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U.S.-Korea FTA: Advice on Modifications to Certain Textile and Apparel Rules of Origin

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United States International Trade Commission

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Acronyms and Abbreviations

Terms	Definitions
CAFTA-DR	Dominican Republic-Central America-United States Free Trade Agreement
CITA	Committee for the Implementation of Textile Agreements
KORUS	U.S.-Korea Free Trade Agreement
HTS	Harmonized Tariff Schedule of the United States
MFN	most-favored-nation (= NTR)
MTB	miscellaneous tariff bill
NTR	normal trade relations (U.S. equivalent of most-favored-nation status)
ROOs	rules of origin
USITC	U.S. International Trade Commission
USTR	U.S. Trade Representative
WTO	World Trade Organization

Executive Summary

The United States Trade Representative (USTR) requested advice from the U.S. International Trade Commission (Commission or USITC) on the probable economic effect of certain proposed modifications to the rules of origin (ROOs) of the United States-Korea Free Trade Agreement (KORUS) on U.S. trade under the agreement, on total U.S. trade, and on domestic producers of affected articles. The proposed modifications would liberalize the current ROOs for certain textiles and apparel by allowing the use of more non-originating inputs, thus making more products eligible for duty-free treatment under KORUS. The proposed modifications cover the following products:

- Certain cotton yarns (under Harmonized Tariff Schedule of the United States [HTS] heading 5206) with viscose rayon staple fibers (under HTS subheadings 5504.10 or 5507.00);
- Certain woven fabrics (under HTS heading 5408) with cuprammonium rayon yarns (under HTS subheading 5403.39); and
- Certain apparel (under HTS heading 6110), accessories, and apparel parts (under HTS heading 6117) of cashmere yarns (under HTS heading 5108).

Overall, Korea[1] is a minor supplier of U.S. imports of textiles and apparel, including the products subject to the proposed ROO changes, and a small market for U.S. exports of these goods. The vast majority of U.S. textile and apparel imports are from China, Vietnam, and India, with these three countries accounting for $61.2 billion (55.1 percent) of total U.S. imports in 2018. By comparison, Korea accounted for $924.3 million or 0.8 percent of total U.S. imports of textiles and apparel in 2018, of which 73.5 percent already entered the United States duty free under KORUS. Similarly, of the $23.5 billion in total U.S. exports of textiles and apparel in 2018, only $302.6 million, or just under 1.3 percent, were to Korea.[2]

Impact on Trade

The Commission's analysis indicates that the proposed modifications for the products listed above would likely have a negligible short-term effect on U.S. trade under KORUS, total U.S. imports, and total U.S. exports. For each of the proposed modifications, the Commission expects a negligible short-term effect on U.S. imports under KORUS and on total U.S. imports. Reasons for this include the relatively low value of dutiable imports from Korea currently, Korea accounting for a very small share of U.S. imports,[3] the recent trends in Korean exports of the affected articles to other countries, and the limited likelihood of substantial trade diversion. Moreover, due to Korea's relatively small size as an export destination for U.S. exports of the products subject to the ROO modifications and Korea's limited imports of such products, the likely short-term effects of the proposed modifications on U.S. exports under KORUS and total U.S. exports are negligible as well.

[1] "Korea" in this report refers to the Republic of Korea (South Korea).
[2] USITC DataWeb/USDOC (accessed April 20, 2019).
[3] Imports from Korea account for less than 2 percent of total U.S. imports for each of the proposed modification's corresponding product groups.

Impact on Production

For the modification affecting certain woven fabrics of cuprammonium rayon yarns, the Commission estimates that there would be no effect on U.S. domestic production. The reason for this is that there is no known domestic production of the articles covered by the proposed modification. However, qualitative information presented to the Commission suggests that domestic producers of the articles affected by the other two potential ROO modifications could potentially see a significant adverse effect resulting from the modifications. The Commission received two written submissions, one from a U.S. producer of cotton yarns with viscose rayon staple fibers and one from a U.S. producer of cashmere yarns. In each case, the producers stated that the proposed modifications to the KORUS ROOs could have a negative impact on their U.S. production. The cotton yarn producer is one of many cotton yarn producers in the United States, and any of these firms could blend cotton yarn with viscose rayon staple fibers to make the product covered by the proposed modification. The cashmere yarn producer is the only known U.S. producer of cashmere yarn.

Chapter 1
Introduction

Background and Scope

As requested by the United States Trade Representative (USTR), this report provides the advice of the U.S. International Trade Commission (Commission or USITC) concerning the probable economic effect of proposed modifications to the rules of origin (ROOs) in Chapter 4 and Annex 4-A of the United States-Korea Free Trade Agreement (KORUS), as reflected in general note 33 to the Harmonized Tariff Schedule of the United States (HTS). The advice was requested by the USTR in a letter received by the Commission on February 22, 2019.[4] In his letter, the USTR noted that negotiators had reached a preliminary agreement on modifications to the FTA ROOs for certain textile and apparel goods under section 202(o)(2)(B)(i) of the United States-Korea Free Trade Agreement Implementation Act (the Act). The USTR also noted that section 202(o)(2)(B)(i) of the Act authorizes the President, subject to the consultation and layover provisions of section 104(1) of the Act, to proclaim such modifications. One of the requirements set out in section 104(1) is that the President obtain advice from the Commission.

The attachment to the letter sets out three proposed modifications to the KORUS ROOs. The modifications cover:

- Certain cotton yarns (under HTS heading 5206) with viscose rayon staple fibers (under HTS subheadings 5504.10 or 5507.00);
- Certain woven fabrics (under HTS heading 5408) with cuprammonium rayon yarns (under HTS subheading 5403.39); and
- Certain apparel (under HTS heading 6110), accessories, and apparel parts (under HTS heading 6117) of cashmere yarns (under HTS heading 5108).

The advice addresses the probable economic effect of the proposed modifications on U.S. trade under KORUS, on total U.S. trade, and on domestic producers of the affected articles.

Approach

The Commission analyzed potential changes in U.S. trade and production resulting from the proposed modifications to KORUS and made assumptions intended to generate the maximum probable effect in the short term. As with previous Commission reports of this type, the Commission's analysis does not consider any long-term changes to U.S. demand for, or Korean supply of, these products. It is more difficult to predict long-term impacts, but given the availability of lower cost suppliers for both the United States and Korea, established supply chains with other trading partners, and a lack of an expected future increase in demand, the Commission does not expect that the proposed modifications would significantly impact U.S. or Korean production of the articles covered by the proposed modifications. In the longer term, it is possible that changes in the preferential duty rates could cause U.S. or Korean firms to alter production such that trade in these products between the two parties could

[4] The request letter is reproduced in appendix A, and the Commission's notice of institution of the investigation, as published in the *Federal Register,* is reproduced in appendix B.

increase further. The general process used in this analysis consisted of several steps. First, for each of the proposed modifications, the proposed rule was compared with the current rule to determine if any substantive change in applying the KORUS ROOs would likely occur for the products covered by the rules. (For a primer on how to read and interpret textile ROOs, please see box 1.1 at the end of this chapter.) The Commission's analysis found that the proposed modifications would substantively change the rules under which products qualify for the KORUS preferential rate of duty. Second, the rates of duty were analyzed for the tariff lines covered by the proposed rule. The analysis found that the proposed rule includes tariff lines with non-zero rates of duty under normal trade relations/most-favored-nation (NTR/MFN) status in the United States and Korea. These rates range from 0 percent to 16 percent ad valorem for the United States.[5] Third, the proposed rules were examined to determine if they would liberalize or restrict eligibility for the KORUS preferential rate of duty. If a proposed rule is liberalizing, it would potentially increase the amount of goods that qualify for the preferential rate of duty (for example, by allowing more non-originating content), and U.S. imports and exports of these goods could potentially increase. The analysis indicates that the proposed modifications would be liberalizing compared to the existing KORUS ROOs for covered products of the affected headings.

To estimate the liberalized ROOs' probable economic effect on U.S. imports under KORUS and on total U.S. imports, the analysis assumed that all U.S. imports that are not receiving the preferential rate of duty under current KORUS ROOs would qualify for the preferential rate under the proposed modifications. For the analysis of U.S. exports under KORUS and total U.S. exports, all exports to Korea of goods potentially affected by the proposed modifications were assumed to be assessed the MFN rate of duty under the current ROOs and to qualify for the preferential rate of duty under the proposed modifications. The effect on U.S. production was based on the potential change in total U.S. trade, as well as qualitative information obtained through staff research and submissions from interested parties.[6]

Estimating the Effect on Imports

Estimating exactly how much liberalization would result from a proposed modification is difficult. This analysis uses assumptions that would produce the maximum probable short-term effect. As noted, when assessing a modification's probable economic effect on U.S. imports from Korea and on total U.S. imports, the Commission assumed that the modification would allow all imports of goods potentially affected by the proposed modification from Korea and the United States to receive the KORUS preferential rate of duty. Specifically, it was assumed that all U.S. imports of such goods from Korea currently imported at NTR rates of duty would qualify for duty-free treatment under the proposed modification, and that all imports that now receive duty-free treatment under KORUS would continue to do so.

The resulting potential effect on imports is based on the value of dutiable imports from Korea covered by a given proposed modification that would become duty-free following the ROO modification. This change in imports is likely overestimated, however, since in most cases the HTS headings, subheadings, or statistical reporting numbers in question cover more products than those affected by the proposed

[5] A complete list of HTS headings and subheadings covered by the proposed modifications, along with the NTR/MFN tariff rates associated with these products, appears in appendix D.

[6] No economic modeling was used in this study, due to the limited values of U.S. imports of the affected articles from Korea (less than 2 percent of total imports in each case), as well as the overall downward trend in Korean exports or consistently low value of Korean exports, depending on the proposed modification . Both of these factors would make any short-term market entry by Korean firms unlikely and difficult to achieve.

modifications. In estimating the effects, the Commission considered the relevant U.S. duty rates and Korea's share of U.S. imports for the affected articles, as well as the potential change in the value of imports of these articles.

Estimating the Effect on Exports

Similarly, to estimate the short-term probable effect on total U.S. exports, the analysis used assumptions intended to produce the maximum possible effect. One difficulty in performing the analysis is that export data is not available at a comparable level of detail as import data. This is because only the importing party in a given transaction records whether a preference for duty-free treatment was claimed. Therefore, the share of U.S. exports that qualify for the preferential rate of duty is not identifiable in the export data the way it is for imports. It is thus not possible to analyze the likely change in U.S. dutiable exports to Korea under KORUS that would result from the proposed modifications.

Therefore, the Commission assumes the maximum likely short-term effect by assuming that all current U.S. exports of the relevant products are dutiable under the current KORUS and would qualify for duty-free treatment under the proposed modifications. As with imports, the estimated change in U.S. exports is likely overestimated, given the broad product coverage of the HTS headings in question. In producing this analysis, the Commission considered the relevant Korean duty rates, Korea's ranking as a market for U.S. exports of the affected articles, and the potential change in the value of U.S. exports of these articles.

Estimating the Effect on U.S. Industry

The Commission assessed the short-term probable effect of the proposed modifications on U.S. producers based on the combined estimated changes in total U.S. imports and exports, Commission expertise about U.S. domestic production of the affected articles, and qualitative information received by the Commission.

