

INTERPRETING CBP REQUIREMENTS

General Intelligence

Introduction

Textile Solutions innovates at the intersection of tradition and technology, uniting decades of manufacturing experience with cutting-edge IT. As a leader in Supply Chain Traceability, Sustainability Certification, and Carbon Footprint Management, General Intelligence harmonizes craftsmanship and digital expertise, driving efficiency and sustainability for suppliers through technology. We navigate the textile landscape, shaping a future where sustainability, compliance, and efficiency seamlessly coexist.

Embarking on the Journey

As we embark on this journey together, Textile Solutions envisions a future where compliance, sustainability, and innovation converge seamlessly. This white paper serves as a comprehensive guide, delving into the intricacies of textile traceability, particularly in deciphering the requirements set forth by the U.S. Customs and Border Protection (CBP). Join us in unraveling the threads of compliance excellence as we pave the way for a sustainable and technologically advanced textile industry.

Company Overview

- **Innovative Compliance for the Textile Landscape**

Our proprietary **All-in-One** platform serves as the nexus for compliance, seamlessly consolidating various requirements.

- **AI Empowered Solutions**

Textile Solutions is underpinned by integration, automation, Artificial Intelligence (AI), and block chain – collectively forming the backbone of our innovative solutions.

- **Mitigating Compliance Risks**

End-to-end traceability ensures compliance with various standards while reducing risks in key markets.

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Strengthening Oversight of Textile Imports : A Comprehensive Look at CBP

Introduction

The U.S. Customs and Border Protection (CBP) has been at the forefront of enhancing oversight and control over the import supply chains, particularly in the textile industry. Over the years, CBP has implemented various initiatives to address concerns related to forced labor imports and modernize customs processes.

Cracking Down on Forced Labor Imports

In 2017, CBP established the Forced Labor Division under the Trade Office to combat the importation of products produced with "forced labor." Since 2016, CBP has issued a total of **29 Withhold Release Orders (WROs)**. These WROs have successfully prevented the entry of "forced labor" products valued at over \$100 million into the United States.

In 2021, CBP took a significant step by launching the **21st Century Customs Framework (21CCF)** as a response to new trade challenges that have emerged since the enactment of the Customs Modernization Act of 1993. The mission of 21CCF is to introduce legal and operational changes that incorporate 21st-century processes and emerging technologies. The goal is to enhance national and economic security, improve data integrity, address evolving players and business practices, and streamline trade by reducing financial and procedural burdens.

As of 2023, CBP introduced its latest guidelines, titled **Best Practices for Applicability Reviews**. As of this year, CBP maintains its practice of requiring importers to furnish documentation generated as part of their routine business operations to establish that the UFLPA (United States Forced Labor Prevention Act) does not apply to a shipment slated for inspection under legal provisions. These documents should comprehensively outline the order, procurement, production, and transit of materials within their supply chain.

Seizure Records (Until Q2 2023)

According to incomplete industry statistics, as of the first half of 2023, nearly **1000 batches** of textile products underwent random inspections. Notably, **44%** of these lots were denied release, while **31%** were still pending further action.

It's worth highlighting that a substantial proportion, **58%**, of these textile lots originated from China. Among these, **211 batches** were refused release, underscoring CBP's rigorous approach to upholding import regulations and trade standards.

These seizure records emphasize CBP's steadfast dedication to upholding import laws and regulations, especially in the textile sector, ensuring that products entering the U.S. market adhere to the necessary standards.

In addition, it is worth noting that GI (General Intelligence) stands as the **earliest** global platform to closely collaborate with leading brands in accordance with CBP requirements. GI has developed a comprehensive traceability platform, adhering to stringent data standards, demonstrating its commitment to ethical trade practices, and ensuring products are free from forced labor. This reflects CBP's unwavering commitment to modernize customs processes, enhance oversight, and safeguard the interests of the United States and its trading partners.

