces for export. Ranking minority member of the House Ways and Means Committee, Representative Dave Camp, has referred to the "product mix [on which tariffs would be removed as] stingy—an economic fig leaf."[16]

An examination of the data reveals that of the eight top import items from Pakistan (accounting for 40% of the top 300 dutiable import items from Pakistan), four are mostly household textile products on which tariffs are proposed for elimination (two tariff lines of cotton terrycloth towels and two tariff lines of cotton sheets); and four others are apparel items on which tariffs are *not* eligible for elimination (men's cotton knit shirts, cotton socks, men's and boys' cotton pullovers, and men's blue jeans—i.e., blue denim trousers).

The American Apparel and Footwear Association (AAFA), the National Retail Federation, the Retail Industry Leaders Association (RILA) and the United States Association of Importers of Textiles and Apparel (USA-ITA, hereafter collectively referred to as "four textile and apparel retail associations") and the U.S. Chamber of Commerce argue in favor of expanding the list of eligible articles to include all or many more textile and apparel items—particularly, cotton trousers and shorts and cotton knit tops. They argue that "these products are most likely to generate employment opportunities in zones near the border region," and "already account for 64% of the apparel exports from Pakistan to the United States, and more than a quarter of all exports from Pakistan to the U.S. market. [17]They further argue that Asian producers, not U.S. producers, are at risk from apparel exports from Pakistan. They argue that U.S. imports of cotton knit shirts and cotton trousers from Pakistan represent 3.6% of total U.S. imports of these particular products."[18] They could also argue that such an expansion in product lines could help

[16] House Floor Statement by Representative Dave Camp, Ranking Minority Member of the House Ways and Means Committee. *Congressional Record*, June 11, 2009, p. H.6569.

[17] This 64% includes imports from Pakistan in four former quota categories under which imports are still reported by shippers: 338 and 339 (cotton knit shirts and blouses) and 347 and 348 (cotton trousers and shorts). Each of these categories represents a number of HTS 10-digit categories. The HTS categories represented by the quota categories can be found at the ITA's OTEXA website: (http://otexa.ita.doc.gov/. Click on "The Textile Correlation, left column, fourth line from the top.) In addition, the shippers report on the dollar value of exports from Pakistan as reported by three-digit category, can be found at http://otexa.ita.doc.gov/msrcty/v5350.htm by clicking on "Pakistan."

[18] Letter to Congress, June 10, 2009 from the American Apparel and Footwear Association (AAFA), the National (continued...)

reverse the 44% decline in investment between 2007 and 2008 (see **Table 1**) and increase the potential for economic growth and job creation in areas where employment levels are low.

The Chamber and the Council argue in favor of expanding the tariff-free product line to include cotton trousers and shirts in order to "improve the competitiveness of Pakistani apparel producers vis-à-vis other international suppliers" and keep jobs from migrating "out of Pakistan to third countries."[19] In addition, eight associations argue that in the world today, when there are no longer any quotas, "Asian suppliers are in fierce competition for sales to the U.S. market," and "configuring the ROZ program to include duty-free treatment on all textile and apparel products will give Pakistan a fighting chance in this competitive industry."[20]

Defenders of the currently-proposed list of products on which tariffs would be eliminated might argue that the U.S. textile and apparel industry has come under increased international pressure in recent years. It has suffered both output and employment losses, in part because textile and apparel items can be produced relatively easily in developing countries and require a relatively low capital investment. Between 2002 and 2008, employment in the U.S. textile and apparel industry declined 41% (from 845,000 to 497,000). Over nearly the same time (2002-2007, most recent data) output declined an estimated 21% (from $119 billion to approximately $96 billion). (See **Error! Reference source not found.**.) In contrast to this, employment for the entire U.S. manufacturing sector decreased a much smaller 12% over 2002-2008 (from 15.3 million to 13.4 million), whereas output increased by an estimated 28% between 2002 and 2007 (from $3.9 trillion to $5.0 trillion).[21]

Issues Related to Geographic Areas Permitted for ROZ Location

Eligible goods could be produced anywhere in Afghanistan and receive duty-free treatment. However, in Pakistan, under the ROZ proposal, eligible goods could only qualify for duty-free treatment if they were produced in certain locations. Those locations are: (1) the Federally administered Tribal Areas; (2) areas of Pakistan-administered Kashmir that the U.S. President determines were harmed by the earthquake of October 8, 2005; (3) areas of Baluchistan that are within 100 miles of Pakistan's border with Afghanistan; and (4) the North West Frontier Province. Several issues stem from these restrictions on locations of potential ROZs.

(...continued)

Retail Federation, the Retail Industry Leaders Association (RILA), and the United States Association of Importers of Textiles and Apparel (USA-ITA); and letter from R. Bruce Josten, Executive Vice President for Government Affairs, U.S. Chamber of Commerce, to Senator Maria Cantwell, May 18, 2009.

[19] Letter from The U.S. Chamber of Commerce to Representative Chris Van Hollen, May 18, 2009.

[20] Letter to the Senate Finance Committee, June 22, 2009, signed by the American Apparel & Footwear Association (AAFA), the Fashion Accessories Shippers Association (FASA), the National Foreign Trade Council (NFTC), the National Retail Federation (NRF), the Retail Industry Leaders Association (RILA), the Travel Goods Association (TGA), the U.S. Association of Importers of Textiles and Apparel (USA-ITA) and the United States Chamber of commerce.

[21] Sources for employment data: Bureau of Labor Statistics. For output in the manufacturing sector, U.S. Census Bureau, *Survey of Manufactures* for output data covering 2002-2006; and the Commerce Department's Bureau of Economic Analysis (BEA) for output data for 2007.

Transportation Issues

Some argue that geographic areas eligible for ROZ establishment and tariff-free production of eligible items under H.R. 1318 and S. 496, are too remote, making transportation of components to and finished goods from ROZs difficult. They argue that eligible regions for ROZ location should include some that are not located just in the mountains and in the areas affected by the 2005 earthquake. In addition, they argue that it would be an important incentive for investment to permit ROZs to be established closer to the Arabian Sea than the current 200 to 800 miles, since the 8% savings in tariff rate on permitted items could be erased by transportation costs.

Defenders of the originally designated locations for ROZs emphasize that the goal of the legislation is to take the work to the mountainous regions where jobs and economic development are needed. They could also argue that the Indus River in Pakistan (see **Figure 1**) is navigable nearly as far north as Attock, close to Islamabad, which can offer a transportation route for goods produced in ROZs further north.

Security Issues

Those in favor of expanding geographic areas eligible for ROZ construction argue that security issues could threaten isolated production operations. Fenced-in manufacturing operations could be targets for militants.

