

9 July 1998

Dear Sirs,

Notice to Exporters : Series 1 (USA) No. 42/98

**Lifting of Certificate of Origin (CO)/Certificate of Origin Processing (CoP) Requirement
for the USA market : Changes in Licensing Requirements**

INTRODUCTION

As announced in Notice to Exporters : Series 1 (USA) No. 41/98 dated 9 July 1998, the Department will streamline the existing licensing and certification requirements for export to restrained markets with effect from 18 August 1998. As a result, the Certificate of Hong Kong Origin (CO)/Certificate of Origin-Processing (CoP) requirement for export of restrained textiles to the USA will be removed. This Notice sets out the related changes in licensing requirements for the USA market. Traders may wish to read this notice in conjunction with Notice to Exporter : Series 1 (USA) No. 41/98, Certificate of Origin Circular No. 8/98 on changes in the Production Notification arrangement and No. 9/98 on changes in the certification arrangements all dated 9 July 1998.

PRESENT REQUIREMENTS

2. At present, all shipments of Hong Kong origin textiles and clothing to the USA covered by Form 5 or Form 8 export licence, with a few exceptions (Note¹), must be covered by valid COs/CoPs as well.

REVISED LICENSING REQUIREMENTS

3. With effect from 18 August 1998, all licence applications for export of textiles products will not need to be supported by COs/CoPs. Provision of CO/CoP number on the licence is also not required. In addition, all licence applications, including those previously deferred ones and those which traders wish to apply for CO/CoP on a voluntary basis, submitted on or after **18 August 1998** will be subject to the revised licensing arrangements as set out in the paragraphs below.

SUMMARY OF CHANGES

Note ¹ : Exemptions from this CO requirement are:

- (a) shipments of less than 25 dozens per consignment;
- (b) shipments of textile products subject to basket category quotas (BCQ) other than piece-knitted garments; and
- (c) shipments of piece-knitted garments [other than sweaters in categories 845(2) and 846(2)] if knitting of such garments is done in Hong Kong, and linking and/or stitching are done outside Hong Kong. Exports of these shipments have to be covered by CoP. Shipments of less than 25 dozens per consignment are however exempted from the CoP requirement.

4. The following is a summary of the related changes in the licensing requirements to tie in with the lifting of the CO/CoP requirement which will take effect as from 18 August 1998.

Supporting Documents/Information Required for Export Licence Applications

5. Due to the lifting of the CO requirement, there will be changes in documents required to support export licence applications. Such documentation requirement will be different depending on the type of products involved. Besides, in order to maintain control after the CO/CoP requirement is lifted, certain information and declarations currently provided by the trade on the CO/CoP should instead be made available on the licence application. As a result, traders will need to provide additional information on export licence applications. The document and information required for different products are summarised as follows :

Products	Supporting Documents/ Information Required	Corresponding Paragraphs in this Notice
I. Cut-and-sewn Garments	New Production Notification (PN) (Note ²); <u>or</u> Subcontractor' s Declaration Form	11-14
II. Piece-knitted Garments (Note ³)	a) Special Import Licence Form 8b (where linking and/or stitching is done outside Hong Kong) ; <u>or</u> b) Subcontractor' s Declaration Form (where linking and/or stitching is done locally and knitting is done by subcontractor)	15-16 17
III. Fabrics & Other Made-up Articles	Subcontractor' s Declaration Form	18-19
IV. Sweaters in Categories 845(2) and 846(2) (Note ⁴)	Subcontractor' s Declaration Form	18

Note ² : As pointed out in Notice to Exporters : Series 1 (USA) No. 41/98 dated 9 July 1998, a new PN with simplified format and inclusion of the subcontractor' s declaration will be introduced with effect from 18 August 1998.

Note ³ : Piece-knitted garments are garments manufactured from knit-to-shape panels which are knitted to shape ready for assembly without further manufacturing process other than minor trimming and/or cutting of the collar to shape. Knit-to-shape panels are sometimes made by a continuous process and come off the machine joined together.

Note ⁴ : Category 845(2) covers sweaters of non-cotton vegetable fibre made from knit-to-shape component parts knitted elsewhere. Category 846(2) covers sweaters of silk blend made from knit-to-shape component parts knitted elsewhere.