Analyzing CBP Reporting Requirements for Suppliers in Different Stages of Textile Manufacturing

Introduction

The textile industry is a multifaceted global network with distinct stages, encompassing everything from yarn and fabric production to garment manufacturing. Maintaining ethical and compliant practices throughout this intricate supply chain is a top priority for the U.S. Customs and Border Protection (CBP). This analysis delves into the specific documentation prerequisites that suppliers, operating at different stages - yarn mills, fabric mills, and garment manufacturers, must adhere to when conducting business with the CBP. It offers an informed perspective on the regulatory framework, ensuring transparency and compliance within the textile industry.

Key Aspects of Required Documentation

The materials that need to be submitted encompass a variety of critical components, including:

- 1, Trading information:** This entails documentation of the supply chain, including records and identification of entities participating in the import supply chain.
- 2, Internal process data/documents:** This category includes detailed information about the working processes, labor conditions, origin locations, operational systems, and financial documentation.

Conclusion:

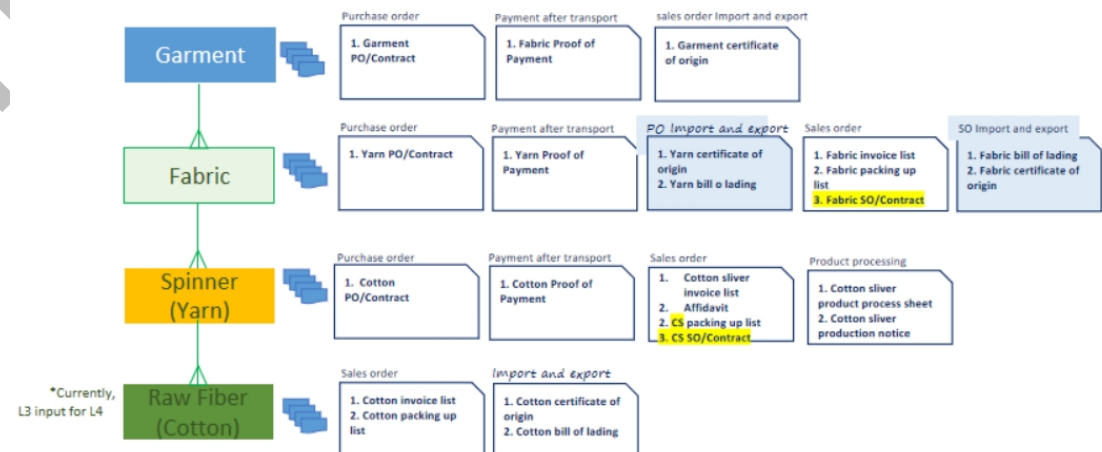
It is noteworthy that the data standards established by General Intelligence (GI) effectively cover all the aforementioned CBP requirements. Furthermore, the system's ability to automatically generate Chain of Custody (CoC) ensures full compliance with CBP regulations, enhancing transparency and accountability throughout the textile supply chain.

List of Required Documentation for Various Stages in Textile Supply Chain for CBP Compliance

Introduction

In the complex world of textile manufacturing, ensuring compliance with U.S. Customs and Border Protection (CBP) regulations is essential. Different stages of textile production, including garment factories, fabric mills, and yarn factories, have distinct requirements for documentation to adhere to CBP standards. This analysis provides an in-depth overview of the specific documents and records that suppliers at each stage must submit to CBP, focusing on compliance and transparency.

CBP Requirement Breakdown



Interpreting Material Requirements for Garment Factories:

Certificate of Origin	When it comes to import and export business, the certificate of origin is required, generally in PDF or picture.
Fabric Proof of Payment	Supporting documents of this payment, general in PDFs or pictures, and the amount provided must be greater than or equal to the amount of the declared fabric PO.
PO/Contract	PO/Contract with suppliers, generally is PDF or pictures, and can be uploaded through website and mobile device.

Interpreting Material Requirements for Fabric Mills:

Purchase Order	The PO indicates the transaction between the fabric mill (L1) and the garment supplier (L2). It is a crucial document for CBP to establish the flow of goods and financial transactions.
Yarn Proof of Payment	This document specifies the cost of the fabric supplied to the garment manufacturer. It is a vital record for CBP to verify the accuracy of declared values.
Transport Document to Garment Supplier from L2 to L1	This document outlines the transport details of fabric from the mill to the garment factory. It is crucial for CBP to track the movement of goods.
Production Records	List of Fabric Production Steps, Material In/Out Inventory Record, and Production Records: These records provide a comprehensive view of the fabric production process.