Information Sources

The Commission used multiple data and information sources to prepare its advice. The proposed rules are listed in full in the USTR's request letter. The existing rules are from general note 33 of the HTS.[7] The NTR or column 1-general tariff rates cited in the effect statements were also taken from the HTS. The MFN tariff rates[8] for Korea are from the World Trade Organization (WTO) Tariff Download Facility database.[9] Trade data for 2018 were used in the analysis, unless otherwise specified. U.S. import and export data come originally from the U.S. Department of Commerce, but were taken from the Commission's Interactive Tariff and Trade DataWeb database.[10] In addition, the Commission sought information and views from interested parties by conducting industry outreach and by publishing a notice in the *Federal Register* announcing the investigation and inviting interested parties to file written submissions. The Commission received two written submissions providing information or views on the

[7] Available at https://hts.usitc.gov/current.
[8] The normal trade relations (NTR) duty rates are commonly called most-favored-nation (MFN) rates in other countries.
[9] Available at http://tariffdata.wto.org/TariffList.aspx.
[10] USITC DataWeb/USDOC (accessed various dates).

proposed modifications. Each submission objected to one of the proposed modifications. The Commission did not receive any submissions in support of the proposed modifications.

Box 1.1 Textile and Apparel Tariff Shift Rules of Origin (ROOs) under Free Trade Agreements (FTAs)

majority of U.S. FTA rules of origin for textile and apparel articles are "tariff shift rules." A tariff shift rule

United States (HTS) for fibers, yarns, and fabrics that commonly appear in FTA tariff shift rules for textiles and

HTS Headings for Fibers, Yarns and Fabrics		
Yarns		
	5004-5006: Silk	
5101-5105: Wool and fine animal	5106-5110: Wool and fine animal	5111-5113: Wool and fine animal
	5508-5511: Man-made staple	5512-5516: Man-Made Staple
		5801-5804: Specialty
		5901-5911: Coated
		6001-6006: Knit

Language element: "A change to (a) from (b)"
To understand tariff shift rules, one must know the HTS classification of (a) the finished (or imported) good, and (b) the raw materials used to produce that good. All tariff shift rules will include both of those elements, written as, "A change to (a) from (b)." The manufacturing process that changes (b) into (a) is what must occur in one of the FTA parties. For example:

Chapter 53.
1. A change to headings 5301 through 5305 from any other chapter.[a]

This rule shows us the imported good is one of the following: raw or processed, but not spun, flax (also known as ramie) (heading 5301); hemp (heading 5302); jute (heading 5303); or coconut, abaca, or other fibers (heading 5305). The raw materials (in each of these cases, the plants that those fibers come from) are classified in chapters of the HTS other than chapter 53. The process of extracting the fiber from the plant shifts the good from one classification to another. That step of extracting the fiber from the plant is the change that must occur in one of the FTA parties in order to satisfy the tariff shift rule.

Tariff shift rules usually state the classification of the imported good by its heading. Chapter, heading, or subheading may denote the classification of the raw materials.

2. A change to headings 5306 through 5308 from any heading outside that group.[b]

This rule means the imported good is a yarn of either flax (heading 5306), jute (heading 5307), or other non-cotton vegetable fiber (heading 5308), and the raw materials are the respective fibers noted above (classified under headings 5301, 5302, 5303, or 5305). Chapter 53 is also where the fibers are classified, but each in a heading that is outside of "that group" of yarn headings (5306 through 5308). The process that changes a fiber into a yarn occurs when fiber is either spun (natural fibers such as cotton or other non-cotton vegetable fibers) or extruded (manmade fibers). In this case, the process of spinning the fiber and transforming it into a yarn is the tariff shift required for the yarn to qualify for preferential duty treatment. Note that those fibers may be originating (from one of the FTA parties) or non-originating (from outside of the FTA parties)—the rule does not specify. As long as the fiber becomes yarn in one of the FTA parties, it meets the tariff shift rule.

Language element: "Except from" phrases

For fabric, apparel, and made-up[c] goods, most FTA tariff shift rules add another element. The foundation—"a change to (imported fabric/apparel/made-up articles) from (raw materials)"—remains. However, the rules also include language to specify which of the raw materials must also come from one of the FTA parties. The additional phrase, beginning "except from . . . ," denotes the fibers and yarns (for fabrics) or yarns and fabrics (for apparel or made-up articles) that must originate in one of the FTA parties in order for the finished good (fabric/apparel/made-up articles) to qualify for preferential duty treatment. Consider an example from the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR). A knit top[d] of heading 6110 that is produced in a CAFTA-DR member country would have to satisfy this rule in order for an importer in another CAFTA-DR member country to import the knit top duty free:

> 25. A change to headings 6105 through 6111 from any other chapter, except from headings 5111 through 5113, 5204 through 5212, 5310 through 5311, chapter 54, headings 5508 through 5516 or 6001 through 6006, provided that the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or more of the parties. [e]

The additional language, "except from headings 5111 through 5113, 5204 through 5212, 5310 through 5311, chapter 54, headings 5508 through 5516 or 6001 through 6006," tells us which raw materials must also come from one of the parties to CAFTA-DR in order for the knit top to be originating and eligible for preferential duty treatment. The "except from" language does not mean those yarns and fabrics cannot be used to make the finished good. It means if those materials are used to produce the finished good, then those materials must also come from one of the FTA parties.

If an input that is classified in another chapter is not listed after the "except from" clause, then that material may be originating or non-originating—the rule does not specify. In the example above, silk yarn (headings 5004 through 5006) or wool yarn (headings 5106 through 5110) may be from outside the parties as long as the fabric (headings 6001 through 6006) produced from those yarns is knit in a CAFTA-DR country. The silk and wool yarn headings are not listed after the "except from" clause of the tariff shift rule.

Language element: "Cut and sew"

For apparel and made-up articles, the FTA tariff shift rules include one last element. Added at the end of each rule is the clause "provided the good is cut, or knit to shape, or both, and sewn or otherwise assembled in. . . ." This language is part of the rule for the CAFTA-DR knit top above.

Some FTAs include tariff shift rules for certain apparel goods without an "except from" clause. An example of this is the rule for brassieres made (cut and sewn) in a CAFTA-DR country:

> 39. A change to subheading 6212.10 from any other chapter, provided that the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or more of the parties to the Agreement.[e]

This type of rule does not specify any origin requirements for the raw materials, but it still requires that all of the cutting and sewing operations occur in one of the FTA parties.

No identical FTAs for textiles and apparel

Despite the fact that a majority of FTAs use tariff shift rules for textile and apparel goods, it is important to note that no two FTAs are identical. A comparison of the "except from" clauses from the tariff shift rule under CAFTA-DR for a knit top (above), and the rule for the same knit top under KORUS[f] (below), highlights this point.

> 33. A change to headings 6109 through 6111 from any other chapter, except from headings 5106 through 5113, 5204 through 5212, 5307 through 5308, 5310 through 5311 or 5401 through 5402, subheadings 5403.33 through 5403.39 or 5403.42 through heading 5408 or headings 5508 through 5516 or 6001 through 6006, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of Korea or of the United States, or both. [b]

FTA Tariff Shift Rule for Knit Tops (6110)

CAFTA-DR "except from"	KORUS "except from"	Description of difference
Headings 5111 through 5113	headings 5106 through 5113	Wool yarn (5106-5110) may be non-originating under CAFTA-DR; must originate under KORUS
5204 through 5212	5204 through 5212	Same
5310 through 5311	5307 through 5308, 5310 through 5311	Jute yarn (5307) or non-cotton vegetable fiber yarn (other than flax) (5308) may be non-originating under CAFTA-DR; must originate under KORUS
Chapter 54	Or 5401 through 5402, subheadings 5403.33 through 5403.39 or 5403.42 through heading 5408	All manmade filament yarns must originate under CAFTA-DR; viscose rayon filament yarns (5403.10, 5403.31, 5403.32, and 5403.41) may be non-originating under KORUS
Headings 5508 through 5516	Or headings 5508 through 5516	Same
Or 6001 through 6006	Or 6001 through 6006	Same

[a] HTS General Note (GN) (o) (KORUS).
[b] HTS GN 33 (o) (KORUS).
[c] Made-up textile articles are primarily classified in chapter 63 and subheading 9404 of the HTS, and include articles such as blankets, towels, bed linens (sheets, pillowcases), kitchen linens (tablecloths, napkins), curtains, bedspreads, awnings, tents, pillows, quilts, and comforters.
[d] "Knit tops" refers to sweaters, pullovers, sweatshirts, waistcoats (vests), and similar articles, knitted or crocheted.
[e] HTS GN 29 (n) (CAFTA-DR).
[f] KORUS rule as of May 28, 2019; does not reflect the proposed modification analyzed by this report.

Chapter 2
Advice on the Probable Economic Effect of Certain Modifications to the KORUS Rules of Origin

This chapter provides the Commission's advice on the proposed modifications to the KORUS ROOs. The proposed modifications cover the following products:

- Certain cotton yarns (under HTS heading 5206) with viscose rayon staple fibers (under HTS subheadings 5504.10 or 5507.00);
- Certain woven fabrics (under HTS heading 5408) with cuprammonium rayon yarns (under HTS subheading 5403.39); and
- Certain apparel (under HTS heading 6110), accessories and parts (under HTS heading 6117) of certain cashmere yarns (under HTS heading 5108).

Tables 2.1, 2.5, 2.9, and 2.10, respectively, present the text of each of the proposed modifications. The first column of the table lists the HTS heading of the end-use product affected by the proposed modification. The second column presents the rule currently in effect for that product.[11] The third column shows the text of the proposed modification, with the key changes indicated.[12]

Following each of the tables showing the text of the rule change is a detailed review of the probable economic effect of each of the proposed modifications on U.S. trade under KORUS, on total U.S. trade, and on domestic producers of the affected articles. This discussion includes 2018 trade data for each of the affected end-use products, as well as trade data for the designated input material.

[11] As provided in HTS general note 33(o).

[12] The proposed modification appears exactly as it does in the request letter, with the exception of the modification for certain accessories and parts of certain cashmere yarns, for which the Commission received a correction from the USTR. See appendix A.

Certain Cotton Yarns (HTS heading 5206)

Table 2.1 Certain cotton yarns (HTS heading 5206) with viscose rayon staple fibers.

HTS heading/ description	Existing rule	Proposed modification
5206 Certain cotton yarns	5201–5207: A change to heading 5201 through 5207 from any other chapter, except from heading 5401 through 5402, subheading 5403.33 through 5403.39, 5403.42 through heading 5405 or heading 5501 through 5507.	5201–5205: A change to heading 52.01 through 52.05 from any other chapter, except from heading 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through 54.05, or 55.01 through 55.07. ***new*** 5206: A change to heading 52.06 **from subheading 5504.10, viscose rayon staple fiber of heading 55.07**, or any other chapter, except from heading 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.05, **55.01 through 55.03, subheading 5504.90 through 55.06, or any other good of heading 55.07**. 5207: A change to heading 52.07 from any other chapter, except from heading 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through 54.05, or 55.01 through 55.07.

Modification

The proposed modification covers cotton yarn (other than sewing thread), containing less than 85 percent by weight of cotton, not put up for retail sale, classified in HTS heading 5206. The current KORUS rule allows all cotton yarns of chapter 52 (HTS headings 5204–5207) to receive preferential duty treatment if made from cotton fibers that originate in either the United States or Korea. Further, if those cotton fibers are blended with manmade fibers (chapters 54 and 55), those fibers must also be originating, meaning made in the United States or Korea.