Factory Registration Requirement

6. All manufacturers including subcontractors engaged in the production of restrained textiles products and appeared on export licences are required to be registered under Factory Registration (FR) with effect from **18 August 1998**. Manufacturers and subcontractors already registered under the Factory Registration must declare their FR number on the licence application with effect from the same date. Otherwise, their licence applications may be deferred/rejected. Traders should ensure that their factory is properly registered with the Certification Branch of the Trade Department in this regard. An exception to the above effective date is provided to those manufacturers and subcontractors currently not registered under FR, mainly those producing textiles and made-up articles for the USA market. For such manufacturers and subcontractors, they must hold valid FRs by 31 August 1998. Otherwise licence applications they submit will be deferred/rejected. The only exemption to the above FR requirement is given to tailors producing made-to-measure suits under the Quota Window Arrangement that are properly registered under tailor registration.

Local Subcontracting Arrangement

7. As from **18 August 1998**, the existing arrangement under the Local Subcontracting Arrangement (LSA) will also be applicable to export licence applications for the USA. In other words, manufacturers employing local contractors to carry out the principal process of manufacture or entire production of goods must obtain prior approval from the Trade Department by registering under the LSA. Details of the Arrangement are set out in Certificate of Origin Circular No. 7/98 of 9 July 1998.

Information on Outward Processing Arrangement (For EDI Licence Only)

8. For EDI licence application, the declared manufacturer must also state whether any of the subsidiary or minor finishing processes of the goods covered by the licence application has been subcontracted outside Hong Kong under the Outward Processing Arrangement (OPA) operated by the Department. Please refer to Appendix X for details of making the OPA declaration on EDI licence. Similar information is not required on paper licence.

Amendment of OPA Declaration

9. Where amendment of OPA declaration is required after the approval of export licence, such amendment should be made before actual shipment of the goods. Traders may provide the correct declaration on a standard OPA declaration amendment form which is available at the Customer Service Centre of Americas (Textiles Controls) Branch at 2/F, Trade Department Tower. Alternatively, they may submit an EDI message to cancel the original licence and re-submit a new application containing the correct declaration.

DETAILS OF THE REVISED LICENSING ARRANGEMENTS

10. The changes in licensing requirements are explained in paragraphs 11 to 18 below. There may be some differences in the submission and application details and procedures between paper licence and EDI licence. For details, please refer to paragraphs 11 to 18 for applications submitted in paper form. As for applications submitted by means of EDI, please refer to the relevant paragraphs in Appendix X.

(I) Cut-and-Sewn Garments

11. Currently, only export licences covering cut-and-sewn garments under eight categories (Note⁵) are required to be supported by a declaration on particulars of the corresponding validated PN(s). As from 18 August 1998, declarations on particulars of the corresponding validated PNs are required to support applications of **all** licences covering cut-and-sewn garments, including products in the basket categories. Traders are requested to note that failure to comply with this requirement will result in deferment/rejection of the licence application. However, export of the following types of products does not need a PN to support an export licence application:

- (a) **bona fide sample** shipments **not exceeding 10 dozens** per consignment ; and
- (b) personal shipments covering **made-to-measure suits under Quota Window Arrangement** (Note⁶):

12. It is the Department's intention to capture the subcontractor's information and declaration (where applicable) on export licence applications. Such declaration, if applicable, has to be lodged with the Department either on the **new** version PN which contains a subcontractor's declaration box or a separate subcontractor's declaration form (see paragraph 14 below). In this regard, traders should note that while a consignment falling under paragraph 11(a) above is exempted from PN, a separate subcontractor's declaration is required if subcontracting of principal manufacturing process is involved (also see paragraph 14 below). Moreover, since PNs are valid for three months from the date of approval, traders are allowed to make use of old version PNs validated before 18 August 1998 to support licence applications so long as such PNs are within their validity. For licence applications supported by old version PNs, **a separate subcontractor's declaration must be lodged together with such PNs to the Department if subcontracting is involved** (also see paragraph 14 below).

(i) Licence Application supported by new version PN

13. Parties to a licence should make the following additional declaration on the licence application:

“I declare that the goods (Category No....) covered by this export licence application are also covered by Production Notification(s) no. _____ (... doz/no.) and that the goods are made in the manner as stated in the said Production Notification(s).”

The declaration should be made in the “Full Description of Goods” column and only on the duplicate and quadruplicate copies of the licence application. If the goods are covered by more than one PN, the quantity covered by each PN must be clearly stated. If the licence application covers more than one category, separate declarations for each category are required. For easy reference, a specimen is at Appendix I. Traders should note that each licence application is only allowed to be supported by a maximum of five PNs.

(ii) Licence Applications supported by old version PN or where PN is exempted

Note⁵ : The eight categories are 336, 342, 351, 352, 442, 636, 642 and 652, as promulgated in Notice to Exporters : Series 1 (USA) No. 6/97 dated 24 February 1997.