Interpreting Material Requirements for Yarn Factories:

Purchase Order	The Purchase Order specifies the transaction between the yarn factory (L2) and the fabric mill (L3). It establishes the flow of goods and serves as a basis for customs classification.
Raw Fiber Proof of Payment	Invoice from L3 to L2: This document records the cost of yarn supplied to the fabric mill.
Affidavit from Yarn Producer	This affidavit provides critical information about the source of raw cotton and, where applicable, cotton bale ID information. It helps establish the origin and authenticity of the raw materials.
Production Records	List of Fabric Production Steps, Material In/Out Inventory Record, and Production Records: These records provide a comprehensive view of the fabric production process.
Transport Document to Fabric Mill from L3 to L2	This document outlines the transport details of yarn from the yarn factory to the fabric mill.

In conclusion, compliance with CBP regulations is paramount in the textile industry. Each stage of production, from garment factories to fabric mills and yarn factories, requires specific documentation and records to ensure transparency and adherence to customs regulations.

By maintaining accurate records and providing the necessary documentation, in accordance with CBP requirements, GI has successfully implemented automated fraud detection using material conservation algorithms and batch traceability. Suppliers can navigate the complexities of the textile supply chain while meeting CBP requirements effectively.

The Comprehensive Guide to Chain of Custody (CoC) file in GI System

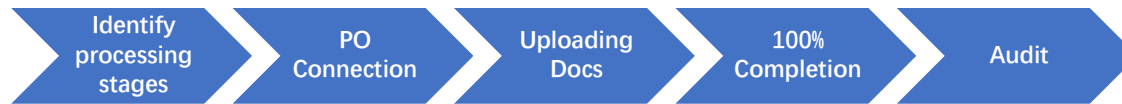
Introduction

A Chain of Custody (CoC) is a document generated within the GI (General Intelligence) system. It typically consists of over 100 pages and is designed to meet the requirements of the CBP (Customs and Border Protection). The CoC serves to provide a comprehensive overview of the entire production process for a specific order, offering real business data and information.

CoC Structure	
Cover	Brand Information
	Purchase Order
	QR Code (for scanning review)
	Percentage Completion
	Description of Production Process
Traceability Documents Index	Detailed Brand Information
	Tracing Number
	Tracing Route
	Basic Product Characteristics
	Declaration Content
Summary	Detailed Summary of Purchase Order
	Product and Entity Information
	Ingredient and its Percentage
Processing Route	Diagram of production
Traceability Documents	Digital Spreadsheets/Screened Versions of Paper Documents

Compile of CoC document:

The CoC document undergoes a structured process, involving the following steps:



1. Identification of Processing Stages: Security

Initially, the CoC process begins with the identification of distinct processing stages within the supply chain, namely garment factory as L1, fabric factory as L2, and yarn factory as L3.

2. PO Connection:

Subsequently, there is a seamless connection with purchase orders (POs) that correspond to the sales orders in specific stages, ensuring alignment with the workflow.

3. Documents Upload:

Suppliers play a pivotal role in this process by uploading the necessary files and data. These files encompass a wide range of information vital to the CoC, such as transaction details, production records, and other relevant documentation.

4. Achieving 100% Completion:

The efficiency and accuracy of the CoC process are largely contingent on the suppliers' timely and effective data submission. Attaining a 100% completion rate is the objective, ensuring that all critical information is in place.

5. Audit Phase:

Following the data submission and the achievement of 100% completion, the CoC process moves forward into the audit phase, where the information is rigorously reviewed and verified. This meticulous audit guarantees that the CoC aligns seamlessly with the requirements and standards set by the CBP, emphasizing transparency and compliance.

By following these structured steps, the CoC process is efficient, accurate, and compliant, facilitating the smooth flow of information and ensuring that all stakeholders within the supply chain are actively engaged in the process.