Defenders of the current provisions could argue that a similar drug-related security problem exists in Mexico, and that there the issue is being addressed in two ways. First, the Mexican government is providing some additional security. Second, private investors have also hired additional security guards. Proponents for expanding geographical areas could counter that security measures would add costs to doing business.[22]

Representative Chris Van Hollen, the House bill's sponsor, stressed the notion that ROZs can help increase security. "We need ROZs now—economic opportunities must be expanded to quickly follow up military operations with economic development to prove to populations in critical targeted areas that there are benefits to defeating the militants."[23]

Other Considerations

Some observers have suggested expanding the geographic areas in which ROZs may be established in Pakistan. Defenders of the current proposal could argue that if ROZs were permitted in geographic areas close to existing production operations, businesses now producing in Pakistan close to the river valleys where most of the cotton is grown, could easily shift production to nearby ROZs, without expanding production to geographic regions targeted for economic assistance and without creating jobs in the mountainous regions.

The above-mentioned four textile and apparel retail associations "urge...Congress to revisit the limited areas in Pakistan that are eligible to use the ROZ program to create employment." They

[22] Mexico: Why Business is Standing Its Ground, *Business Week*, April 20, 2009, p. 34.

[23] House Floor Statement by sponsor Chris Van Hollen in support of H.R. 1318/H.R. 1886. *Congressional Record*, June 11, 2009, p. H. 6573.

argue that "the proposed ROZ areas are limited to extremely remote areas that are experiencing intense conflict and are not yet mature for industrial growth," and that "limiting ROZ investment to these areas would delay job creation."[24]

A March 22, 2009 editorial from the *Washington Post* addressed the politics of the issue and the difficulty of determining where the ROZ lines should be. "It's not a magic formula, of course. The investment areas have to be drawn widely enough to make the prospect of investment realistic; if you limit them to the most intense battle zones, you're not going to see many jobs created. The bigger they are, though, the likelier the bill will arouse union opposition, so the politics are tricky."[25]

Labor-Related Issues

The House bill contains labor provisions not in the Senate bill. These would establish a framework for oversight and enforcement of labor rights in Afghanistan and Pakistan. The bill would require both countries to designate a labor official, who would report directly to the President of either country and would keep a registry of textile and apparel exporters located in ROZs to ensure their participation in the labor monitoring and compliance program.

Labor Costs and Wage Issues

Production decisions are based on a number of factors. These include labor productivity, skill level of available workers, proximity to natural resources and trade-related services, transportation time and transportation costs, and wages and other labor considerations.

Proponents of expanding tariff lines and expanding eligible geographic regions could argue that the 8% tariff reduction might not be a great enough incentive for businesses to invest in the ROZ program. They could argue that labor costs could be greater under the ROZ program than in production operations not in ROZ areas, given all the extra labor requirements on businesses made by the legislation.

Defenders of the House labor provisions could point out that labor costs in current Pakistan free trade zones, according to the Export Processing Zone Association of Pakistan (EPZA Pakistan), are the equivalent of about $87 per month for unskilled workers and $145 per month for skilled workers.[26] Comparative wage data are difficult to come by. The United Nations reported that in 2005, agricultural wages in Afghanistan were about $1.90 per hour, or about the same value based on a 40-hour week (which may or may not reflect actual conditions in Afghanistan.) It notes further that wages in Afghanistan were higher than those for Pakistan (about $1.70 per hour) or India (about $1.10), reflecting strong competition for labor from the drug sector, especially during the poppy harvest.[27] At the other extreme, AlJazeera reported in a 2007 film report entitled

[24] Letter to Congress June 10, 2009 from the USA-ITA et al., op. cit.

[25] Plowshares for Peace, *Washington Post* editorial, Mar. 22, 2009.

[26] Pakistan Export Processing Zone Association, Information is from its website, at http://www.epza.gov.pk/laborLaws.html.

[27] UNAMA Fact Sheet: *Understanding Afghanistan's Economy – a Brief Guide for Journalists*, Kabul, May 8, 2006.

"Rebuilding Bamiyan, Part II" July 23, 2007, that the average wage in Bamiyan, one of the poorest parts of Afghanistan, was the U.S. equivalent of $20 per month.[28]

Strength of Labor Requirements

Some critics of the ROZ proposal argue against the labor requirements in the House bill—that they go beyond current U.S. law, both trade preference laws and U.S. free trade agreements—in two aspects.

Do They Go Beyond Current U.S. Trade Preference Law?

First, some critics argue, the ROZ proposal would expand labor requirements beyond those in U.S. law because they would be the first U.S. trade preference program to call for adherence to ILO "core labor standards," instead of U.S. "internationally recognized worker rights." ILO core labor standards are defined and backed by eight detailed conventions, of which the United States has ratified two.[29]

Defenders of the change could argue that the definition of "core labor standards" in the ROZ proposal lists them in the same way that other U.S. trade preference programs list "internationally recognized worker rights," but does not define them as coming from the ILO, and does not reference the ILO conventions. Defenders could argue, therefore, that the change was meant to incorporate a list of worker rights that stemmed from an international body and includes standards which most country governments have already signed on to and ratified, rather than one limited totally to U.S. law.[30]

Monitoring and Technical Assistance Requirements

Second, some critics argue, the ROZ proposal would go beyond requirements in even the most recent free trade agreements because it would mandate that compliance by producers with core labor standards be assessed and monitored with both initial and follow-up evaluations at the site by an "entity"[31] named by the Department of Labor.[32] The free trade agreements do not require that every site be monitored by an outside source.

Representative Dave Camp argues against the monitoring provisions for three reasons: (1) that the "entity" assigned to do the monitoring could include "even a nongovernmental organization

[28] AlJazeera film entitled Rebuilding Bamiyan, Part II, July 23, 2007 available from YouTube at http://www.mefeedia.com/entry/3188372.

[29] Letter to Members of the Senate Finance Committee, by Emergency Committee for American Trade (ECAT), National Association of Manufacturers (NAM), National Foreign Trade Council (NFTC), United States Chamber of Commerce, and United States Council for International Business (USCIB), June 26, 2009.

[30] The list of ILO "core labor standards" differs from the list of U.S. "internationally recognized worker rights" on one right or standard. They agree on the other four: the right to organize and bargain collectively; protections against forced labor; and protections for child labor. In addition, the ILO list also includes protections against employment discrimination, while the U.S. list includes the right to labor standards pertaining to minimum wages, maximum hours, and safety and health protections.

[31] Ibid.

[32] These free trade agreements are with Peru, Colombia, Panama, and South Korea. Of these, only the one with Peru has been approved by Congress, so far. (P.L. 110-138).

(NGO) hostile to trade;" (2) "given the dire security situation in Afghanistan and Pakistan, having inspectors go from door to door, even cottage to cottage, to enforce such standards strains credibility;" and (3) such labor requirements "could be viewed as a precedent to justify the inclusion of similar language... in new trade agreements...[and] perhaps even in efforts to revise existing ones...leaving the U.S. vulnerable to challenges that our labor laws don't meet the standard." In summary, Camp declares that the labor provisions are "heavy, intrusive, impractical, impede investment and won't improve labor conditions."[33]

Defenders of the labor monitoring and technical assistance provisions argue that the detailed requirements in ROZ are very similar to those included in the Haiti HOPE Act in 2008.[34] These provisions call for the monitoring of labor conditions by the International Labor Organization (ILO). This requirement was first carried over into, and then changed, in the ROZ bill by the June 9, 2009 Rules Committee amendment. That amendment substituted for the ILO as the monitoring entity, "an entity designated by the Secretary of Labor ... subject to evaluation by the ILO at the request of the Secretary of Labor."