Note⁶ : As promulgated in paragraphs 73-75 of Notice to Exporters : Series 1 (USA) No. 71/97 dated 15 December 1997.

14. Depending on whether subcontractation of principal manufacturing process is involved, parties to a licence should make the following declarations where appropriate:

- (a) Where the principal manufacturing process is performed by the declared manufacturer on the application, the declared manufacturer should make an additional declaration as follows:

“I, the manufacturer, further declare that the principal manufacturing process as referred to in condition (2) overleaf involved in the manufacture of the goods described in this application has been performed by the manufacturer named herein in its factory in Hong Kong.”

The declaration should be made in the “Full Description of Goods” column and only on the duplicate and quadruplicate copies of the licence application. For easy reference, a specimen is at Appendix II.

- (b) Where the principal manufacturing process is performed by a subcontractor other than the declared manufacturer on the export licence, a subcontractor’s declaration form (copy at Appendix III) (Note⁷) must be lodged together with the licence application. The duly completed and signed subcontractor’s declaration must be submitted in duplicate and attached to the licence application. Manufacturers should also make the following additional declaration in the “Manufacturer’s Declaration” box:

“I further declare that the Annex attached hereto shall form part of this application.”

The above declaration should be made only on the duplicate and quadruplicate copies of the licence application. For easy reference, a specimen is at Appendix IV.

Traders should note that each licence application can only be supported by declaration(s) of **one** subcontractor and is only allowed to be supported by a maximum of five PNs. If the licence application is supported by old version PN, additional declaration as stated in paragraph 13 above is also required on the licence application.

(IIa) Piece-knitted Garments knitted in Hong Kong and linked/stitched elsewhere

15. Under the Special Export and Import Licensing (Textiles) Scheme (Note⁸), Form 8 application covering piece-knitted garments knitted in Hong Kong and linked/stitched outside Hong Kong must be supported by valid Special Import Licence Form 8b which in turn, must be supported by valid Special Export Licence Form 8a. This licensing arrangement will remain unchanged except that CoP will no longer be required for applications covering shipments of 25 dozens or more.

Note⁷: Copies of the subcontractor’s declaration forms are also available at the Customer Service Centre of Americas (Textiles Controls) Branch at 2/F., Trade Department Tower, 700 Nathan Road, Kowloon.

Note⁸: The special licensing arrangement for export of piece-knitted garments [other than sweaters in Categories 845(2) and 846(2)] is set out in paragraphs 64-72 of Notice to Exporters : Series 1 (USA) No. 71/97 dated 15 December 1997.

16. Each Form 8 application can be supported at most by three Form(s) 8b. The contributing quantity from each Form 8b should be provided in dozen. The Form 8b category(ies), quantity(ies) and unit(s) provided should match with the applied category(ies), quantity(ies) and unit(s) of the Form 8 application itself.



**(IIb) Piece-knitted Garments [other than Sweaters in Categories 845(2) and 846(2)]
knitted and linked/stitched in Hong Kong**

17. As from 18 August 1998, with the lifting of the CO requirement, additional information pertaining to the knitting of the knit-to-shape panel must be declared on the licence application. The new requirements are set out below:

- (a) Where the knitting is performed by the declared manufacturer on the licence application, the declared manufacturer should make the following additional declaration:

“I further declare that the knit-to-shape panels of the piece-knitted garments are knitted by the manufacturer named herein in its factory in Hong Kong.”

The declaration should be made in the “Manufacturer’s Declaration” box and only on the duplicate and quadruplicate copies of the licence application. For easy reference, a specimen of a completed licence application is at Appendix V.

- (b) Where the knitting is performed by a local subcontractor other than the declared manufacturer on the licence application, a subcontractor’s declaration form (copy at Appendix VI) (Note⁹) must be lodged together with the licence application. The duly completed and signed subcontractor’s declaration must be submitted in duplicate and attached to the licence application. Manufacturers should also make the following additional declaration in the “Manufacturer’s Declaration” box:

“I further declare that the Annex attached hereto shall form part of this application.”

The above declaration should be made only on the duplicate and quadruplicate copies of the licence application. For easy reference, a specimen of a completed licence application is at Appendix VII. Traders should note that each licence application can only be supported by declaration(s) of **one** subcontractor.