The proposed modification would create a separate rule for yarns classified in HTS heading 5206, to permit cotton yarns of that heading to receive preferential duty treatment even if the originating cotton fibers are blended with non-originating viscose rayon staple fibers of HTS subheading 5504.10 or heading 5507.[13] As noted above, the current rule requires those viscose rayon staple fibers to originate in either the United States or Korea in order for yarns made from those fibers to receive preferential duty treatment. The Korean government states that its request to modify the existing rule is based on its

[13] The cotton yarns not affected by the proposed modification include cotton sewing thread (HTS heading 5204), cotton yarn (other than sewing thread), containing 85 percent or more by weight of cotton, not put up for retail sale (HTS heading 5205), and cotton yarn (other than sewing thread), put up for retail sale (HTS heading 5207).

knowledge of the industry and a determination it has made that there is no production of viscose rayon staple fibers in Korea or available from suppliers in the United States.[14]

Effects

HTS heading 5206 includes various cotton yarns, only some of which are covered by the proposed modification, and it is not possible to differentiate between products covered by the modification versus outside the scope in the trade data. Even assuming the modification would make all imports from Korea under heading 5206 eligible for preferential treatment under KORUS, the proposed modification would likely have a negligible short-term effect on U.S. imports under KORUS of cotton yarns with viscose rayon staple fibers, as well as on total U.S. imports of these yarns. This is because Korea is a minor supplier of these products to the United States, with dutiable imports from Korea making up less than 0.5 percent of total U.S. imports. In 2018, the value of U.S. imports of all cotton yarns under HTS heading 5206—including, but not limited to, those subject to the proposed modification—totaled $18.2 million. Of this total, Korea supplied just $99,366, or less than 1 percent (table 2.2). The United States sources most of its cotton yarns under HTS heading 5206 from India (accounting for $4.8 million or 26.2 percent of total U.S. imports), followed by Spain ($3.2 million or 17.5 percent) and Mexico ($2.3 million or 12.5 percent).

Table 2.2 U.S. imports for consumption of certain cotton yarns, 2018

HTS heading	Total U.S. imports ($)	U.S. imports from Korea ($)	Share from Korea (%)	U.S. dutiable imports from Korea ($)	U.S. rate of duty (% ad valorem)
5206[a]	18,207,515	99,366	0.5	65,646	9.2

Source: USITC DataWeb/USDOC (accessed March 20, 2019).
[a] Certain cotton yarns are classified in heading 5206, which covers the subject cotton yarns blended with viscose rayon staple fibers, as well as other cotton/other fiber blended yarns. Data are for imports under heading 5206 and capture more than the yarns covered by the proposed modification.

Of total U.S. imports from Korea, $65,646 (66.1 percent) were dutiable imports that could potentially qualify for duty-free treatment under the proposed modification (table 2.2). Assuming all of these imports became duty-free following the ROO change, the maximum short-term effect on U.S. imports under KORUS would be a shift of dutiable imports ($65,646) to additional duty-free imports.[15] Under this scenario, U.S. imports under KORUS would still make up less than 1 percent of total U.S. imports of yarns under HTS heading 5206. Since only some portion of this would be cotton yarns blended with viscose rayon staple fibers, the actual value of imports affected would only be some portion of $65,646.

Further, while Korean exports to the world under HTS 5206 totaled $16.1 million in 2018, Korean exports under this heading both to the world and to the United States have been declining in recent years.[16] While some trade diversion of this $16.1 million to the United States under the proposed modification is possible, the effect would likely be small for a number of reasons. As noted above, yarns

[14] The Government of Korea's request letter to USTR, dated September 24, 2018 (attached to Committee for the Implementation of Textile Agreements (CITA) request for comments), is reproduced in appendix C.
[15] USITC DataWeb/USDOC (accessed May 9, 2019).
[16] Korean exports under heading 5206 declined from $45.1 million in 2014 to $16.1 million in 2018 (with a minor uptick in 2017). Korean exports under heading 5206 to the United States declined from $0.7 million in 2014 to $0.3 million in 2018. IHS Markit. Global Trade Atlas (GTA) database (accessed June 5, 2019).

of 5206 can be of cotton blended with any number of other fibers; thus, only a portion of the products included in heading 5206 are covered by the proposed modification. In addition, the United States is not a large importer (both in absolute dollars terms and in terms of Korean trading partners; it is the tenth largest recipient of Korean exports under heading 5206).[17] Therefore, the overall effect on total U.S. imports would likely be negligible as well.

The short-term effect of the proposed modification on U.S. exports under KORUS and on total U.S. exports would also likely be negligible, as Korea is a very small market for U.S. exporters of these goods.[18] In 2018, the value of U.S. exports of cotton yarns under HTS heading 5206—including, but not limited to, those subject to the proposed modification—totaled $102.9 million, of which just $73,140 (less than 1 percent) was exported to Korea (table 2.3). The primary recipients of U.S. exports of cotton yarns under HTS heading 5206 were U.S.-Central America and Dominican Republic Free Trade Agreement (CAFTA-DR) partners,[19] who received $82.1 million or 79.9 percent (led by Honduras, El Salvador, and the Dominican Republic). Another $6.5 million, or 6.4 percent, of these U.S.-made cotton yarns went to Mexico and Canada.

Table 2.3 U.S. domestic exports of certain cotton yarns, 2018

HTS heading	Total U.S. Domestic Exports ($)	U.S. Domestic Exports to Korea ($)	Share to Korea (%)	Korea Rate of Duty (% ad valorem)
5206[a]	102,906,213	73,140	0.1	8

Source: USITC DataWeb/USDOC (accessed March 20, 2019); WTO, Tariff Download Facility (accessed March 2019).
[a] Certain cotton yarns are classified in heading 5206, which covers the subject cotton yarns blended with viscose rayon staple fibers, as well as other fiber blends. Data are for exports of all goods under heading 5206 and capture more than the yarns of the proposed modification.

The proposed ROO modification would have no effect on U.S. manufacturers of viscose rayon staple fiber because there is no known domestic production.[20] In 2018, the United States imported $183.6 million of viscose rayon staple fibers (table 2.4), primarily from China ($77.1 million or 42.0 percent), Germany ($37.7 million or 20.6 percent), and Austria ($21.5 million or 11.7 percent). Data show that U.S. exports of viscose rayon staple fiber were valued at $4.4 million, most of which were shipped to Canada ($2.2 million or 49.8 percent) and Mexico ($1.0 million or 22.6 percent). As there has not been any production of viscose rayon in the United States since 2001 (China is currently the main global source for viscose rayon), these reported exports are likely re-exports of goods from other sources.[21]

[17] IHS Markit. Global Trade Atlas (GTA) database (accessed June 5, 2019).
[18] Additionally, the United States does not appear to be a major source of Korean imports. While Korean imports from the world under 5206 totaled $140 million in 2018, less than 0.1 percent of those were imports from the United States. IHS Markit. Global Trade Atlas (GTA) database (accessed June 5, 2019).
[19] The United States' CAFTA-DR partner countries are Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.
[20] The process of turning wood pulp into viscose rayon fiber involves hazardous chemicals and leads to deforestation. Therefore, environmental concerns make it unlikely that production would return to the United States.
[21] U.S. industry representative, telephone Interview by USITC staff, April 24, 2019.

Table 2.4 U.S. imports for consumption and domestic exports of viscose rayon staple fibers, 2018

HTS heading/subheading	Total U.S. imports ($)	U.S. imports from Korea ($)	Share from Korea (%)	Total U.S. domestic exports ($)	U.S. domestic exports to Korea ($)	Share from Korea (%)
5504.10 and 5507[a]	183,610,157	528,960	0.3	4,416,855	0	0

Source: USITC DataWeb/USDOC (accessed March 20, 2019).
[a] Viscose rayon staple fiber is classified in subheading 5504.10 and heading 5507. The data aggregate these imports under both the subheading and the heading.

With respect to the effect of the proposed modification on U.S. production of cotton yarns with viscose rayon staple fibers, the Commission received one objection from a U.S. firm, Parkdale Mills (Parkdale), which indicated that the modification could have an adverse effect on their operations. In opposing the proposed modification, Parkdale stated that it "produces enough of this product line to sustain one of our 24 facilities year round."[22] Parkdale further stated that giving Korean producers duty-free access to the U.S. market for cotton yarns with viscose rayon staple fibers by way of the proposed ROO modification would erode the benefits afforded to Parkdale by the miscellaneous tariff bill (MTB) process.[23]

In addition to Parkdale, there are a number of other firms producing cotton yarns in the United States. Any of these companies could potentially blend viscose rayon staple fibers with cotton to produce the yarns covered by the proposed modification. According to industry sources, there are at least two other firms that currently do blend viscose rayon fibers with cotton in their yarns.[24] However, only Parkdale provided a written submission objecting to the modification.

Certain Woven Fabrics (HTS heading 5408)

Table 2.5 Certain woven fabrics (HTS heading 5408) with textured and non-textured cuprammonium rayon filament yarn

HTS heading/ description	Existing rule	Proposed modification
5408 Certain woven fabrics	5408: A change to heading 5408 from subheading 5403.10, 5403.31 through 5403.32, 5403.41 or any other chapter, except from heading 5106 through 5110, 5205 through 5206 or 5509 through 5510.	***revised* 5408:** A change to heading 54.08 from subheading 5403.10, 5403.31 through 5403.32, **cuprammonium rayon yarn of subheading 5403.39**, subheading 5403.41, or any other chapter, except from heading 51.06 through 51.10, 52.05 through 52.06, **any other good of subheading 5403.39**, or 55.09 through 55.10.

[22] Parkdale, written submission to the USITC, April 4, 2019.
[23] Parkdale currently relies on a temporary duty suspension under the MTB process to import viscose rayon staple fiber from China in order to produce the subject yarns that blend cotton fibers with those fibers. That duty suspension is set to expire on December 31, 2020. Parkdale asserts that the proposed KORUS ROO modification would negatively affect its competitiveness vis-à-vis Korean yarn spinners in the long term, because Korea's imports of viscose rayon staple fibers from China are (permanently) duty-free. Parkdale, written submission to the USITC, April 4, 2019. Parkdale's written submission is included in appendix E.
[24] U.S. industry representative, telephone Interview by USITC staff, April 24, 2019.

Modification

The proposed modification covers certain woven fabrics of artificial filament yarn classified in HTS heading 5408, specifically those fabrics of textured and non-textured filament yarn of cuprammonium rayon.[25] The current KORUS rule allows fabrics under heading 5408 to receive preferential duty treatment if made from originating manmade filament yarns (other than certain viscose rayon filament yarns, which may be of any origin)[26] and yarns made from originating wool, cotton, or manmade staple fibers.