Critics of applying the Haiti provision to the ROZ situation point out that the structure of industry in Afghanistan and Pakistan differs from that in Haiti, making repeat inspections difficult. In Afghanistan and Pakistan, they argue, textile and apparel production operations are often characterized as "cottage industry," with production locations dispersed to individual homes in many cases; whereas in Haiti, production more often takes place in larger-scale factories.

The above-mentioned four textile and apparel retail associations argue that the labor provisions in the House bill "only serve...as a further disincentive for companies to use this program." However, the four retail associations state that they would support "labor provisions that reinforce our members' commitment to source apparel only under socially responsible and ethical conditions from factories that meet strict labor compliance standards."[35] The five additional organizations, in their letter to the Senate Finance Committee, support, as an alternative to the House labor provisions, the labor approach taken by S. 496, which does not include requirements for specific monitoring of production sites.[36]

Issues Relating to Child Labor

Some critics of the ROZ program are concerned that with the "cottage industry" structure that ROZ could encourages, there could be considerable employment of young people producing from home or small group operations. According to the State Department's *Country Reports on Human Rights Practices*, 2008 (most recent year available), child labor remains a pervasive problem in both Afghanistan and Pakistan. Many children are reportedly forced to work in Pakistan in particular, and their hours may be long, their wages low, and safety and health protections few if any. Added to this would be the difficulty of inspecting large numbers of small or home-based operations. According to the International Labor Organization (ILO), Afghanistan has ratified only three of the eight conventions relating to ILO "core labor standards. Among the five it has not ratified are the two standards providing child labor protections. In Pakistan, also according to

[33] Floor Statement of Representative Dave Camp, op. cit.

[34] Title XV of the Food, Conservation, and Energy Act of 2008 (P.L. 110-246), Sec. 15403.

[35] Letter to Congress June 10, 2009 from the USA-ITA et al., op. cit.

[36] Letter to the Senate Finance Committee, June 26, 2009, op. cit.

Country Reports, enforcement of child labor protections is a serious problem and fines to employers for violations, to the extent that they are levied, may be relatively small for certain employers, ranging from $5 in the Northwest Frontier Province to $93 in Baluchistan.[37]

Issues Relating to Protections Against Illegal Transshipment

Some critics might argue that extensive protections against transshipment in the bill could cost companies considerable expense to comply. The requirements are fairly technical. Questions may arise concerning whether Afghanistan or Pakistan could meet the technical requirements of the visa or electronic certification system. In addition, questions might arise over whether the information obtained would be 100% reliable. At the same time, it is not clear how serious the threat of transshipment would be under this legislation.

Seven U.S. textile and apparel retail organizations plus the U.S. Chamber of Commerce concur that transshipment is a legitimate concern, and support the anti-transshipment provisions that exist in other trade preference programs such as the African Growth and Opportunity Act (AGOA). They argue that protections against illegal transshipment in S. 496 (and the similar House bill) goes way "go way beyond [AGOA] provisions" and "requires extensive disclosure of sensitive and proprietary information," including the names of all owners, directors, officers, suppliers, and U.S. customers of ROZ entities. This, in turn, they argue, "raises significant proprietary information concerns because companies do not want to reveal their sourcing strategies to competitors. The group also argues that the additional requirement to compile a list of all participating entities (ROZ producers in the region) "would surely" make these entities "a target list for America's enemies in the region."[38]

Issues Relating to the Increase in Customs User Fees

Two authorizations in the bill would total $160 million. One would be for customs enforcement to protect against unlawful transshipment ($10 million for each fiscal year 2010 through 2023). The other would be for certain requirements related to labor protections: technical assistance, capacity building, compliance assessment, and remediation program ($20 million for the total period beginning October 1, 2009, through September 30, 2023.)

Partly balancing these U.S. outlays and any tariff losses under ROZ would be increases in customs user fees charged and collected. These would be levied on imports, whether made in a ROZ or not, and on travel from Afghanistan and Pakistan. They would be levied in amounts of not less than $12 million for the period beginning on the date of enactment through September 30, 2014. This increase in customs user fees charged and collected would then be part of a greater levied sum of not less than $105 million for the period beginning on the date of enactment through September 30, 2019.

---

[37] U.S. Department of State. *Country Reports on Human Rights Practices*, 2008. Labor sections (at end of respective chapters) for Afghanistan and Pakistan.

[38] Letter to the Senate Finance Committee, June 22, 2009, from the American Apparel & Footwear Association (AAFA), the Fashion Accessories Shippers Association (FASA), the National Foreign Trade Council (NFTC), the National Retail Federation (NRF), the Retail Industry Leaders Association (TGA), the U.S. Association of Importers of Textiles and Apparel (USA-ITA), and the U.S. Chamber of Commerce.

Representative Camp argues against the customs user fee provision because, "for every dollar of duty relief the ROZ exports from these countries receive, other Pakistani and Afghan exports have to pay at least that amount in increased fees, making these countries potentially worse off."[39]

The four textile and apparel retail associations argue that this "pay-for mechanism" in the bill "increases the cost of doing business in non-ROZ areas of Pakistan, which is contrary to the goal of bringing greater job creation to this critically important region and raises most-favored-nation concerns for those areas of Pakistan that are not eligible for ROZ investment." The four associations further argue that "penalizing one part of Pakistan to benefit another is a terrible precedent in a trade preference program."[40]

In addition, some lawyers have argued that the increased fee would likely violate World Trade Organization rules in that they could raise "most-favored-nation concerns for those areas of Pakistan that are not eligible for ROZ investment." That is, Article I of the General Agreement on Tariffs and Trade requires that trade concessions granted to one Member be applied immediately and without conditions to all other Members.[41]

V. Outlook

Sponsors of the ROZ legislation, together with key diplomats from the United States, Pakistan, and Afghanistan, have issued statements of support. Backing the legislation have been Special U.S. Representative for Afghanistan and Pakistan, Ambassador Richard Holbrooke, Pakistan's ambassador to the United States Husain Haqqani, and Afghanistan's ambassador Said T. Jawad. Also supporting the legislation, in addition to President Obama and former President Clinton, are the U.S. Chamber of Commerce, and the U.S.-Pakistan Business Council with a qualification listed below. They point to the proposed legislation as a means for achieving or contributing to a safe and peaceful Afghanistan and Pakistan and a safe and peaceful United States by offering employment alternatives to al-Qaeda and Taliban employment and recruitment efforts. They look to ROZ legislation as a means toward raising incomes, creating good jobs, and developing a strong middle class in a part of the world that remains critical to U.S. national security. The House sponsor of the bill also argues that through ROZs, Congress would affirm the importance the United States attaches to Pakistan and Afghanistan.[42]

Neutral on the legislation are the U.S. textile and apparel producers. They do not object to the bill as currently written, but could oppose it if certain changes were made to the bill, particularly in the scope of products coverage. Similarly, the AFL-CIO does not oppose the legislation as introduced.

