JUNE 18, 2009

TESTIMONY OF RICHARD T. CRICHTON
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BEFORE
THE U.S. HOUSE OF REPRESENTATIVES SMALL BUSINESS
SUBCOMMITTEE ON RURAL AND URBAN ENTREPRENEURSHIP

Chairman Shuler, Ranking Member Luetkemeyer and members of the Sub-Committee:

My name is Richard Crichton. I retired from Customs and Border Protection Headquarters after a 40 year career in which my primary concentration was in the area of textile importation. I started working at Customs and Border Protection (formerly U.S. Customs Service) in 1964 in Champlain, N.Y. I transferred to Headquarters in 1986 where I spent the first year as a Program Officer, then 8 years as a Supervisory Import Specialist (Branch Chief), and lastly, 9 years as an International Trade Manager, until I retired in 2004.

With that brief introduction, I do feel that actions that were taken when I was working at Customs that assisted in detecting and preventing illegal textile transshipment and undervaluation are still relevant and with modification, could be used to improve the enforcement efforts now:

- While at Headquarters, my responsibilities included providing technical assistance to U.S. Customs field office personnel to assist in preventing and detecting illegal textile and apparel transshipments. Illegal transshipments were being used at the time to disguise the county of origin and thus evade the quota limits applicable to the true country of origin.
- Illegal transshipment intensified during the 1990's as demand grew in the United States for quality products at inexpensive prices, most often these products were being obtained from countries with quota limits.
- As quotas began to be phased out or eliminated during the mid to late 1990's, higher duty rates still applied to many textile products. This, as well as the implementation of a number of Free Trade Agreements, became the primary motivation for illegally claiming that exports met the requirements to obtain lower duty rates or free entry. This dynamic continues to this day.
- During this time, I participated in Customs textile verification teams, which initially, consisted of a textile import specialist from a field office, a representative from the textile division at headquarters and a Customs agent. These teams were conducting textile factory visits in a variety of foreign countries

to confirm that production was taking, or could take place at the site and at a level which corresponded to claims on entry documents.

- Initially, Customs provided the necessary funding, but after a few years, Congress provided separate funding each year for this program.

I am going to focus on two main areas: Textile Verification Teams and more effective review of the classification and valuation of textile products

Number 1: Textile Verification Teams

In my opinion, the creation and expansion of textile verification teams to visit foreign factories was one of the most effective ways to detect and prevent evasion of quotas by illegal transshipment. Later, this same method was successfully used to verify preference claims for duty-free rates under the various Free Trade Agreements (CAFTA, etc.)

Initially, the visits were very productive, but eventually became less so. It seemed likely that the factory operators had become aware of the kinds of items that would be reviewed and more skilled at preparing the site for our visits. At that point, the review of documentation became more essential. In my opinion, however, the teams were hampered by the brevity of each factory visit and the failure or inability of the local management to provide or maintain complete, on-site documentation for their review. These difficulties are compounded further as the number of Free Trade Preference claims and the number of countries and companies requiring visits increased.

Recommendations for Improvements in Textile Verification Teams:

1. Develop a larger pool of qualified import specialists or inspectors with the specialized training and knowledge to not only review the actual manufacturing operations necessary to produce a certain type of textile product, but also an ability to review applicable production documentation.
2. Increase the length of time for individual visits at the foreign factories.
3. Strengthen the requirement for Free Trade Preference documentation to be at the factory where the production is being done.
4. Provide for penalties if the documentation is not available at the factory at the time of visit.
5. Staff additional import specialists or inspectors at Customs Headquarters to be available to identify and target suspect companies and to participate in some of the actual foreign production verification visits.
6. Give specialized training in documentation verification for import specialists at ports with the greatest volume of textiles claiming trade preferences.
7. Create verification teams with personnel to be used only in selected areas (CAFTA. NAFTA, etc.), that have specialized training and knowledge of the type of textile products, but more importantly with knowledge of the trade preference rules.

8. Create teams of import specialists or inspectors that work regularly with and train foreign Customs or Enforcement personnel in the Free Trade Preference areas (CAFTA, Etc.) where the largest number of violations are occurring

Number 2: Recommendation for Better Enforcement of the Classification and Valuation on Imports:

Another area that in my opinion needs greater enforcement effort is the general review by import specialist teams of the classification and valuation used for entry on all imports of textiles

In order to do this, I recommend the following changes:

1. Provide additional staffing at Customs Headquarters that would be capable of providing timely information to the field offices on products or shippers, manufacturers, or importers, etc., where there is suspicion of a violation by entering textile products that are either undervalued or entered under an incorrect classification. The information could be the result of informers, statistical or shipping document reviews, or concerns expressed by competitors.
2. Provide a method that would allow for the feedback of the results from the field offices and a method to ensure that such feedback would be circulated to all field offices.
3. Change the entry requirements for textile shipments where a free trade preference claim is made to provide information as to the actual foreign manufacturer on the entry documentation, including a unique manufacturer identification number. If there is more than one manufacturer on the entry, then a separate line of data should be supplied, including the manufacturer's identification number, for each manufacturer.
4. Do not allow blanket affidavits to be used to satisfy Free Trade Preference Claims.

I hope that this will be of some assistance to you. Chairman Shuler and members of the Subcommittee, thank you for this opportunity to appear before you today, I would be pleased to answer your questions at this time.