**(III) & (IV) Fabrics and Other Made-up Articles and Sweaters in
Categories 845(2) and 846(2)**

18. Currently, applications for Form 5 export licence covering fabrics, made-up articles and sweaters in Categories 845(2) and 846(2) must be supported by CO. As from 18 August 1998, with the lifting of the CO requirement, manufacturer and/or subcontractor will be required to make additional declarations regarding the principal manufacturing process on the licence application. The revised licensing arrangements are set out below:

- (a) Where the principal manufacturing process is performed by the declared manufacturer on the application, the declared manufacturer should make an additional declaration as follows:

Note⁹: Copies of the subcontractor’s declaration forms are also available at the Customer Service Centre of Americas (Textiles Controls) Branch at 2/F., Trade Department Tower, 700 Nathan Road, Kowloon.

“I, the manufacturer, further declare that the principal manufacturing process as referred to in condition (2) overleaf involved in the manufacture of the goods described in this application has been performed by the manufacturer named herein in its factory in Hong Kong.”

The declaration should be made in the “Full Description of Goods” column and only on the duplicate and quadruplicate copies of the licence application. For easy reference, a specimen of a complete licence application is at Appendix VIII.

- (b) Where the principal manufacturing process is performed by a subcontractor other than the declared manufacturer on the export licence, a subcontractor’s declaration (copy at Appendix III) (Note¹⁰) must be lodged together with the licence application. The duly completed and signed subcontractor’s declaration must be submitted in duplicate and attached to the licence application. Manufacturers should also make the following additional declaration in the “Manufacturer’s Declaration” box:

“I further declare that the Annex attached hereto shall form part of this application.”

The above declaration should be made only on the duplicate and quadruplicate copies of the licence application. For easy reference, a specimen of a completed licence application is at Appendix IX. Traders should note that each licence application can only be supported by declaration(s) of **one** subcontractor.

Special Quota Utilisation Condition

19. The additional licensing requirements for licence applications covering the export of bulked acrylic yarn, texturised polyamide yarn, finished fabric, bedlinen, scarves and other made-up articles are set out in Notice to Exporters issued by the Department (Note¹¹). Currently, parties to a licence which purport to have satisfied the additional quota utilisation condition are required to make additional declarations (Note¹²), as appropriate, only on the duplicate and quadruplicate copies of the licence application. Traders are requested to note that there is **no change** to these additional licensing requirements, i.e. they will continue to apply after 18 August 1998.

LICENCE APPLICATIONS SUBMITTED THROUGH ELECTRONIC DATA INTERCHANGE (EDI)

New Customer Software

Note¹⁰: Copies of the subcontractor’s declaration forms are also available at the Customer Service Centre of Americas (Textiles Controls) Branch at 2/F., Trade Department Tower, 700 Nathan Road, Kowloon.

Note¹¹: For details on the Special Quota Utilisation Condition, please refer to paragraph 18 of Notice to Exporters: Series 1 (USA) No. 71/97 dated 15 December 1997.

Note¹²: For details, please refer to paragraph 56 of Notice to Exporters: Series 1 (USA) No. 71/97 dated 15 December 1997.

20. Due to changes in the CO/CoP requirement for the USA market with effect from 18 August 1998 and programme enhancement for EDI licence applications, an upgraded customer software (SilkNet Standard Version 2.0) is required to generate the new structure messages.

21. Traders who wish to include a subcontractor's declaration in the EDI RTEL application in the upgraded customer software from the effective date onwards must make use of the upgraded customer software. In addition, other enhancements and improved features will be offered in the upgraded customer software. To obtain further information on the upgraded customer software, please refer to the relevant Tradelink's Newsfax or contact Tradelink's Customer Service Hotline at telephone number 2917 8888.

Transitional Arrangement

22. From 18 August 1998 to 31 December 1998, EDI RTEL applications may either be submitted via the existing version (SilkNet Standard Version 1.1a and previous versions) or the upgraded version (SilkNet Standard Version 2.0) of the customer software. After 31 December 1998, all RTEL messages sending through the existing version of the customer software will not be accepted for processing. Traders are encouraged to arrange with Tradelink to install the upgraded customer software early and to ensure that the upgraded version is installed before the existing version becomes invalid.

23. Traders' attention is particularly drawn to the technical limitation that messages from different licensing parties related to the same application (i.e. with the same Unique Application Reference (UAR)) must either be using the upgraded customer software or the existing customer software alike. Messages from different parties sent through different versions of software may not be accepted for processing. Traders are advised to ensure that the same version of customer software is being used by the different licensing parties for the same application during the transition period to avoid unnecessary delay in having their RTEL application processed and approved. Traders are reminded that the upgraded customer software must be used for RTEL applications whereby subcontractor's declaration is required. In such cases, when any of the licensing parties concerned (i.e. either the exporter, manufacturer or subcontractor) have/has not yet installed the upgraded customer software, the RTEL application would have to be submitted under paper mode or via Tradelink's Service Centres.