Four U.S. textile and apparel importers, including the American Apparel and Footwear Association, the National Retail Federation, the Retail Industry Leaders Association, and the U.S. Association of Importers of Textiles and Apparel, plus the U.S. Chamber of Commerce and the

---

[39] Floor statement by Representative Dave Camp, op. cit.

[40] Ibid.

[41] House Passes ROZ Bill Over Business, Republican Objections. World Trade Online. *Inside U.S. Trade*. June 12, 2009.

[42] Office of Congressman Chris Van Hollen, "Van Hollen Introduces the Afghanistan-Pakistan Security and Prosperity Enhancement Act," press release, March 4, 2009.

U.S.-Pakistan Business Council would support the legislation with some specific amendments, discussed in greater detail in the "issues" section, above, but summarized here: The four textile and apparel importers summarize their suggested amendments as follows. "The United States has an important opportunity to send a tangible message to the nation and people of Afghanistan and Pakistan with this initiative. We have a chance to create real employment that counters the recruitment efforts of the al Qaeda and Taliban. But that is possible only if the product scope, geographic coverage and the labor provisions of the ROZ program reflect the realities of the region. Any less amounts to a hollow symbolic gesture that will do little to help Pakistan or Afghanistan or demonstrate a U.S. commitment to our allies."[43] Similarly, the five organizations previously mentioned, including the U.S. Chamber of Commerce and the U.S.-Pakistan Business Council, would support the Senate version of the legislation, which excludes the House labor provisions.[44]

House sponsor, Representative Chris Van Hollen, affirmed wide support for the bill on the day of its passage in the House, including from President Obama and Special Representative for Afghanistan and Pakistan Richard Holbrooke. "In announcing his strategy for Afghanistan President Obama called on Congress to pass ROZ legislation and 'develop the economy and bring hope to places plagued by violence.'" Moreover, he reported, "in a recent letter to Speaker Pelosi, Ambassador Holbrooke called ROZs, 'a vital component of our policy towards Pakistan in a moment of great challenge, indeed crisis, for that critically important nation.' … With this bill, we are taking steps to forge a true strategic partnership with Pakistan and its people, strengthen its democratic government, and help Pakistan to be a force for stability in this volatile region."[45]

Senator Maria Cantwell, in a statement released the day after the House passed legislation including the ROZ bill, echoed similar sentiments earlier stated in a report by the 9/11 Commission: The "9/11 Commission recommended that 'a comprehensive U.S. strategy to counter terrorism should include economic policies that encourage development, more open societies, and opportunities for people to improve the lives of their families and to enhance prospects for their children's future.... I fully agree with this sentiment. ROZS will give the people of Afghanistan and Pakistan new opportunity and hope."[46]

---

[43] Letter to Congress June 10, 2009 from the USA-ITA et al., op. cit.

[44] June 26 letter to the Senate Finance Committee, op. cit.

[45] *Van Hollen Applauds Pakistan Enduring Assistance and cooperation Enhancement Act: Urges Senate to Move Quickly on Legislation, Including ROZ Initiative.* Press Release, June 11, 2009.

[46] *Cantwell Urges Swift Senate Passage of her Reconstruction Opportunity Zones bill in Senate Finance Hearing.* Press Release, Thursday, June 12, 2008.

Appendix. Related Data Tables

This appendix pulls together relevant data pertaining to H.R. 1318/H.R. 1886/H.R. 2410 and S. 496. **Tables A-1 through A-3** show which dutiable Pakistani imports would be permitted to enter the United States duty-free, and which imports would still be assessed tariffs. The tables divide the 300 highest value import categories into three groups: (1) textile and apparel items for which tariffs would be removed under the bills; (2) textile and apparel items for which tariffs would not be removed; and (3) non-textile, non-apparel items for which tariffs would not be removed.

Error! Reference source not found. looks at U.S. textile and apparel employment and output, and U.S. imports of textiles and apparel from the world, and from Pakistan over the years 2002-2008.

Table A-1. Top 300 U.S. Imports from Pakistan for 2008: HTS 10-Digit Textile and Apparel Items for Which Tariffs Would Be Removed Under H.R. 1318 and S. 496

HTS Number (10 digit)	Textile or Apparel Item (T/A)	Import Item	Import Value (imports for Consumption) ($)	Tariff Rate (%)	Tariff Value ($)
6302.60.0020	T	cotton terry towels	281,265,539	9.1	25,595,330
6302.31.9020	T	cotton sheets	206,622,780	6.7	13,842,005
6302.60.0030	T	cotton terry towels	116,415,752	9.1	10,593,883
6302.21.9020	T	cotton sheets	108,310,261	6.7	7,256,800
6101.20.0010	A	men's or boys' cotton overcoats	73,762,187	15.9	1,1728,194
6302.10.0008	T	cotton sheets	65,151,237	6.0	3,909,107
9404.90.8020	T	cotton quilts/comforters	63,127,868	4.4	2,777,657
6307.10.1020	T	cotton terry bar mops	60,496,038	4.1	2,480,392
6307.10.1090	T	cotton dust cloths	60,033,312	4.1	2,461,387
6302.31.9010	T	cotton pillow cases	46,892,925	6.7	3,141,842
6303.91.0010	T	cotton window curtains	27,903,925	10.3	2,874,131
6302.21.9010	T	cotton pillowcases	26,939,947	6.7	1,805,031
6304.92.0000	T	other cotton articles	24,468,224	6.3	1,541,515
6303.91.0020	T	other cotton valances	21,009,549	10.3	2,164,000
6301.30.0010	T	cotton blankets	17,706,455	8.4	1,487,341
6102.20.0010	A	women's or girls' cotton coats	17,504,162	15.9	2,783,169
6307.10.2005	T	cotton shop towels	14,720,603	5.3	780,207
6302.21.7020	T	printed cotton sheets	13,735,592	2.5	343,414
6108.31.0010	A	women's cotton nightgowns/PJs	13,065,007	8.5	1109,863
6302.31.7020	T	cotton sheets	11,219,003	3.8	426,321
6108.31.0010	T	other cotton bed linen	10,391,874	6.7	696,273
6302.31.7020	T	cotton bedspreads	9,912,620	4.4	436,156