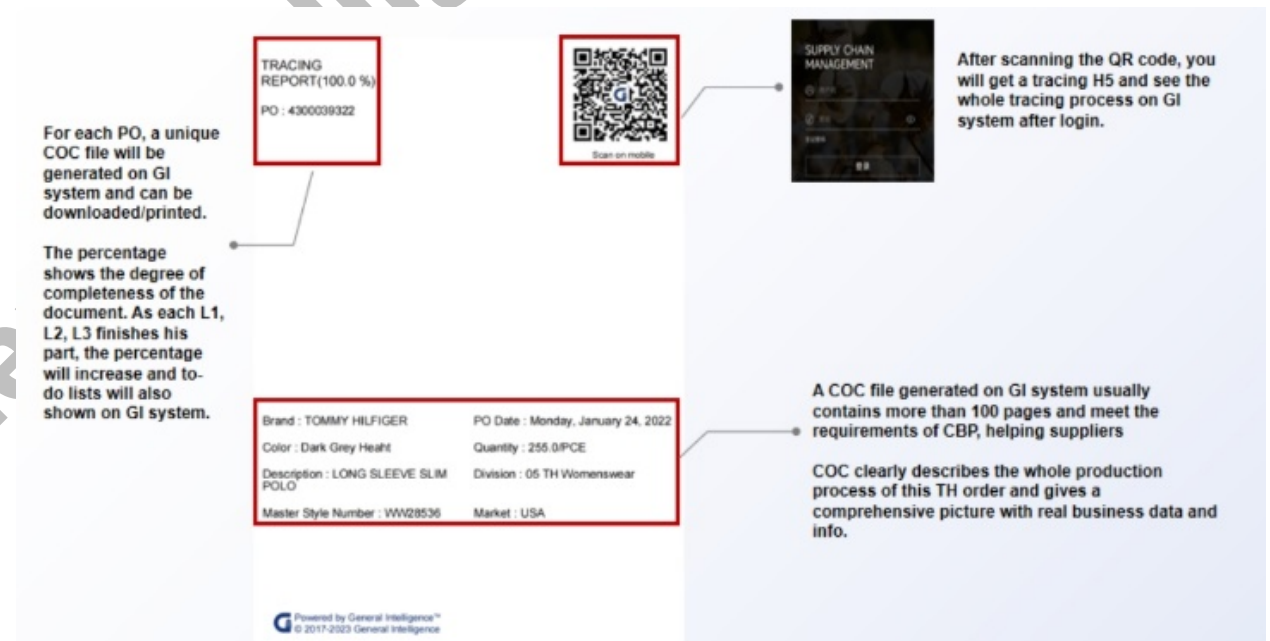
Customs Examination:

The CoC can be reviewed by the relevant parties in two ways:

- 1, Printed Version: The primary declarant can print a physical copy of the CoC document for review.
- 2, QR Code: A QR code is provided on the CoC cover, which can be scanned to access and review the digital version of the document.

CoC Interpretation:

The CoC provides a detailed and comprehensive overview of the order's production process and traceability. To interpret the CoC, one can refer to the structured sections and the data provided in each, which collectively offer insights into the product's journey from raw materials to the final garment. This document is instrumental in ensuring compliance with CBP requirements and maintaining transparency throughout the supply chain.



For each PO, a unique COC file will be generated on GI system and can be downloaded/printed.

The percentage shows the degree of completeness of the document. As each L1, L2, L3 finishes his part, the percentage will increase and to-do lists will also shown on GI system.

TRACING REPORT(100.0 %)
PO : 4300039322

Scan on mobile

SUPPLY CHAIN MANAGEMENT

After scanning the QR code, you will get a tracing H5 and see the whole tracing process on GI system after login.

Brand : TOMMY HILFIGER	PO Date : Monday, January 24, 2022
Color : Dark Grey Heaht	Quantity : 255.0/PCE
Description : LONG SLEEVE SLIM POLO	Division : 05 TH Womenswear
Master Style Number : WW28536	Market : USA

A COC file generated on GI system usually contains more than 100 pages and meet the requirements of CBP, helping suppliers

COC clearly describes the whole production process of this TH order and gives a comprehensive picture with real business data and info.

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