The proposed modification would replace the existing rule for fabrics classified in HTS heading 5408, to permit the use of non-originating textured or non-textured filament yarns of cuprammonium rayon in the production of fabrics, which may then receive preferential duty treatment under KORUS. As noted above, under the existing rule, textured and non-textured cuprammonium rayon yarns are required to be produced in a partner country in order for the fabric made from such yarns to receive preferential duty treatment. The proposed modification would treat textured and non-textured cuprammonium rayon filament yarn the same as the viscose rayon filament yarns, which may already be of any origin. The Korean government states that its request to modify the existing rule is based on its knowledge of the industry, as well as a determination that there is no production of cuprammonium rayon filament yarns in Korea or available from suppliers in the United States.[27]

Effects

Even if one assumes that the modification would make all imports of the subject fabrics from Korea eligible for preferential treatment under KORUS, the proposed modification would likely have a negligible short-term effect on U.S. imports under KORUS of woven fabrics of textured or non-textured cuprammonium rayon filament yarn, and on total U.S. imports of these fabrics. This is because Korea is a small supplier of these fabrics to the United States, with dutiable imports from Korea making up less than 0.5 percent of total U.S. imports. In 2018, the value of U.S. imports of the fabrics under the specified HTS subheadings totaled $3.0 million, of which Korea supplied only $52,762, or 1.7 percent (table 2.6). The United States' largest supplier of such fabrics was Italy, with imports valued at

[25] HTS subheadings 5408.22.10, 5408.23.11, 5408.23.21, and 5408.24.10 cover woven fabrics of artificial filament yarns specifically of cuprammonium rayon (in which such rayon predominates by weight). Fabrics containing such yarns might also be classified under subheading 5408.21.00, covering fabrics containing 85 percent by weight of any artificial filament yarn but not specifically limited to fabrics of cuprammonium rayon yarns. Rayon is the generic name for a range of fibers made by dissolving cellulose fibers (from natural sources such as wood) in chemicals and extruding the resulting viscous solution. Different chemicals and variations in the processes yield different types of yarns and fabrics in the rayon family. Cuprammonium rayon is specifically cellulose dissolved in a cuprammonium solution. It generally results in a very light, fine, soft fabric, that may be used as linings in quality suits and dresses, as it tends to wear better than silk, but is nicer to feel and wear than acetate.

[26] The existing KORUS ROO does not require artificial filament yarns of viscose rayon of HTS subheadings 5403.10, 5403.31, 5403.32, or 5403.41 to be originating. Viscose rayon was the first of the rayons, and is still the most common. It was marketed as "artificial silk" when first invented. Viscose rayon fabric drapes well and breathes like cotton. It is lightweight and used to make many types of garments. Some viscose rayon yarns, such as high tenacity yarns (HTS subheading 5403.10), have industrial and medical end-use applications.

[27] The Government of Korea's request letter to USTR, dated September 24, 2018 (attached to Committee for the Implementation of Textile Agreements (CITA) request for comments), is reproduced in appendix C.

$1.5 million or 48.7 percent of total U.S. imports. The second largest supplier was Canada ($0.9 million or 29.1 percent).

Table 2.6 U.S. imports for consumption of certain woven fabrics of artificial filament yarn, 2018

HTS heading/subheading	Total U.S. imports ($)	U.S. imports from Korea ($)	Share from Korea (%)	U.S. dutiable imports from Korea ($) [b]	Average U.S. rate of duty (% ad valorem)[c]
5408.22.10, 5408.23.11, 5408.23.21, and 5408.24.10[a]	3,046,809	52,762	1.7	2,586	13.7

Source: USITC DataWeb/USDOC (accessed March 20, 2019).
[a] Certain woven fabrics of textured or non-textured artificial filament yarn of cuprammonium rayon are largely classified in HTS subheadings 5408.22.10, 5408.23.11, 5408.23.21, and 5408.24.10. Data are for aggregate imports under all of the specified subheadings.
[b] Of the imports from Korea, a total of $50,176, or 95.1 percent, entered the United States duty free under KORUS. The recorded duty-free shipments from Korea under KORUS are from a small number of shipments and most likely claimed preferential treatment erroneously, given the absence of originating inputs.
[c] See appendix D for U.S. rates of duty for individual HTS tariff lines. The trade-weighted average duty of the dutiable imports from Korea of the affected articles was 13.7 percent in 2018. Duties range from free to 14.9 percent.

Of the total U.S. imports from Korea, only $2,586 (4.9 percent) were dutiable imports that could potentially qualify for duty-free treatment under the proposed modification (table 2.6). Assuming all of these imports became duty free following the ROO change, the maximum short-term effect on U.S. imports under KORUS would be a shift of dutiable imports ($2,586) to additional duty-free imports.

Moreover, there are no trade data for Korean exports at the 8-digit subheading level or the 10-digit statistical reporting number level corresponding to the specific products covered by the proposed modification. Korea exported $37.4 million of products classified in the broader 6-digit subheadings to the world in 2018, with $5.7 million (15.3 percent) exported to the United States.[28] U.S. data for imports of products in these 6-digit subheadings ($5.9 million) closely match on the figure for Korean exports to the United States. Using the makeup of U.S. imports as a proxy, and assuming that the makeup of Korean exports to other countries is similar, a large portion of Korean global exports under the 6-digit subheadings are products outside the scope of the proposed modifications. Of the $5.9 million in U.S. imports under the larger 6-digit subheadings, $52,762—or less than 1 percent—were of goods covered by the proposed modifications.[29] Assuming a similar percentage for total Korean exports, it is reasonable to assume that most of the $37.4 million in Korean exports are products outside the scope of the proposed modification. While some trade diversion of the remaining $332,420[30] to the United States under the proposed modification is possible, the likely effect is small relative to the $3.0 million in total U.S. imports under the HTS subheadings corresponding to the products covered by the proposed modifications (table 2.6). Therefore, given the small anticipated increase in the value of U.S. imports

[28] IHS Markit. Global Trade Atlas (GTA) database (accessed June 5, 2019).
[29] USITC DataWeb/USDOC (accessed June 5, 2019).
[30] U.S. imports under the proposed modification from Korea make up 0.88 percent of the total imports from Korea under the broader 6-digit subheadings. The same percentage, when applied to total Korean exports of the 6-digit subheadings, equates to $332,420 in 2018.

under KORUS, and the fact that U.S. imports from Korea would still make up less than 2 percent of total U.S. imports of these products, the overall effect on total U.S. imports would be negligible as well.

The short-term effect of the proposed modification on U.S. exports under KORUS and on total U.S. exports would also likely be negligible because, once again, Korea is a small market for U.S. exports of such fabrics.[31] In 2018, total U.S. exports of woven fabrics of artificial filament yarns (other than viscose rayon)—including, but not limited to, cuprammonium rayon filament yarns—under the specified HTS subheadings were valued at $2.2 million, of which only $66,509, (3.1 percent) went to Korea (table 2.7). The top recipients of U.S. domestic exports of woven fabrics of artificial filament yarns (other than viscose rayon) under the specified HTS subheadings were Mexico ($844,591, or 39.2 percent), Italy ($248,935 or 11.6 percent), and Canada ($229,138 or 10.6 percent).

Table 2.7 U.S. domestic exports of certain woven fabrics of artificial filament yarn, 2018

HTS heading/subheading	Total U.S. domestic exports ($)	U.S. domestic exports to Korea ($)	Share to Korea (%)	Korea rate of duty (% ad valorem)
5408.22.10, 5408.23.11, 5408.23.21, and 5408.24.10[a]	2,152,365	66,509	3.1	8.0

Source: USITC DataWeb/ USDOC (accessed March 20, 2019); WTO, Tariff Download Facility (accessed March 2019).
[a] Certain woven fabrics of artificial filament yarn with textured and non-textured cuprammonium rayon yarn are largely classified in subheadings 5408.22.10, 5408.23.11, 5408.23.21, and 5408.24.10. Data presented are for aggregate exports by Schedule B number (comparable to HTS 6-digits for 5408.22, 5408.23, and 5408.24) and capture woven fabrics of all artificial filament yarns other than viscose rayon (i.e. more than the cuprammonium rayon yarns of the proposed modification).

The effect on U.S. production of woven fabrics of cuprammonium rayon filament yarns would likely be negligible as well, because the net effect on total trade in the woven fabrics affected by the proposed modification is expected to be negligible, and no U.S. fabric producers indicated objection to the proposed modifications to CITA or the Commission. Furthermore, as there is no known production of cuprammonium rayon filament yarn in the United States, there would be no effect on U.S. producers of these yarns. Cuprammonium rayon yarn production worldwide is relatively small and largely centralized in Asia.[32] In 2018, the United States imported only $190,450 of artificial filament yarns (other than viscose rayon), primarily from Japan ($132,430 or 69.5 percent) (table 2.8). Data show U.S. exports of artificial filament yarns (other than viscose rayon) valued at $42,924, most of which shipped to Canada ($14,210 or 33.1 percent), and Latvia ($12,872 or 30.0 percent).[33]

[31] Additionally, the United States does not appear to be a major source of Korean imports. While data for Korean imports at the 8-digit level are not available, Korean imports from the world under the broader 6-digit headings 5408.22, 5408.23, and 5408.24 totaled $2.3 million in 2018. Less than 2 percent of those imports were from the United States. IHS Markit. Global Trade Atlas (GTA) database (accessed June 5, 2019).
[32] U.S. industry representative, telephone Interview by USITC staff, April 24, 2019.
[33] As there is no domestic production of cuprammonium rayon filament yarns, the assumption is that these exports are yarns of other artificial-filament fibers (also classified under HTS subheading 5403.39).

Table 2.8 U.S. imports for consumption and domestic exports of artificial filament yarn, 2018

HTS heading/subheading	Total U.S. imports ($)	U.S. imports from Korea ($)	Share from Korea (%)	Total U.S. domestic exports ($)	U.S. domestic exports to Korea ($)	Share from Korea (%)
5403.39[a]	190,450	13,929	7.3	42,924	0	0

Source: USITC DataWeb/USDOC (accessed March 20, 2019)..

[a] Cuprammonium rayon yarn is classified (with other artificial filament yarns) in subheading 5403.39. Data are for the entire subheading and cover more than the cuprammonium rayon yarns of the proposed modification.

Certain Knit Tops, Accessories, and Parts of Garments (HTS headings 6110 and 6117)

Table 2.9 Certain knit tops (HTS heading 6110) with cashmere yarn

HTS heading/ description	Existing rule	Proposed modification
6110 Certain knit tops	6109-6111: A change to heading 6109 through 6111 from any other chapter, except from heading 5106 through 5113, 5204 through 5212, 5307 through 5308, 5310 through 5311 or 5401 through 5402, subheading 5403.33 through 5403.39 or 5403.42 through heading 5408 or heading 5508 through 5516 or 6001 through 6006, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of Korea or of the United States, or both.	6109: A change to heading 61.09 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties ***new* 6110**: A change to heading 61.10 **from cashmere yarn of heading 51.08,** or any other chapter, except from heading 51.06 through 51.07, **any other good of heading 51.08**, heading 51.09 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties 6111: A change to heading 61.11 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that the

HTS heading/ description	Existing rule	Proposed modification
		good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties

Table 2.10 Certain accessories and parts of garments (HTS heading 6117) with cashmere yarn.