HTS Number (10 digit)	Textile or Apparel Item (T/A)	Import Item	Import Value (imports for Consumption) ($)	Tariff Rate (%)	Tariff Value ($)
9404.90.8505	T	cotton quilts	9,721,549	12.6	1244,353
6101.20.0020	T	men's or boys' cotton coats	9,510,582	15.9	1512,182
6302.10.0005	T	cotton pillow cases	9,405,326	6.0	564,325
6307.10.2027	T	cotton dish cloths	8,188,629	5.3	434,004
6201.92.2051	A	men's cotton wind breakers	7,267,922	9.4	683,187
6302.60.0010	T	cotton terry dish towels	6,934,390	9.1	631,027
6302.91.0045	T	cotton woven dish towels	6,845,300	9.2	629,786
6302.91.0050	T	other woven cotton towels	5,896,091	9.2	542,438
6211.42.0056	A	women's or girls' cotton shirts	5,445,644	8.1	439,942
4202.92.1500	T	cotton travel bags	5,342,361	6.3	336,575
6201.93.3000	A	men's or boys' windbreakers (man-made fibers)	5,251,652	7.1	372,870
6216.00.5820	A	man-made fiber gloves and mittens	4,914,182	11.2	550,501
6302.31.9050	T	other misc . cotton bed linen	4,834,169	6.7	323,891
6208.91.1010	A	women's cotton bathrobes	4,629,339	7.5	347,209
6302.51.2000	T	cotton tablecloths/napkins	4,375,756	4.8	210,040
6102.20.0020	A	women's or girls' overcoats	4,318,651	15.9	686,670
6302.31.5050	T	other bed linen	4,020,072	20.9	840,196
6302.51.3000	T	cotton tablecloths and napkins	4,017,174	5.8	232,994
6302.31.5020	T	embroidered cotton sheets	4,013,312	20.9	838,783
6208.21.0020	A	women's cotton nightgowns/PJs	3,601,741	8.9	320,554
6108.91.0030	A	women's cotton knit bathrobes	3,353,533	8.5	284,919
6104.42.0010	A	women's cotton knit dresses	3,150,568	11.5	362,322
6307.90.8995	T	cotton (85%) shells for quilts	3,029,585	7.0	212,071
6302.21.7010	T	cotton pillow cases	2,945,991	2.5	73,660
9404.90.1000	T	cotton pillows	2,756,276	5.3	146,075
6302.91.0015	T	cotton towels (not terry cloth)	2,505,806	9.2	230,536
6302.31.5010	T	embroidered cotton pillowcases	2,490,778	20.9	520,574
6302.31.7010	T	non-embroidered cotton pillowcases	2,483,717	3.8	94,389
6207.91.3010	A	men's or boys' cotton undershirts (not knit)	2,467,178	6.1	150,501
6216.00.3800	A	cotton gloves	2,283,165	23.5	536,542
6116.92.6430	A	knitted cotton gloves	2,060,770	23.5	507,783
6107.91.0030	A	men's or boys' knitted cotton sleepwear	2,138,528	8.7	186,053
6116.10.5520	A	knitted gloves (50% not cotton)	2,066,347	13.2	272,754

HTS Number (10 digit)	Textile or Apparel Item (T/A)	Import Item	Import Value (imports for Consumption) ($)	Tariff Rate (%)	Tariff Value ($)
6301.30.0020	T	cotton blankets	1,914,947	8.4	160,859
6302.31.9040	T	cotton pillowcases	1,859,429	6.7	124,232
6206.30.3041	A	women's cotton blouses/shirts	1,580,239	15.4	243,350
6204.43.4030	A	women's dresses, synthetic fibers	1,539,526	16.0	246,323
6208.21.0010	A	women's cotton nightgowns/PJs	1,265,165	8.9	112,599
6108.31.0020	A	girls' knitted cotton nightgowns/PJs	1,164,869	8.5	99,015
6116.92.8800	A	cotton knit gloves	1,141,605	9.4	107,314
6208.92.0010	A	women's bathrobes, man-made fibers	1,115,837	16.0	178,535
6208.22.0000	A	women's nightgowns/PJs, man-made fibers	1,095,560	16.0	175,286
6302.21.5050	T	other cotton bed linens	1,032,543	20.9	215,799
6207.91.1000	A	men's or boys' cotton bathrobes	1,001,074	8.4	84,090
6216.00.2925	A	gloves impregnated with plastic	981,489	13.0	127,595
6116.92.6420	A	cotton gloves/mittens	948,843	23.5	222,980
6107.21.0010	A	men's cotton knit PJs	944,424	8.9	84,057
6211.43.0060	A	women's/girls' blouses/shirts	934,509	16.0	149,523
6302.91.0060	T	other woven cotton linen except towels	926,319	9.2	85,224
6305.20.0000	T	cotton sacks and bags	922,977	6.2	57,227
6116.93.9400	A	synthetic fiber gloves and mittens	829,986	18.6	154,376
6201.12.2050	A	men's cotton overcoats	920,983	9.4	77,174
6202.93.4500	A	women's/girls' wind breakers	808,266	7.1	57,387
6116.10.5510	A	other gloves, man-made fibers	796,540	13.2	105,150
6302.51.4000	T	cotton tablecloths/napkins	765,685	6.3	48,240
9404.90.8040	T	cotton bedding	753,224	4.4	33,143
6302.10.0015	T	knitted cotton bed linen	738,008	6.0	44,287
6204.42.3050	A	women's cotton dresses w/35%+ flax	713,997	8.4	59,976
6204.52.2070	A	women's cotton skirts	680,481	8.2	55,799
6207.21.0030	A	men's cotton PJs	670,650	8.9	59,690
6204.42.3060	A	girls' cotton dresses (some flax fibers)	644,273	8.4	54,120
6101.30.2010	A	men's cotton knit overcoats	598,461	28.2	168,598
6207.21.0010	A	men's cotton PJs	579,912	8.9	51,612
6204.42.3030	A	women's cotton dresses	571,673	8.4	48,020
6302.21.7050	T	printed cotton bed linen	555,010	2.5	13,875
6204.52.2030	A	women's blue denim skirts	552,874	8.2	45,337
6302.21.5020	T	embroidered cotton sheets	543,496	20.9	113,590

HTS Number (10 digit)	Textile or Apparel Item (T/A)	Import Item	Import Value (imports for Consumption) ($)	Tariff Rate (%)	Tariff Value ($)
6102.30.2010	A	women's knit cotton coats	530,228	28.2	149,526
6202.92.2061	A	women's cotton wind-breakers	500,199	8.9	44,514
6307.90.8910	T	cotton surgical towels	494,449	7.0	34,613
6116.92.6440	A	gloves made of pre-existing fabric	483,110	23.5	113,530
6206.40.3030	A	women's blouses, man-made fibers	477,652	26.9	128,487
6304.91.0020	A	other cotton knit articles	468,462	5.8	27,172
6305.33.0050	T	polyethylene bag for packaging goods	454,658	8.4	38,191
6201.92.2031	A	men's blue denim wind-breakers	454,577	9.4	42,735
6302.31.3020	T	other cotton sheets	451,950	11.9	53,785
		TOTAL	**1,479,329,103**	**8.1**	**119,850,659**

Source: USITC Dataweb. Data analysis performed by CRS.

Notes: All HTS codes beginning with "50"-"56" are fibers or related materials; all HTS codes beginning with "57" are carpets and other floor coverings; all HTS codes beginning with "58"-"60" are fabrics; all HTS codes beginning with "61"-"62" are apparel items with "61"referring to knit or crocheted articles, and"62" referring to non-knitted or crocheted articles; HTS codes beginning with "63" are made-up textile articles.

