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**Highlights**

Highlights of [GAO-04-345](#), a report to the Chairmen and Ranking Minority Members, Committee on Finance, U.S. Senate, and Committee on Ways and Means, House of Representatives

**Why GAO Did This Study**

U.S. policymakers and industry groups are concerned that some foreign textile and apparel imports are entering the United States fraudulently and displacing U.S. textile and apparel industry workers. Congress mandated GAO to assess U.S. Customs and Border Protection's (CBP) system for monitoring and enforcing textile transshipment and make recommendations for improvements, as needed. Therefore, GAO reviewed (1) how CBP identifies potential illegal textile transshipment, (2) how well CBP's textile review process works to prevent illegal textile transshipment, and (3) how effectively CBP uses its in-bond system to monitor foreign textiles transiting the United States.

**What GAO Recommends**

GAO is making several recommendations to the Commissioner of CBP to improve the information available for textile transshipment reviews, to encourage continued cooperation by foreign governments, to improve CBP's monitoring of in-bond cargo, and to strengthen the deterrence value of in-bond enforcement provisions.

The Department of Homeland Security agreed with GAO's findings and recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-04-345](http://www.gao.gov/cgi-bin/getrpt?GAO-04-345).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager at (202) 512-4347 or [YagerL@gao.gov](mailto:YagerL@gao.gov).

**INTERNATIONAL TRADE**

**U.S. Customs and Border Protection Faces Challenges in Addressing Illegal Textile Transshipment**

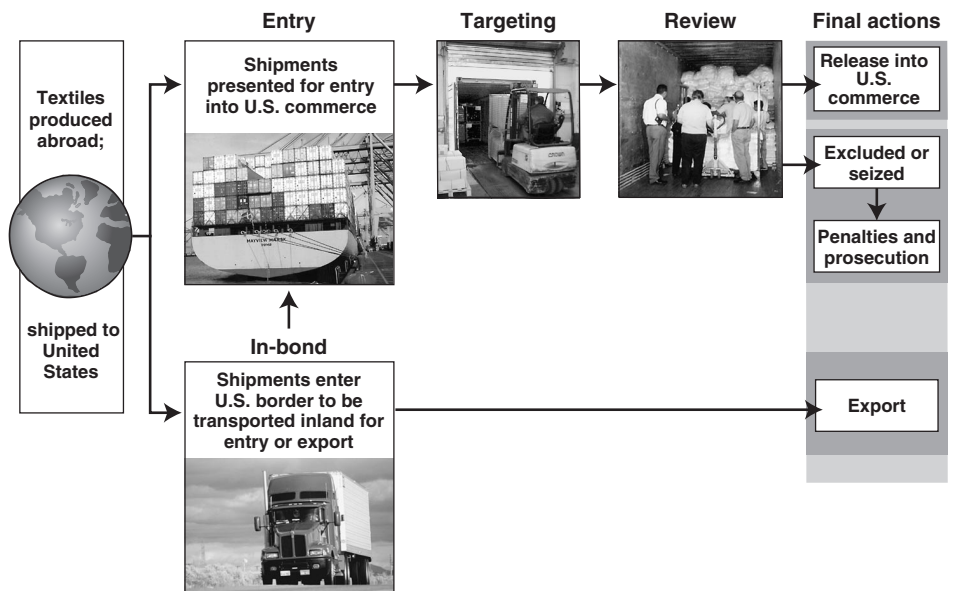
**What GAO Found**

To identify potential illegal textile transshipments, CBP uses a targeting process that relies on analyzing available trade data to focus limited inspection and enforcement resources on the most high-risk activity. In 2002, CBP targeted about 2,500 textile shipments out of more than 3 million processed, or less than 0.01 percent.

Given resource constraints at CBP ports, CBP's textile review process for preventing illegal textile transshipment increasingly depends on information from foreign factory visits that CBP conducts, based on the targeting results. However, CBP's foreign factory visit reports are not always finalized and provided to ports, other agencies, or the foreign governments for timely follow-up. Further, after the global textile quotas end in 2005, CBP will lose its authority to conduct foreign factory visits in former quota countries. U.S. overseas Attaché offices and cooperative efforts by foreign governments can supplement information provided to the ports.

Under CBP's in-bond system, foreign textiles and apparel can travel through the United States before formally entering U.S. commerce or being exported to a foreign country. However, weak internal controls in this system enable cargo to be illegally diverted from its supposed destination, thus circumventing quota restrictions and payment of duties. Moreover, CBP's penalties do not deter in-bond diversion. Bond amounts can be set considerably lower than the value of the cargo, and violators may not view the low payments as a deterrent against diverting their cargo.

**CBP's Process for Processing and Inspecting Goods**



Sources: GAO, Nova Development, and Corbis.