HTS heading/ description	Existing rule	Proposed modification
6117 Certain accessories and parts of garments	6113-6117: A change to heading 6113 through 6117 from any other chapter, except from heading 5106 through 5113, 5204 through 5212, 5307 through 5308, 5310 through 5311 or 5401 through 5402, subheading 5403.33 through 5403.39 or 5403.42 through heading 5408 or heading 5508 through 5516 or 6001 through 6006, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of Korea or of the United States, or both.	6113-6116: A change to heading 61.13 through 61.16 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties ***new* 6117**: A change to heading 61.17 **from cashmere yarn of heading 51.08,** or any other chapter, except from heading 51.06 through 51.07, **any other good of heading 51.08,** heading 51.09 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties

Modification

The proposed modification covers certain knit tops[34] of cashmere[35] yarn in HTS heading 6110; certain accessories (such as shawls and scarves), of wool[36] or fine animal hair,[37] in HTS heading 6117; and certain parts of garments, of wool or fine animal hair, also in HTS heading 6117. The current KORUS

[34] Knit tops refers to sweaters, pullovers, sweatshirts, waistcoats (vests), and similar articles, knitted or crocheted.
[35] Cashmere refers specifically to the fine downy undercoat hair of cashmere goats raised in the Kashmir region, encompassing Mongolia and parts of China, northern India, Iran, and Pakistan.
[36] Wool means the natural fiber grown by sheep or lambs.
[37] Fine animal hair means the hair of alpaca; llama; vicuña; camel (including dromedary); yak; Angora, Tibetan, Kashmir or similar goats (but not common goats); rabbit (including Angora rabbit); hare; beaver; nutria; or muskrat.

rules provide that such knit tops under heading 6110, and clothing accessories and parts of garments under heading 6117, receive preferential duty treatment if made from originating yarns of wool or fine animal hair (including cashmere), cotton, non-cotton vegetable fiber, or manmade fiber (other than certain viscose rayon filament yarns, which may be of any origin).[38]

The proposed modification would create new rules for knit tops classified in HTS heading 6110, and for clothing accessories and parts of garments classified in HTS heading 6117, that would permit the use of non-originating cashmere yarns of HTS heading 5108.[39] The proposed modification would thereby treat cashmere yarn the same as the viscose rayon filament yarns that may already be of any origin. The proposed modification would not affect goods made from yarns of fine animal hair other than cashmere under HTS heading 5108. Those yarns would still need to originate in either the United States or Korea. The Korean government states that its request to modify the existing rule is based on its knowledge of the industry and its determination that there is no production of cashmere yarns in Korea or available from suppliers in the United States.[40]

Effects

Trade in Knit Tops of Cashmere

Assuming that the proposed modification would make all imports of the subject fabrics from Korea eligible for preferential treatment under KORUS, the maximum short-term probable economic effect of the modification would likely be a negligible effect on U.S. imports of knit tops of cashmere under KORUS, and a negligible effect on total U.S. imports of these knit tops. Dutiable imports from Korea total less than $50,000 and account for a miniscule share of total U.S. imports. In 2018, the value of U.S. imports of knit tops of cashmere under HTS subheading 6110.12[41] totaled $398.4 million, of which Korea supplied just $38,361 or only 0.01 percent (table 2.11).[42] In contrast, China was the largest supplier of knit tops of cashmere under HTS subheading 6110.12, with imports valued at $321.5 million, or 80.7 percent of total U.S. imports. The second largest supplier was Italy ($55.6 million or 13.9 percent), followed by the United Kingdom ($8.7 million or 2.2 percent).

[38] The existing KORUS ROOs do not require viscose rayon filament yarns of HTS subheadings 5403.10, 5403.31, 5403.32, or 5403.41 to be originating.

[39] HTS heading 5108 covers yarn of fine animal hair and includes tariff subheadings for the yarn of the Angora rabbit, mohair (from Angora goats), or other fine animal hair (which would include the remainder of fibers defined as fine animal hair, including but not limited to cashmere).

[40] The Government of Korea's request letter to USTR, dated September 24, 2018 (attached to Committee for the Implementation of Textile Agreements (CITA) request for comments), is reproduced in appendix C.

[41] While knit tops classified in other subheadings of HTS 6110 may contain cashmere yarns and be affected by the proposed ROO modification, it is likely that most (or virtually all) of the affected articles would enter under 6110.12. Since HTS heading 6110 is a far broader reporting line that includes many types of knit tops outside the scope of the proposed modification, the Commission uses trade data from 6110.12 as a proxy for the universe of affected articles.

[42] Of the imports from Korea, a total of $12,708 (33.1 percent) entered the United States duty free under KORUS. As noted in table 2.11, this was likely in error.

Table 2.11 U.S. imports for consumption of certain knit tops, certain accessories, and certain parts of garments, 2018

HTS heading/subheading	Total U.S. imports ($)	U.S. imports from Korea ($)	Share from Korea (%)	U.S. dutiable imports from Korea ($)	Average U.S. rate of duty (% ad valorem)[e]
6110.12[a]	398,375,699	38,361	0.01	25,653[d]	4.0
6117[b]	93,550,379	665,897	0.7	171,362	14.6
6117[c]	69,667	0	0	0	14.6

Source: USITC DataWeb/USDOC (accessed March 20, 2019).
[a] Knit tops of yarn made from the hair of Kashmir (cashmere) goats are classified in subheading 6110.12. Such tops would include sweaters, pullovers, sweatshirts, vests, and similar garments, both wholly of cashmere (subheading 6110.12.10) and of cashmere blends (subheading 6110.12.20). Data are for aggregate imports under the HTS subheading 6110.12. As stated in footnote 40 to this report, the Commission uses trade data under 6110.12 as representative of trade in the affected articles.
[b] Certain clothing accessories, of wool or fine animal hair, in HTS statistical reporting numbers 6117.10.1000, 6117.80.8500, 6117.80.8720, and 6117.80.9520 would include articles such as shawls and scarves, headbands, ties, bowties and cravats, and other accessories. Those made from cashmere yarn would be a subset of the range of goods classified in the wool or fine animal hair HTS numbers. Data are aggregate imports under the specified wool HTS numbers and cover more than the articles of cashmere affected by the proposed modification.
[c] Certain parts of garments, of wool or fine animal hair, in HTS statistical reporting numbers 6117.90.9005, 6117.90.9025, 6117.90.9045, 6117.90.9065, and 6117.90.9085 would include goods such as parts of sweaters, parts of blouses or shirts, parts of coats and jackets, parts of trousers and shorts, and parts of other garments. Those made from cashmere yarn would be a subset of the range of goods classified in the wool or fine animal hair HTS numbers. Data cover aggregate imports under the specified HTS numbers and cover more than the articles of cashmere affected by the proposed modification.
[d] Of the imports from Korea, a total of $12,708, or 33.1 percent, entered the United States duty-free under KORUS. The recorded duty-free shipments from Korea under KORUS are from a small number of shipments and most likely claimed preferential treatment erroneously, given the absence of originating inputs.
[e] See appendix D for U.S. rates of duty for individual HTS tariff lines. The trade-weighted average of the dutiable imports classified under 6110.12 from Korea in 2018 was 4 percent, and duties range from 4 to 16 percent. The trade-weighted average of the dutiable imports classified under 6117 from Korea in 2018 was 14.6 percent, and duties range from 5 to 14.6 percent.

Of the imports from Korea, a total of $25,653 (66.9 percent) were dutiable imports that could potentially qualify for duty-free treatment under the proposed modification (table 2.11). Assuming all of these imports became duty-free following the ROO change, the maximum short-term effect on U.S. imports under KORUS would be a shift of dutiable imports ($25,653) to additional duty-free imports.[43] Moreover, Korean exports to the world under subheading 6110.12 totaled $1.7 million in 2018, and over one-half (54.6 percent) of these exports went to Italy. The share of Korean exports to the United States was less than 3 percent in 2018 and decreased by 38 percent since 2016. While some trade diversion of that total to the United States under the proposed modification is possible, the likely effect would be small relative to total U.S. imports of $398 million under 6110.12 (table 2.11). Even if the entire $1.7 million of Korean exports were diverted to the United States under the proposed modification, imports from Korea would still account for less than 0.5 percent of total U.S. imports in 2018. Therefore, given the small anticipated increase in the value of U.S. imports under KORUS, and the fact that U.S. imports from Korea would still make up less than one percent of total U.S. imports of these products, the overall effect on total U.S. imports would be negligible as well.

The short-term effect of the proposed modification on U.S. exports under KORUS and on total U.S. exports would also likely be negligible, once again, because Korea is a small market for U.S. suppliers of

[43] USITC DataWeb/USDOC (accessed May 9, 2019).

knit tops of cashmere.[44] In 2018, total U.S. exports of knit tops of cashmere under HTS subheading 6110.12 were valued at $25.4 million, of which $420,842 (1.7 percent) went to Korea (table 2.12). The top destinations for U.S. domestic exports of knit tops of cashmere under HTS subheading 6110.12 in 2018 were the United Kingdom ($10.3 million, or 40.7 percent), followed by Japan ($6.4 million or 25.3 percent), and Hong Kong ($3.3 million or 13.2 percent).

Table 2.12 U.S. domestic exports of certain knit tops, certain accessories, and certain parts of garments, 2018

HTS heading/subheading	Total U.S. domestic exports ($)	U.S. domestic exports to Korea ($)	Share to Korea (%)	Korea rate of duty (% ad valorem)
6110.12[a]	25,370,386	420,842	1.7	13.0
6117[b]	2,001,845	8,565	0.4	13.0
6117[c]	38,785,988	0	0	13.0

Source: USITC DataWeb/ USDOC (accessed March 20, 2019); WTO, Tariff Download Facility (accessed March 2019).
[a] Knit tops of yarn made from the hair of Kashmir (cashmere) goats are classified in subheading 6110.12. Such tops would include sweaters, pullovers, sweatshirts, vests, and similar garments, wholly of cashmere (subheading 6110.12.10) or of cashmere blends (subheading 6110.12.20). Data are for aggregate imports under the HTS subheading 6110.12. As stated in footnote 40 to this report, the Commission uses trade data under 6110.12 as representative of trade in the affected articles.
[b] Certain clothing accessories, of wool or fine animal hair, in HTS statistical reporting numbers 6117.10.1000, 6117.80.8500, 6117.80.8720, and 6117.80.9520 would include articles such as shawls and scarves, headbands, ties, bowties and cravats, and other accessories. Those made from cashmere yarn would be a subset of the range of goods classified in the HTS numbers for wool or fine animal hair. Data cover aggregate imports under the specified wool HTS numbers and encompass more than the articles of cashmere affected by the proposed modification.
[c] Certain parts of garments, of wool or fine animal hair, in HTS statistical reporting numbers 6117.90.9005, 6117.90.9025, 6117.90.9045, 6117.90.9065, and 6117.90.9085 would include articles such as parts of sweaters, parts of blouses or shirts, parts of coats and jackets, parts of trousers and shorts, and parts of other garments. Those made from cashmere yarn would be a subset of the range of goods classified in the wool or fine animal hair HTS numbers. Data cover aggregate imports under the specified HTS numbers and encompass more than the articles of cashmere of the proposed modification.