Table A-2. Top 300 U.S. Imports from Pakistan for 2008: HTS 10-Digit Textile and Apparel Items for Which Tariffs Would NOT Be Removed Under H.R. 1318 and S. 496

HTS Number	Textile or Apparel Item (T/ A)	Import I tem	Import Value (Imports for Consumption) ($)	Tariff Rate (%)	Tariff Value ($)
6105.10.0010	A	men's cotton knit shirts	160,056,814	19.7	31531,267
6115.95.9000	A	cotton socks/hosiery	139,678,931	13.5	18856,716
6110.20.2069	A	men's and boys' cotton pullovers (with some flax)	126,336,652	16.5	20845,615
6203.42.4011	A	men's blue denim trousers	81,319,021	16.6	13498,967
6203.42.4016	A	men's cotton knit trousers	63,583,300	16.6	10554,855
6109.10.0012	A	men's cotton T-shirts	61,607,476	16.5	10165,259
6110.20.2040	A	men's or boys' cotton sweatshirts	57,807,632	16.5	9538,293
620.34.24051	A	men's cotton shorts	44,091,210	16.6	7319,186
6110.20.2079	A	women's and girls' cotton pullovers (36% flax)	43,091,528	16.5	7110,086
6204.62.4011	A	women's cotton blue jeans	42,257,858	16.6	7014,796
6204.62.4021	A	women's cotton trousers	41,733,375	16.6	6927,737
6105.10.0030	A	boys' cotton knit shirts	39,408,702	19.7	7763,533
6211.42.0081	A	women's or girls other cotton apparel	29,335,299	8.1	2376,169
6109.10.0040	A	women's cotton T-shirts	28,749,419	16.5	4743,669
4203.10.4030	A	men's and boys' leather jackets	26,787,712	6.0	1607,292
6109.10.0004	A	men's and boys' cotton short sleeved T-shirts	18,102,729	16.5	2986,950
6303.92.2010	T	synthetic fiber window valances	17,899,973	11.3	2022,704
6108.21.0010	A	women's cotton knit briefs	15,223,824	7.6	1157,017
6109.10.0027	A	men's or boys' cotton knit tank tops	15,051,150	16.5	2483,444
6104.62.2011	A	women's cotton knit trousers	14,896,280	14.9	2219,559
6106.10.0010	A	women's cotton knit shirts	14,262,765	19.7	2809,787
6116.10.6500	A	gloves knit, manmade fibers	14,227,789	7.0	995,952
6107.11.0010	A	men's cotton knit briefs	14,144,932	7.4	1046,729
4203.29.3010	A	leather gloves and mittens	14,058,490	14.0	1968,198
6203.42.4036	A	boy's blue jeans	13,527,940	16.6	2245,636
4203.10.4085	A	other men's and boys leather apparel	12,336,609	6.0	740,206

HTS Number	Textile or Apparel Item (T/ A)	Import I tem	Import Value (Imports for Consumption) ($)	Tariff Rate (%)	Tariff Value ($)
6103.42.1020	A	men's cotton knit trousers	11,205,790	16.1	1804,126
6104.62.2030	A	women's cotton knit shorts	9,522,785	14.9	1418,901
6109.10.0070	A	women's or girls cotton knit T-shirts and tank tops	9,399,499	16.5	1550,919
6110.20.2045	A	women's or girls' cotton sweatshirts	9,193,869	16.5	1517,009
6109.10.0060	A	women's cotton knit tank tops	8,670,739	16.5	1430,680
6109.10.0011	A	men's or boys' thermal cotton knit undershirts	8,556,230	16.5	1411,775
6204.62.4056	A	women's cotton knit shorts	8,399,297	16.6	1394,294
6203.42.4061	A	boys' cotton shorts	8,390,445	16.6	1392,810
6302.53.0020	T	man-made fiber tablecloths and napkins	8,307,646	11.3	938,777
6203.42.4046	A	boy's cotton trousers	8,252,214	16.6	1369,868
6109.10.0014	A	boy's cotton knit T-shirts	8,067,115	16.5	1331,085
6114.30.3060	A	men's or boy's other knit garments, man-made fibers	7,536,733	14.9	1122,974
6109.10.0045	A	girls' cotton knit T-shirts	7,400,712	16.5	1221,122
6204.62.4041	A	girl's blue jeans	7,168,301	16.6	1189,945
6211.43.0091	A	women's and girls' other apparel , man-made fibers	6,851,312	16.0	1096,214
6302.32.2040	T	sheets made of man-made fibers	6,269,637	11.4	714,747
5210.11.6020	T	unbleached cotton or broadcloth	6,158,638	10.2	628,180
5205.32.0000	T	multiple, folded, cabled uncombed yarns	6,120,506	7.3	446,794
6205.20.2066	A	men's "other" cotton shirts	6,011,831	19.7	1184,344
4203.10.4060	A	women's, girls' and infants' leather coats	5,980,288	6.0	358,823
5205.12.1000	T	single cotton yarn, 85% cotton	5,852,876	5.2	304,350
5208.52.3045	T	woven fabrics, 85%+ cotton	5,762,190	6.0	345,739
6110.20.2067	A	men's and boys' cotton knit pullovers	5,164,220	16.5	852,101
6115.96.9020	A	synthetic fiber socks, hosiery	5,070,165	14.6	740,240
5205.23.0020	T	single cotton yarn	5,018,632	8.6	431,598
5208.52.4065	T	woven cotton fabrics	5,003,868	11.4	570,441
6103.42.1050	A	men's cotton knit shorts	4,787,502	16.1	770,797

HTS Number	Textile or Apparel Item (T/ A)	Import I tem	Import Value (Imports for Consumption) ($)	Tariff Rate (%)	Tariff Value ($)
5209.19.0040	T	unbleached cotton (85%) twill weave fabric	4,543,944	6.5	295,357
5208.59.4090	T	printed fabric	4,520,073	6.0	271,205
5208.39.2020	T	dyed satin or twill weave fabric	4,420,844	8.8	389,036
5210.21.4040	T	bleached sheeting, less than 85% cotton	4,317,387	8.1	349,711
5210.21.6040	T	other bleached sheeting,	4,265,483	11.4	486,268
4203.29.3020	A	leather gloves and mittens	3,612,174	14.0	505,540
5205.22.0020	T	single cotton yarn	3,594,423	7.3	262,393
5209.19.0090	T	woven cotton fabrics	3,385,749	6.5	220,074
5209.19.0020	T	unbleached sateen fabric (85% cotton)	3,200,739	6.5	208,050
6114.20.0010	A	women's or girls' cotton tops	3,137,800	10.8	338,890
6302.10.0020	T	non-cotton knit bed linens	3,046,707	6.0	182,805
5209.11.0090	T	unbleached plain weave cotton duck	2,933,233	6.5	190,660
5205.11.1000	T	cotton yarn	2,852,537	3.7	105,539
6205.20.2051	A	men's cotton shirts	2,735,675	19.7	538,936
6302.32.2020	T	man-made fiber pillow cases	2,670,369	11.4	304,414
6302.22.2020	T	man-made fiber sheets	2,620,452	11.4	298,730
6203.22.1000	A	men's and boys' martial arts uniforms	2,600,148	7.5	195,027
5209.19.0060	T	woven unbleached duck fabrics	2,572,668	6.5	167,224
9404.90.8522	T	quilts, man-made fiber	2,461,807	12.8	315,102
4203.10.4095	A	other women's and girls articles of leather	2,455,520	6.0	147,339
6111.20.6010	A	babies' cotton knit garments and accessories	2,447,510	8.1	198,252
5208.13.0000	T	unbleached twill fabric	2,375,045	7.9	187,625
6307.90.8985	T	shells for quilts	2,340,158	7.0	163,817
6204.62.4066	A	girls' cotton shorts	2,262,868	16.6	375,629
5208.12.4040	T	unbleached sheeting	2,236,810	7.0	156,579
6110.30.3053	A	men's and boys' pullovers	2,218,631	32.0	709,962
4203.29.1800	A	leather gloves	2,201,281	14.0	308,183
6204.62.4051	A	girls' cotton trousers	2,060,815	16.6	342,096
5209.12.0020	T	unbleached twill	2,033,630	6.5	132,188
4203.29.0800	A	leather gloves	2,028,232	13.9	282,772