24. Furthermore, traders are also requested to note that once the RTEL application is submitted through the upgraded customer software, all subsequent transactions related to the application (including re-submission, amendment and cancellation requests) must also be made through the upgraded customer software otherwise the messages will not be accepted for processing.

REVISED LICENSING REQUIREMENTS FOR EXPORT OF PRODUCTS INTEGRATED UNDER THE AGREEMENT ON TEXTILES AND CLOTHING (ATC)

25. Under the existing licensing arrangement, exports of the following products integrated by the US under Second Stage of the Integration Programme of ATC have to be covered by a valid CO/CoP:

- (a) Category 239 products with shipments equal to or greater than 25 dozens per consignment; and
- (b) piece-knitted garments previously subject to basket category quotas (BCQ).

With effect from **18 August 1998**, the CO/CoP requirement for export of integrated products to the

USA market will be lifted. CO/CoP is no longer required to cover export of such products to the USA. However, traders are reminded that other licensing requirements for integrated products as stipulated in Notice to Exporters: Series 1 (USA) No. 79/97 dated 24 December 1997 will continue to apply. Also, if traders wish to apply for a CO/CoP to cover the export of integrated products, they should comply with the related certification requirement, including the use of new Production Notification and other conditions stipulated in relevant Certificate of Origin Circulars.

WARNING

26. The Department works closely with the Customs and Excise Department, through checks and inspections, to ensure compliance with the provisions of the textiles export control system and failure to comply with licensing and other requirements specified by the Director-General of Trade including those requirements promulgated by the Department through notices and circulars from time to time may result in prosecution under the Import and Export Ordinance. Furthermore, in addition to deferment, rejection or cancellation of licence and other types of applications concerned, administrative actions may be taken. The administrative actions which maybe taken include suspension and cancellation of registrations, suspension of licensing and quota facilities, permanent surrender of quota, discount of shipment performance and any others actions which the Director-General of Trade deems fit.

27. Traders are also reminded that physical and documentation checks by the Customs and Excise Department are conducted as and when necessary to verify the accuracy of the particulars declared on the licence and other applications. Traders are required to produce the commercial and manufacturing records for checking by Customs officers and be prepared to make available the goods for physical inspection before export. Failure to comply with such requirements may also result in legal and/or administrative actions.

ENQUIRIES

28. Should you require further information on the subject, please contact the following officers:

<u>Subject</u>	<u>Enquiry Point/ Responsible Officer</u>	<u>Tel. No.</u>
General licensing arrangement in respect of the USA market	Customer Service Centre, Americas (Textiles Controls) Branch	2398 5288
Licensing arrangement for Group I, Group III and Sweaters Categories of Silk Blend and/or Non-Cotton Vegetable Fibres of the USA market	Mr Paul Kwok	2398 5426
Licensing arrangement for Group II Cotton Categories of the USA market	Miss Agnes Chan	2398 5427
Licensing arrangement for Group II Wool and Man-made Fibre Categories of the USA market	Miss Rita Man	2398 5422

<u>Subject</u>	<u>Enquiry Point/ Responsible Officer</u>	<u>Tel. No.</u>
Certificate of Origin	Mr K M Ng Mr H H Yiu	2398 5545 2398 5544
Production Notification for cut-and-sewn garments	Mr K Y Chan Mrs S C Tsui	2398 5549 2398 5746
Factory Registration	Mrs Y K Ng	2398 5542
Local Subcontracting Arrangement		
Outward Processing Arrangement		
EDI service	Tradelink Trade Department	2917 8888 2398 5643
Systems matters and other enquiries	Mr Simon Chan	2398 5591

Yours faithfully,

(Miss Sofie Chow)
for Director-General of Trade

*For convenient and efficient enquiry service -please use Trade Department 24 hours
General Enquiry Hotline 2392 2922*

*The electronic SilkNet service provided by TRADELINK enables traders to submit
Restrained Textiles Export Licence applications directly through their office computer
faster and easier. For enquiries, please call 2599 1700.*

SC/NW/LWT/ETWY/mw

[NE_lifting co requirement(version5)-1]

Note: The Chinese translation of this Notice to Exporters will be sent to traders separately. The Chinese text is for

reference only. In case of discrepancies between the English and Chinese texts, the English text shall for all purposes be conclusive.