Trade in Knit Accessories of Cashmere

Assuming that the proposed modification would make all imports of the subject accessory articles from Korea eligible for preferential treatment under KORUS, the maximum short-term probable economic effect of the modification would likely be a negligible effect on U.S. imports of knit clothing accessories of wool and fine animal hair under KORUS and on total U.S. imports of these accessories. This is because dutiable imports from Korea make up less than 0.5 percent of total U.S. imports. In 2018, the value of U.S. imports of certain knit accessories under the designated HTS numbers[45] for articles of wool and fine animal hair totaled $93.6 million, of which Korea supplied $665,897 or only 0.7 percent (table 2.11). Note that these figures cover imports of all knit accessories of wool or fine animal hair, of which accessories of cashmere yarns account for only a portion. In contrast, China was the largest U.S. supplier

[44] Additionally, the United States does not appear to be a major source of Korean imports. While Korean imports from the world under 6110.12 totaled $65 million in 2018, less than 0.5 percent of those imports were from the United States. IHS Markit. Global Trade Atlas (GTA) database (accessed June 5, 2019).
[45] While knit accessories classified in other statistical reporting numbers of HTS 6117 may contain cashmere yarns and be affected by the proposed ROO modification, it is likely that most (or virtually all) of the affected articles would enter under the HTS statistical reporting numbers for articles of wool or other fine animal hair, which are 6117.10.1000, 6117.80.8500, 6117.80.8720, and 6117.80.9520. Since HTS heading 6117 is a far broader reporting line that includes many types of knit accessories outside the scope of the proposed modification, the Commission uses trade data from these four statistical reporting numbers as a proxy for the universe of affected articles.

of knit accessories of wool or fine animal hair under the specified HTS numbers, with imports valued at $60.7 million or 64.9 percent of total U.S. imports. The second largest supplier was Thailand ($10.8 million or 11.5 percent), followed by Italy ($7.6 million or 8.1 percent).

Of the imports from Korea, a total of $171,362 (25.7 percent) were dutiable imports that could potentially qualify for duty-free treatment under the proposed modification (table 2.11). Assuming all of these imports became duty-free following the ROO change, the maximum short-term effect on U.S. imports under KORUS would be a shift of dutiable imports ($171,362) to additional duty-free imports.[46] However, this product group includes accessories of wool and all fine animal hair yarns, including those made of cashmere, and it is not possible to differentiate between products covered by the modification versus outside the scope in the trade data. Therefore, this figure is likely overstated, and imports from Korea under KORUS would more than likely increase by a much smaller amount.

Further, while it is possible that Korea could divert exports of the affected articles from other markets to the United States, total Korean exports have been on the decline, and even a substantial increase in imports from Korea would still account for a small share of total U.S. imports. Trade data for Korean exports at the 10-digit statistical reporting number level corresponding to the specific products covered by the proposed modification do not align perfectly.[47] Korean exports under the broader 6-digit subheadings and statistical reporting numbers have declined from $46 million in 2014 to $25 million in 2018.[48] Moreover, the United States accounted for less than $1 million (3.2 percent) of Korean exports in 2018. While some trade diversion of these products to the United States is possible, it would only be the portion of Korean exports made from cashmere, and therefore, a small increase relative to the $93.5 million in total U.S. imports under the HTS subheadings covered by the proposed modifications (table 2.11). Given the small anticipated increase in the value of U.S. imports under KORUS, and the fact that U.S. imports from Korea would still make up less than one percent of total U.S. imports of these products, the overall effect on total U.S. imports would be negligible as well.

Likewise, the proposed modification is likely to have a negligible short-term effect on exports under KORUS and total U.S. exports of knit accessories of cashmere. In 2018, total U.S. exports of knit accessories of cashmere under the specified HTS numbers for articles of wool or fine animal hair were valued at $2.0 million, of which only $8,565 (0.4 percent) went to Korea (table 2.12).[49]

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[46] Trade data on Korean exports at the 8-digit HTS subheading level do not exist. Korea exported just under $25 million of the broader 6-digit subheadings in 2018, with less than $1 million (3.2 percent) being exported to the United States. However, most of these exports are likely to be products outside the scope of the proposed modification. USITC DataWeb/USDOC (accessed May 9, 2019).

[47] Korea has a 10-digit statistical reporting number (6117.10.2000) corresponding to the 6117.10.1000 code in the United States, but does not have separate 10-digit statistical reporting numbers corresponding to 6117.80.8500, 6117.80.8720, and 6117.80.9520, so trade data for Korean exports is the sum of 6117.20.2000 and 6117.80. The latter broader heading, which includes things outside the scope of the proposed modification, is where the vast majority of the aforementioned Korean exports are located ($24.7 million). IHS Markit. Global Trade Atlas (GTA) database (accessed June 5, 2019).

[48] IHS Markit. Global Trade Atlas (GTA) database (accessed June 5, 2019).

[49] Additionally, the United States does not appear to be a major source of Korean imports. While data for Korean imports at the 10-digit level are not available, Korean imports from the world under the broader 6117.10 and 6117.80 totaled $23 million in 2018. Less than 0.1 percent of those imports were from the United States. IHS Markit. Global Trade Atlas (GTA) database (accessed June 5, 2019).

Trade in Parts of Knit Garments of Cashmere

The proposed modification would likely have a negligible short-term effect on U.S. imports of parts of knit garments under KORUS and on total U.S. imports of these parts of garments. Korea does not currently supply the United States with such products. In 2018, the value of U.S. imports of parts of knit garments of wool or fine animal hair (including but not limited to cashmere) under the specified HTS numbers[50] totaled just $69,667, with no imports from Korea (table 2.11). While there are no trade data for Korean exports at the 10-digit statistical reporting number level corresponding to the specific products covered by the proposed modification, Korea exported $36.5 million of products classified in the broader 6-digit subheading to the world in 2018, with $53,311 (less than 0.05 percent) exported to the United States.[51] While some trade diversion of the remaining $36.5 million to the United States under the proposed modification is possible, the likely effect is small since the United States is not a major recipient of Korean exports under the broader subheading, does not import a high volume of these products from any country, and currently does not import from Korea.

Similarly, the proposed modification would likely have a negligible short-term effect on U.S. exports under KORUS, and the effect on total U.S. exports of parts of knit garments of cashmere would likely be negligible. As with imports, the United States does not supply Korea with the subject garment parts. In 2018, total U.S. exports of parts of knit garments of cashmere under the specified HTS numbers for articles of wool or fine animal hair were valued at $38.8 million, with no exports to Korea (table 2.12).[52] Korea assesses a 13 percent ad valorem MFN rate of duty on its imports under HTS heading 5408.

In 2018, the United States imported $5.9 million of yarns of fine animal hair (other than Angora rabbit or mohair) (including, but not limited to, cashmere) (table 2.13), primarily from Italy ($3.8 million or 64.6 percent), followed by Peru[53] ($813,973 or 13.7 percent), China ($602,685 or 10.2 percent), and the United Kingdom ($453,756 or 7.7 percent). Data show U.S. exports of fine animal hair yarns (other than Angora rabbit or mohair) (including, but not limited to, cashmere) valued at $13,104 (table 2.13).

[50] While knit parts of garments classified in other statistical reporting numbers of HTS subheading 6117.90 may contain cashmere yarns and be affected by the proposed ROO modification, it is likely that most (or virtually all) of the affected articles would enter under the HTS statistical reporting numbers for articles of wool or other fine animal hair, which are 6117.90.9005, 6117.90.9025, 6117.90.9045, 6117.90.9065, and 6117.90.9085. Since HTS subheading 6117.90 is a far broader reporting line that includes many types of knit parts of garments outside the scope of the proposed modification, the Commission uses trade data from these five statistical reporting numbers as a proxy for the universe of affected articles.

[51] IHS Markit. Global Trade Atlas (GTA) database (accessed June 5, 2019).

[52] Additionally, the United States does not appear to be a major source of Korean imports. While data for Korean imports at the 10-digit level are not available, Korean imports from the world under the broader 6117.90 totaled $1.3 million in 2018. Less than 4 percent of those imports were from the United States. IHS Markit. Global Trade Atlas (GTA) database (accessed June 5, 2019).

[53] Imports from Peru are most likely yarns of alpaca, llama, or vicuña, which are indigenous to that country, and not cashmere. Other than Angora rabbit hair and mohair (from Angora goats), all yarns of fine animal hair are classified together under the same HTS subheading.

Table 2.13 U.S. imports for consumption and domestic exports of cashmere yarn, 2018

HTS heading/subheading	Total U.S. imports ($)	U.S. imports from Korea ($)	Share from Korea (%)	Total U.S. domestic exports ($)	U.S. domestic exports to Korea ($)	Share from Korea (%)
5108.10.80, 5108.20.80[a]	5,926,668	0	0	13,104	0	0

Source: USITC DataWeb/USDOC (accessed March 20, 2019).
[a] Cashmere yarn is classified in subheadings 5108.10.80 and 5108.20.80, along with yarns of other fine animal hair, other than yarns of angora (rabbit) or mohair (from Angora goats). Data are for aggregate imports and exports under the specified subheadings and cover more than the cashmere yarn of the proposed modification.

Production

The Commission did not receive any comments on the proposed modification to the KORUS ROOs for HTS headings 6110 and 6117 from U.S. producers of knit tops, knit clothing accessories, and parts of knit garments of cashmere yarn. It did receive an objection, however, from a U.S. firm that produces cashmere yarn. American Woolen Company (American Woolen), a Connecticut-based textile mill that currently produces cashmere yarns and sells to outside companies that make knit garments and accessories, indicated that the modification could have an adverse effect on their operations. It stated that the firm is actively trying to expand its business, and would therefore be harmed should the KORUS ROOs be modified as proposed. American Woolen states, "American Woolen is manufacturing cashmere yarns today and is capable of supplying cashmere yarns of heading 5108 in commercial quantities in a timely manner."[54] Based on available information, American Woolen is the sole representative of the U.S. cashmere yarn industry as the only known firm in the United States that imports raw cashmere fiber and processes it into finished yarn.

[54] American Woolen Company, written submission to the USITC, April 4, 2019. American Woolen Company's written submission is included in appendix E.

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Appendix A
Request Letter

DOCKET
NUMBER
3367
Office of the
Secretary
Int'l Trade Commission

THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON

RECEIVED
FEB 22 2019
OFFICE OF THE SECRETARY
U.S. INTL. TRADE COMMISSION

February 22, 2019

The Honorable David S. Johanson
Chairman
United States International Trade Commission
500 E Street, SW
Washington, DC 20436

Dear Chairman Johanson:

The United States and Korea have reached preliminary agreement on proposed modifications to the rules of origin for certain textile and apparel goods under the United States – Korea Free Trade Agreement (KORUS) with respect to three products. These proposed modifications are reflected in the enclosure.

Chapter 4 and Annex 4-A of the KORUS set out rules of origin for textiles and apparel for applying the tariff provisions of the FTA. These rules are reflected in General Note 33 of the Harmonized Tariff Schedule of the United States.

Section 202(o)(2)(B)(i) of the KORUS Implementation Act (the Act) authorizes the President, subject to the consultation and layover requirements of section 104 of the Act, to proclaim such modifications to the rules of origin for textiles and apparel goods as are necessary to implement an agreement with Korea pursuant to Article 4.2.5 of the KORUS. Section 104(1) of the Act requires that the President obtain advice regarding the proposed action from the U.S. International Trade Commission (the Commission) with respect to the probable economic effect of the modifications.

Accordingly, under the authority delegated to me by the President, and pursuant to section 104 of the Act, I hereby request that the Commission provide advice on the probable economic effect of the modifications reflected in the enclosed proposal on U.S. trade under the KORUS, total U.S. trade, and on domestic producers of the affected articles. In addition, I would also request that the Commission provide this advice at the earliest possible date, but not later than four months from the date of delivery of this request, and that the Commission issue, as soon as possible thereafter, a public version of its report with any business confidential information redacted.

The Commission's assistance in this matter is greatly appreciated.