HTS Number	Textile or Apparel Item (T/ A)	Import I tem	Import Value (Imports for Consumption) ($)	Tariff Rate (%)	Tariff Value ($)
5210.29.2020	T	bleached sateen fabric	1,952,486	10.3	201,104
6110.20.2077	A	women's and girls' cotton/flax knit pullovers,	1,847,245	16.5	304,796
6209.20.5040	A	babies' cotton diapers	1,829,988	9.3	170,191
5208.19.2020	T	unbleached mostly cotton sateen fabric	1,779,427	7.9	140,576
6204.22.1000	A	women's or girls' cotton martial arts ensembles	1,774,612	7.5	133,095
6103.42.1040	A	boys' cotton knit trousers	1,769,345	16.1	284,864
5208.52.4045	T	cotton woven fabrics	1,754,987	11.4	200,070
6109.10.0007	A	men's or boys' white cotton knit underwear	1,749,459	16.5	288,657
6111.20.2000	A	babies' cotton knit singlets	1,730,445	14.9	257,835
6211.33.0010	A	men's coveralls, man-made fiber	1,684,833	16.0	269,576
5208.59.2025	T	woven 85% or less cotton fabrics	1,662,695	10.3	171,257
6302.22.2010	T	man-made fiber pillowcases	1,646,009	11.4	187,646
5205.31.0000	T	multiple folded cabled yarn	1,602,137	5.8	92,929
6204.63.3510	A	women's trousers of synthetic fibers	1,571,810	28.6	449,545
6105.20.2010	A	men's knit shirts, partial wool	1,498,546	32.0	479,543
61112.06.050	A	babies' cotton knit socks	1,486,163	8.1	120,383
6104.62.2028	A	girls' cotton knit trousers	1,456,023	14.9	216,956
6115.103000	A	cotton knit hosiery	1,451,439	13.5	195,945
6111.20.6070	A	babies' cotton knit garments	1,439,673	8.1	116,615
6111.20.6020	A	babies' knit garment sets	1,436,823	8.1	116,383
5514.22.0020	T	dyed twill fabric	1,395,096	14.9	207,869
6106.10.0030	A	girls' knit blouses and shirts	1,378,472	19.7	271,557
6109.10.0018	A	men's cotton knit tanktops	1,362,118	16.5	224,748
5206.12.0000	T	single uncombed yarns of cotton	1,344,505	9.2	123,694
6303.92.2050	T	synthetic fiber drapes	1,260,972	11.3	142,493
5510.30.0000	T	artificial fiber yarns	1,256,454	7.5	94,236
5208.39.4090	T	dyed fabric, 85% cotton	1,226,337	7.0	85,846
5208.29.2020	T	bleached 85% cotton sateen	1,200,124	7.7	92,411
6304.93.0000	T	synthetic fiber other articles	1,191,847	9.3	110,845

HTS Number	Textile or Apparel Item (T/ A)	Import I tem	Import Value (Imports for Consumption) ($)	Tariff Rate (%)	Tariff Value ($)
4203.29.4000	A	leather gloves and mittens	1,187,349	12.6	149,617
5212.12.6030	T	bleached cotton sheeting	1,174,531	7.8	91,616
5205.24.0020	T	Single cotton yarn	1,172,092	9.9	116,037
4203.29.1500	A	leather gloves	1,157,275	13.9	160,869
6104.62.2060	A	girls' cotton knit shorts	1,131,518	14.9	168,595
9404.90.9522	T	man-made fiber mattress supports	1,105,849	7.3	80,717
6108.21.0020	A	girls' cotton knit briefs	1,091,626	7.6	82,965
6111.20.3000	A	babies' cotton knit garments	1,060,583	14.9	158,032
5903.90.1000	T	other cotton fabrics impregnated with plastic	1,059,888	2.7	28,615
5209.11.0035	T	unbleached cotton sheeting	1,052,543	6.5	68,414
6307.10.2030	T	other floor cloths, dishcloths, dusters	1,035,509	5.3	54,881
6203.42.2010	A	men's bib and brace overalls	1,021,198	10.3	105,185
5205.23.0090	T	single cotton yarn	1,020,632	8.6	87,777
5208.59.2095	T	woven fabrics 85%+ cotton	1,019,009	10.3	104,959
5209.51.6090	T	printed plan weave duck fabric	991,346	8.4	83,276
4203.21.8060	A	other sports gloves	978,635	4.9	47,951
5407.81.0010	T	woven fabric of synthetic filament yarn	977,961	14.9	145,719
6117.80.9540	A	other knit parts of garments	963,969	14.6	140,740
6109.10.0037	A	women's or girls cotton knit underwear	959,353	16.5	158,293
5205.22.0090	T	single cotton yarn	950,392	7.3	69,381
5205.13.2000	T	single cotton yarn 85% cotton	944,707	7.3	68,962
5211.12.0020	T	unbleached twill fabric	922,067	7.7	71,000
6107.11.0020	A	boys' cotton knit underpants	872,352	7.4	64,556
6006.22.9020	T	other knit or crocheted cotton fabrics	812,846	10.0	81,287
5513.41.0060	T	printed print cloth	767,707	14.9	114,388
6302.32.2030	T	sheets, man-made fiber	757,499	11.4	86,355
5208.32.3040	T	dyed cotton sheeting	757,021	7.0	52,991
5802.19.0000	T	terry toweling fabric	750,854	9.4	70,580
6104.62.2006	A	women's cotton knit trousers	745,596	14.9	111,093
6111.20.1000	A	babies' cotton knit garments	731,001	19.7	144,009
5210.11.6060	T	unbleached print cloth	720,411	10.2	73,483