Sincerely yours,

Robert E. Lighthizer

Enclosure

Enclosure

United States – Korea Free Trade Agreement

Proposed Revision to Annex 4-A, Rules of Origin for Textile or Apparel Goods

Chapter 52

5201 – 5205	A change to heading 52.01 through 52.05 from any other chapter, except from heading 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.05, or 55.01 through 55.07.
5206	A change to heading 52.06 from subheading 5504.10, viscose rayon staple fiber of heading 55.07, or any other chapter, except from heading 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.05, 55.01 through 55.03, subheading 5504.90 through heading 55.06, or any other good of heading 55.07.
5207	A change to heading 52.07 from any other chapter, except from heading 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.05, or 55.01 through 55.07.

Chapter 54

5408	A change to heading 54.08 from subheading 5403.10, 5403.31 through 5403.32, cuprammonium rayon yarn of subheading 5403.39, subheading 5403.41, or any other chapter, except from heading 51.06 through 51.10, 52.05 through 52.06, any other good of subheading 5403.39, or 55.09 through 55.10.

Chapter 61

6109	A change to heading 61.09 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties
6110	A change to heading 61.10 from cashmere yarn of heading 51.08, or any other chapter, except from heading 51.06 through 51.07, any other good of heading 51.08, heading 51.09 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties

6111	A change to heading 61.11 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties
6113-6116	A change to heading 61.13 through 61.16 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11, 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties
6117	A change to heading 61.17 from cashmere yarn of heading 51.08, or any other chapter, except from heading 51.06 through 51.07, any other good of heading 51.08, heading 51.09 through 51.13, 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties

On April 1, 2019, Ambassador Lighthizer directed that the following correction be made to his request letter of February 22, 2019, to address clerical errors. The full text appears below, with the correction (the addition of certain headings to the list of exceptions) underlined.

The proposed modification to the KORUS ROO for heading 6117 should read (in its entirety):

6117 A change to heading 61.17 from cashmere yarn of heading 51.08, or any other chapter,

> except from headings 51.06 through 51.07, any other good of heading 51.08, heading 51.09 through 51.13, <u>52.04 through 52.12, 53.07 through 53.08, or 53.10 through 53.11</u>, 54.01 through 54.02, subheading 5403.33 through 5403.39, 5403.42 through heading 54.08, or heading 55.08 through 55.16, or 60.01 through 60.06, provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the Parties

Underlined portions were inadvertently dropped from the original request letter.

Appendix B
Federal Register Notice

Building, 2021 4th Avenue North, Billings, Montana 59101, telephone 406–247–7752.

1. Irrigation, M&I, and miscellaneous water users; Colorado, Kansas, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming: Water service contracts for the sale, conveyance, storage, and exchange of surplus project water and non-project water for irrigation or M&I use to provide up to 10,000 acre-feet of water annually for a term of up to 1 year, or up to 1,000 acre-feet of water annually for a term of up to 40 years.

2. Water user entities responsible for payment of O&M costs for Reclamation projects in Colorado, Kansas, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming: Contracts for extraordinary maintenance and replacement funded pursuant to Subtitle G of Public Law 111–11.

3. Green Mountain Reservoir, Colorado-Big Thompson Project, Colorado: Water service contracts for irrigation and M&I; contracts for the sale of water from the marketable yield to water users within the Colorado River Basin of western Colorado.

4. Garrison Diversion Conservancy District; Garrison Diversion Unit, P–SMBP; North Dakota: Intent to modify long-term water service contract to add additional irrigated acres.

5. Fryingpan-Arkansas Project, Colorado: Consideration of excess capacity contracting in the Fryingpan-Arkansas Project.

6. Colorado-Big Thompson Project, Colorado: Consideration of excess capacity contracting in the Colorado-Big Thompson Project.

7. Roger W. Evans (Individual); Boysen Unit, P–SMBP; Wyoming: Renewal of long-term water service contract.

8. Busk-Ivanhoe, Inc., Fryingpan-Arkansas Project, Colorado: Contract for long-term carriage and storage, and/or a new contract for an additional use of water.

9. State of Kansas Department of Wildlife and Parks; Glen Elder Unit, P–SMBP; Kansas: Intent to enter into a contract for the remaining conservation storage in Waconda Lake for recreation and fish and wildlife purposes.

10. Arkansas Valley Conduit, Fryingpan-Arkansas Project, Colorado: Consideration of a repayment contract for the Arkansas Valley Conduit and signing a contract to use infrastructure owned by the Pueblo Board of Water Works.

11. Donala Water and Sanitation District, Fryingpan-Arkansas Project, Colorado: Consideration of a long-term excess capacity contract.

12. Tom Green County Water Control and Improvement District No. 1, San Angelo Project, Texas: Consideration of a potential contract(s) for use of excess capacity by individual landowner(s) for irrigation purposes.

13. Western Heart River ID; Heart Butte Unit, P–SMBP; North Dakota: Consideration of amending the long-term irrigation repayment contract and project-use power contract to include additional acres.

14. Buford-Trenton ID; Buford-Trenton Project, P–SMBP; North Dakota: Consideration of amending the long-term irrigation power repayment contract and project-use power contract to include additional acres.

15. Milk River Project, Montana: Proposed amendment to contracts to reflect current landownership.

16. Glen Elder ID No. 8; Glen Elder Unit, P–SMBP; Kansas: Consideration to renew long-term water service contract No. 2–07–60–W0855.

17. Town of Estes Park, Colorado-Big Thompson Project, Colorado: Consideration of a renewal of the contract with the Town of Estes Park.

18. Bureau of Land Management, Fryingpan-Arkansas Project, Colorado: Consideration of an excess capacity contract to store water in the Fryingpan-Arkansas Project.

19. Fresno Dam, Milk River Project, Montana: Consideration of contract(s) for repayment of SOD costs.

20. Canyon Ferry Water Users Association; Canyon Ferry Unit, P–SMBP; Montana: Consideration for new long-term repayment contract.

21. City of Thermopolis; Boysen Unit, P–SMBP; Wyoming: Consideration for renewal of long-term water service contract No. 8–07–WS050.

22. Mid-Dakota Rural Water System, Inc., South Dakota: Consideration of an amendment to agreement No. 5–07–60–W0223 to reflect the payoff of loans.

23. Garrison Diversion Conservancy District; Garrison Diversion Unit, P–SMBP; North Dakota: Consideration of a contract for 20 cubic-feet-per-second of water for rural and M&I purposes.

24. Southeastern Colorado Water Conservancy District, Fryingpan-Arkansas Project, Colorado: Consideration of amending contract No. 5–07–70–W0086 and convert or renew contract No. 5–07–70–W0086.

25. City of Casper; Kendrick Unit, P–SMBP; Wyoming: Consideration for renewal of long-term water service contract No. 2–07–70–W0534.

26. Southeastern Colorado Water Conservancy District Acting by and through its Water Activity Enterprise, Fryingpan-Arkansas Project, Colorado: Consideration to amend Pueblo Lease of Power Privilege contract No. 17XX650016.

27. Pueblo Board of Water Works, Fryingpan-Arkansas Project, Colorado: Consideration for renewal of contract No. 00XX6C0049.

28. Southeastern Colorado Water Conservancy District, Fryingpan-Arkansas Project, Colorado: Consideration of a repayment contract for the North Outlet Works—South Outlet Works Interconnect at Pueblo Reservoir.

29. Dickey-Sargent ID; Garrison Diversion Unit, P–SMBP; North Dakota: Consideration of a repayment contract for irrigation storage in Jamestown Reservoir.

Completed contract action:

1. (21) Western Heart River ID; Heart Butte Unit, P–SMBP; North Dakota: Consideration of contract for repayment of SOD costs. Contract executed on November 2, 2018.

Karl J. Stock,

Acting Director, Policy and Administration.

[FR Doc. 2019–04703 Filed 3–13–19; 8:45 am]

BILLING CODE 4332–90–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. U.S.-Korea FTA–103–032]

U.S.-Korea FTA: Advice on Modifications to Certain Textile and Apparel Rules of Origin

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation and notice of opportunity to provide written comments.

SUMMARY: Following receipt on February 22, 2019, of a request from the U.S. Trade Representative (USTR), under authority delegated by the President and pursuant to section 104(1) of the U.S.-Korea Free Trade Agreement Implementation Act (the Act), the U.S. International Trade Commission (Commission) instituted investigation No. U.S.-Korea FTA–103–032, *U.S.-Korea FTA: Advice on Modifications to Certain Textile and Apparel Rules of Origin,* for the purpose of providing advice on modifications to the U.S.-Korea Free Trade Agreement (KORUS) rules of origin for certain textile and apparel goods.

DATES: March 29, 2019: Deadline for filing written submissions. June 24, 2019: Transmittal of Commission report to USTR.

ADDRESSES: All Commission offices are located in the United States

International Trade Commission Building, 500 E Street SW, Washington, DC. All written submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW, Washington, DC 20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *https://www.usitc.gov/secretary/edis.htm.*

FOR FURTHER INFORMATION CONTACT: Project Leader Jeff Horowitz (202–205–2750 or *jeffrey.horowitz@usitc.gov*) or Deputy Project Leader Robert Casanova (202–708–2719 or *robert.casanova@usitc.gov*) for information specific to this investigation. For information on the legal aspects of this investigation, contact William Gearhart of the Commission's Office of the General Counsel (202–205–3091 or *william.gearhart@usitc.gov*). The media should contact Margaret O'Laughlin, Office of External Relations (202–205–1819 or *margaret.olaughlin@usitc.gov*). Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal at 202–205–1810. General information concerning the Commission may also be obtained by accessing its internet server (*https://www.usitc.gov*). Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000.

SUPPLEMENTARY INFORMATION:

Background: In his request letter (received February 22, 2019), the USTR stated that the United States and Korea have recently reached preliminary agreement on proposed modifications to the KORUS rules of origin for certain textile and apparel goods. The USTR stated that section 202(o)(2)(B)(i) of the Act authorizes the President, subject to the consultation and layover requirements of section 104 of the Act, to proclaim such modifications to the rules or origin for textiles and apparel goods as are necessary to implement an agreement with Korea pursuant to Article 4.2.5 of the U.S.-Korea FTA. The USTR also stated that one of the requirements set out in section 104(1) of the Act is that the President obtain advice regarding the proposed action from the Commission.

In the request letter, the USTR requested that the Commission provide advice on the probable economic effect of the modifications on U.S. trade under KORUS, total U.S. trade, and on domestic producers of the affected articles. He further requested that the Commission provide its advice at the earliest possible date but no later than four months from receipt of the request, and that it issue, as soon as possible thereafter, a public version of its report with any confidential business information deleted.

The proposed modifications to the KORUS rules of origin cover the following products: Certain cotton yarns (under HTS heading 5206) with viscose rayon staple fibers (under HTS subheadings 5504.10 or 5507.00), certain woven fabrics (under HTS heading 5408) with cuprammonium rayon yarns (under HTS heading 5403.39), and certain apparel (under HTS heading 6110), accessories and parts (under HTS heading 6117) of certain cashmere yarns (under HTS heading 5108). The request letter and the proposed modifications are available on the Commission's website at *https://www.usitc.gov.* As requested, the Commission will provide its advice to USTR no later than four months of receiving the request letter (by June 24, 2019).