HTS Number	Textile or Apparel Item (T/ A)	Import I tem	Import Value (Imports for Consumption) ($)	Tariff Rate (%)	Tariff Value ($)
6302.32.2060	T	other bed linen, man-made fiber	704,761	11.3	79,815
6217.10.9510	A	other cotton clothing accessories	703,539	14.6	102,721
6103.43.1550	A	men's synthetic fiber shorts	693,185	28.2	195,477
5208.22.4040	T	bleached sheeting	690,966	8.4	58,039
6110.30.3059	A	women's and girls' synthetic fiber pullovers	678,394	32.0	217,087
5513.11.0020	T	polyester broadcloth fabric	669,341	14.9	99,733
5510.11.0000	T	single yarns	668,793	9.0	60,191
6108.22.9020	A	women's knit briefs, man-made fibers	657,559	15.6	102,581
5210.19.2020	T	unbleached sateen fabric	652,077	9.1	59,340
5210.19.10.00	T	cotton twill fiber	632,733	9.1	57,580
6207.11.0000	A	men's or boy's cotton briefs	621,097	6.1	37,888
6307.90.9889	T	other made-up articles	620,294	7.0	43,412
5209.42.0020	T	blue denim yarns	616,844	8.4	51,814
6205.30.2070	A	men's other shirts, man-made fibers	615,638	28.6	175,932
5205.42.0029	T	yarns 85% cotton	608,790	6.5	39,572
4202.92.3031	T	sports bags, man-made fiber	581,446	17.6	102,333
5209.51.6025	T	woven fabrics, 85% cotton	571,341	8.4	47,991
4202.92.4500	A	sports bags, plastic sheeting	562,339	20.0	112,469
5205.13.10.00	T	single cotton yarn	554,468	6.5	36,041
6111.20.6030	A	babies' knit cotton garments	553,422	8.1	44,829
4203.29.0500	A	leather gloves	550,821	12.6	69,401
5210.21.6020	T	bleached poplin or broadcloth	547,747	11.4	62,443
5210.21.4090	T	bleached cheesecloth	546,571	8.1	44,272
6110.20.2010	A	other men's sweaters, cotton knit	533,422	16.5	88,015
6210.40.5031	A	ski/snowboard pants, rubberized	531,798	7.1	37,760
6302.91.0025	T	other kitchen/bathroom towels	523,709	9.2	48,180
5407.10.0010	T	woven fabrics of synthetic filament	502,053	13.6	68,280
6113.00.9052	A	women's non-cotton trousers	498,120	7.1	35,366
6114.20.0005	A	Men's or boys' knit cotton tops	493,909	10.8	53,341

HTS Number	Textile or Apparel Item (T/ A)	Import I tem	Import Value (Imports for Consumption) ($)	Tariff Rate (%)	Tariff Value ($)
5210.11.4040	T	unbleached sheeting 85% cotton	489,407	8.4	41,110
5512.11.0050	T	unbleached or bleached duck	489,228	12.0	58,708
5514.12.0020	T	unbleached or bleached twill	488,524	14.9	72,790
5209.59.0090	T	woven cotton printed fabrics	487,114	8.4	40,917
6212.90.0030	A	suspenders, garters, or man-made fibers	484,452	6.6	31,975
6205.20.2026	A	men's dress shirts of cotton	481,252	19.7	94,811
5208.31.4040	T	dyed sheeting	475,503	8.1	38,517
5210.21.8090	T	bleached cheesecloth	473,568	12.5	59,196
6109.10.0065	A	girls' cotton tank tops	467,550	16.5	77,143
6208.91.3010	A	women's singlets, cotton	467,283	11.2	52,343
6301.40.0020	T	synthetic fiber blankets	467,090	8.5	39,703
6103.42.1070	A	boy's cotton knit shorts	466,499	16.1	75,111
5210.21.6060	T	bleached print cloth	465,963	11.4	53,121
5513.21.0090	T	dyed cheesecloth	461,875	14.9	68,821
6104.62.2026	A	girls cotton knit trousers 5% elastic	461,809	14.9	68,812
6216.00.4600	A	manmade fiber gloves and mittens	451,238	2.8	12,635
6112.11.0060	A	women's or girls' track suits	444,258	14.9	66,195
5513.19.0010	T	unbleached or bleached poplin	441,301	14.9	65,754
6110.20.1010	A	men's or boys' cotton knit sweaters	440,515	5.0	22,028
6110.30.3040	A	men's or boys' synthetic fiber sweatshirts	440,359	32.0	140,915
5211.19.0090	T	unbleached other fabric	436,734	7.7	33,629
		TOTAL	**1,533,653,250**	**14.9**	**228,937,823**

Source: USITC Dataweb. Data analysis performed by CRS.

Notes: All HTS codes beginning with "50"-"56" are fibers or related materials; all HTS codes beginning with "57" are carpets and other floor coverings; all HTS codes beginning with "58"-"60" are fabrics; all HTS codes beginning with "61"-"62" are apparel items with "61"referring to knit or crocheted articles, and"62" referring to non-knitted or crocheted articles; HTS codes beginning with "63" are made-up textile articles.

Table A-3. Top 300 U.S. Imports from Pakistan for 2008: HTS 10-Digit Non-Textile and Non-Apparel Items

HTS Number	Import Item	Import Value ($)	Tariff Rate (%)	Tariff Value ($)
1006.30.9010	Rice, long grain	12390,45	0.9%	114,298
1006.20.2000	Rice, basmati	9848,988	0.6%	54,865
8213.00.9000	scissors and shears	3386,484	7.3%	245,897
3923.90.0080	plastic articles for packaging goods	1151,654	3.0%	34,580
4090.00.044	natural honey	715,705	1.0%	6,859
2710.19.0535	heavy fuel oils	705,602	0.1%	355
4202.91.0090	leather and patent leather containers	598,124	4.5%	26,924
	TOTAL	**28,796,602**	**1.7**	**483,778**

Source: USITC Dataweb. Data analysis performed by CRS.

Table A-4. Comparison of Certain Textile and Apparel-Related Data, 2002-2008

Year	U.S. Employment (thousands)	U.S. Output[a] ($ billions)	Total U.S. Imports ($ billions)	Imports from Pakistan ($billions)
2008	497	NA	93	3.1
2007	542	96*	96	3.2
2006	594	102	93	3.3
2005	645	110	89	2.9
2004	698	107	83	2.5
2003	753	113	77	2.2
2002	845	119	72	2.0
(a) % change 02-08	**-41%**	**-21% (2002-2007)**	**29%**	**55%**
(b) Total U.S. imports from Pakistan as a share of total U.S. imports in 2002: 3%; and in 2008: 3%				

Source: U.S. Employment: Bureau of Labor Statistics, NAICS manufacturing codes 313, 314, and 315; U.S. Output: U.S. Census Bureau, *Annual Survey of Manufactures*, NAICS codes 313, 314, and 315; U.S. Imports from China and Pakistan: Office of Textiles and Apparel (OTEXA), International Trade Administration, Department of Commerce.

Notes: Numbers have been rounded for easier comparison. Percentages reflect unrounded numbers.
Est: Estimated values of U.S. output in the textile and apparel sector are extrapolations based on the rates of decline of output over the years 2002-2006.

a. Output figure for 2007 is taken from the U.S. Commerce Department's Bureau of Economic Analysis (BEA). Its figure may differ from the Census Bureau's forthcoming data by less than $1 billion. The BEA data includes output data for producers of leather apparel, which is not included in the Census source.

Author Contact Information

Mary Jane Bolle
Specialist in International Trade and Finance
mjbolle@crs.loc.gov, 7-7753