Written Submissions: No public hearing is planned. However, interested parties are invited to file written submissions. All written submissions should be addressed to the Secretary, and should be received no later than 5:15 p.m., March 29, 2019. All written submissions must conform with the provisions of section 201.8 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.8). Section 201.8 and the Commission's Handbook on Filing Procedures require that interested parties file documents electronically on or before the filing deadline and submit eight (8) true paper copies by 12:00 p.m. eastern time on the next business day. In the event that confidential treatment of a document is requested, interested parties must file, at the same time as the eight paper copies, at least four (4) additional true paper copies in which the confidential information must be deleted (see the following paragraph for further information regarding confidential business information). Persons with questions regarding electronic filing should contact the Office of the Secretary, Docket Services Division (202–205–1802).

Confidential Business Information: Any submissions that contain confidential business information (CBI) must also conform with the requirements of section 201.6 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the ''confidential'' or ''non-confidential'' version, and that the confidential business information is clearly identified by means of brackets. All written submissions, except for those containing CBI, will be made available for inspection by interested parties.

The Commission may include some or all of the CBI submitted in the course of the investigation in the report it sends to USTR. In addition, all information, including CBI, submitted in this investigation may be disclosed to and used: (i) By the Commission, its employees and Offices, and contract personnel (a) for developing or maintaining the records of this or a related proceeding, or (b) in internal investigations, audits, reviews, and evaluations relating to the programs, personnel, and operations of the Commission including under 5 U.S.C. Appendix 3; or (ii) by U.S. government employees and contract personnel for cybersecurity purposes. The Commission will not otherwise disclose any confidential business information in a manner that would reveal the operations of the firm supplying the information.

Summaries of Written Submissions: The Commission intends to publish summaries of the positions of interested persons in an appendix to its report. Persons wishing to have a summary of their position included in the appendix should include a summary with their written submission and should specifically state that the summary is intended for that purpose, and titled as such. The summary may not exceed 500 words, should be in MSWord format or a format that can be easily converted to MSWord, and should not include any CBI. The summary will be included in the report as provided if it meets these requirements and is germane to the subject matter of the investigation. In the appendix, the Commission will identify the name of the organization furnishing the summary and will include a link to the Commission's Electronic Document Information System (EDIS) where the full written submission can be found.

By order of the Commission.

Issued: March 11, 2019.

Katherine Hiner,

Acting Secretary to the Commission.

[FR Doc. 2019–04762 Filed 3–13–19; 8:45 am]

BILLING CODE 7020–02–P

Appendix C
Request Letter from Korea to the USTR

Attachment: Request to modify the rules of origin under the *Free Trade Agreement between the Republic of Korea and the United States of America*

September 24, 2018

William D. Jackson
Assistant United States Trade Representative for Textiles
Executive Office of the President
Washington, D.C.

Dear Assistant U.S. Trade Representative Jackson:

Pursuant to Article 4.2.3 of the *Free Trade Agreement between the Republic of Korea and the United States of America* (Agreement), the Government of the Republic of Korea (Korea) requests that our governments begin consultations to modify the rules of origin under the Agreement for certain end-use yarns, fabrics and apparel based on the lack of commercial availability of certain textile inputs, as described below.

Based on its knowledge of the industry, the Government of Korea has determined that there is no production of these products in Korea or from suppliers in the United States of America (United States).

NO	Input Product Description	Input Product HTS	End-use Product Description
1	certain viscose rayon staple fibers classified in subheadings 5504.10 or 5507.00	5504.10 5507.00	Cotton yarn (other than sewing thread), containing less than 85% by weight of cotton, not put up for retail sale, classified in heading 52.06
2	certain textured and non-textured cuprammonium rayon filament yarns classified in subheading 5403.39	5403.39	Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading 54.05, classified in heading 54.08

3	certain cashmere yarn classified in heading 51.08	51.08	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, classified in heading 61.10; Other made up clothing accessories, knitted or crocheted, classified in heading 61.17; Knitted or crocheted parts of garments or of clothing accessories, classified in heading 61.17

The Government of Korea is aware that the solicitation of public comment, the review process of the United States International Trade Commission (USITC) and relevant trade advisory committees, and the Congressional consultation and layover process are required in accordance with the United States domestic laws and regulations in order to modify the rules of origin under the Agreement. The Government of Korea requests that the Government of the United States conduct its domestic procedures expeditiously with respect to these consultations on, potential agreement on, and any subsequent implementation of these proposed modifications to the rules of origin under the Agreement.

The Government of Korea looks forward to a favorable consideration of the request for a change in the relevant rules of origin pursuant to Article 4.2.3, et seq., of the Agreement.

Sincerely,

Yoo Myung-hee
Deputy Minister for Trade Negotiations

Cc: Terry Labat
Acting Chair
Committee for the Implementation of Textile Agreements
U.S. Department of Commerce
Washington D.C.

Appendix D
HTS Numbers and Tariff Rates

Table D.1 HTS numbers and tariff rates

HTS 2019	Description	United States NTR rate (percent)
5206	Cotton yarn (other than sewing thread), containing less than 85 percent by weight of cotton, not put up for retail sale	9.2
5408.22.10	Woven fabrics of artificial filament yarn, containing 85 percent or more by weight of artificial filament or strip or the like, dyed, of cuprammonium rayon	14.9
5408.23.11	Woven fabrics of artificial filament yarn, containing 85 percent or more by weight of artificial filament or strip or the like, of yarns of different colors, thread count of which per cm (treating multiple (folded) or cabled yarns as single threads) is over 69 but not over 142 in the warp and over 31 but not over 71 in the filling, of cuprammonium rayon	Free
5408.23.21	Woven fabrics of artificial filament yarn, containing 85 percent or more by weight of artificial filament or strip or the like, of yarns of different colors, other, of cuprammonium rayon	12
5408.24.10	Woven fabrics of artificial filament yarn, containing 85 percent or more by weight of artificial filament or strip or the like, printed, of cuprammonium rayon	12
6110.12.10	Sweaters, pullovers, sweatshirts, waist coats (vests), and similar articles, knitted or crocheted, of wool or fine animal hair, of Kashmir (cashmere) goats, wholly of cashmere	4
6110.12.20	Sweaters, pullovers, sweatshirts, waist coats (vests), and similar articles, knitted or crocheted, of wool or fine animal hair, of Kashmir (cashmere) goats, other	16
6117.10.10	Made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories, shawls, scarves, mufflers, mantillas, veils and the like, of wool or fine animal hair	9.6
6117.80.85	Made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories, other accessories, other, headbands, ponytail holders and similar articles	14.6
6117.80.8720	Made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories, other accessories, other, ties, bow ties, and cravats, of wool or fine animal hair	5
6117.80.9520	Made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories, other accessories, other, of wool or fine animal hair	14.6
6117.90.9005	Made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories, parts, other, of sweaters, of wool or fine animal hair	14.6
6117.80.9525	Made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories, parts, other, of blouses and shirts, of wool or fine animal hair	14.6
6117.90.9045	Made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories, parts, other, of coats and jackets, of wool or fine animal hair	14.6
6117.90.9065	Made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories, parts, other, of trousers, breeches and shorts, of wool or fine animal hair	14.6
6117.90.9085	Made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories, parts, other, other, of wool or fine animal hair	14.6

Source: Harmonized Tariff Schedule (HTS), 2019.

Appendix E
Written Submissions

AMERICAN WOOLEN
COMPANY
Producers of the finest worsted & woolen cloth.

8 Furnace Avenue
Stafford Springs, CT
06076

April 9, 2019

Ms. Katherine Hiner
Acting Secretary
U.S. International Trade Commission
500 E Street SW
Washington, DC 20436

Submitted via EDIS

Subject: Investigation No. U.S.-Korea FTA–103–032 - U.S.-Korea FTA: Advice on Modifications to Certain Textile and Apparel Rules of Origin

Dear Acting Secretary Hiner:

I write to voice strong opposition to the proposed modifications to the rules of origin under the U.S.-Korea Free Trade Agreement ("KORUS") for:

- certain knit apparel, classified under Harmonized Tariff Schedule (HTS) heading 6110, and
- accessories and parts, classified under HTS heading 6117,

as published in the Federal Register on March 14, 2019, at 84 FR 9380.

The pending modifications stem from a request by the Government of Korea to amend the KORUS rules of origin to allow for the use of non-originating cashmere yarns classified under HTS heading 5108 in apparel articles and accessories of the above descriptions. Korea's request is based on their assertion that there is no production of cashmere yarns in the United States or Korea.

To the contrary, American Woolen Company is manufacturing these yarns today and is capable of supplying cashmere yarns of heading 5108 in commercial quantities in a timely manner under KORUS.

NON-CONFIDENTIAL

By way of background, American Woolen Company has a long legacy of supplying high quality yarns and fabrics. At one time, American Woolen Company owned and operated 58 textile mills throughout New England and employed over 40,000 people. The company was recognized for its superior product quality as well as its focus on innovative manufacturing processes, a distinction that helped it maintain a competitive edge in an extremely challenging industry.

In 2014, the new American Woolen Company relaunched its business through the purchase of Warren Mills, a Stafford Springs, Connecticut-based textile mill founded in 1853. Warren Mills in Stafford Springs, CT is the manufacturing headquarters of American Woolen Company. American Woolen Company is committed to bringing back the jobs and technical mastery required to make the finest natural fiber yarns and fabrics in the world, in America.

Our production facility is configured to produce [****] of cashmere yarns subject to this request. Our modern spinning equipment enables us to produce high quality yarns with speed and flexibility. Our [****] employees have decades of experience with these products.

As the ITC conducts its assessment of the probable economic effects of the proposed modifications on trade and domestic producers, we maintain that American Woolen Company's competitive position under KORUS with respect to opportunities both to export cashmere yarn to Korea as well as supply these yarns into U.S.-made apparel and accessories exported to Korea would be undermined by the pending changes.

Given that the subject cashmere yarns are available domestically from American Woolen Company and we would be harmed should KORUS be modified in this manner, I urge in the strongest terms that the United States not move forward with the proposed modifications.

If you have any questions, please contact me at Jennifer.Knight@americanwoolen.com.

Sincerely,

Jennifer Knight
President & COO
American Woolen Company

NON-CONFIDENTIAL

PARKDALE
531 Cotton blossom circle
Gastonia NC 28054
(704) 874-5100

April 4, 2019

Ms. Katherine Hiner
Acting Secretary
U.S. International Trade Commission
500 E. Street SW
Washington, DC 20436

Re: Investigation No. U.S.-Korea FTA-103-032 – U.S. Korea FTA: Advice on Modifications to Certain Textile and Apparel Rules of Origin

Dear Acting Secretary Hiner:

These comments are provided on behalf of Parkdale Mills in response to the Federal Register request for public comments found at 84 FR 9380 and dated March 14, 2019 (Investigation No. U.S.-Korea FTA-103-032).

Parkdale is a U.S. based yarn manufacturing company operating 24 plants in 6 states, employing approximately 4,000 people.

Parkdale produces cotton yarns that are the subject to one of the pending changes. We strongly oppose the specific rule of origin modification that would allow for the use of non-originating viscose rayon staple fibers under HTS subheadings 5504.10 or 5507.00 in cotton yarns under HTS heading 5206. Currently, cotton yarns incorporating third-country viscose rayon staple fiber do not meet the rule of origin negotiated under KORUS and thus are subject to a 9.2% duty when entering the U.S. market.

Parkdale produces enough of this product line to sustain one of our 24 facilities year round. As a producer of these yarns, our competitiveness relative to producers in Korea would be negatively impacted by the proposed rule modification to allow such yarns to enter the U.S. market duty free. Korean spinners can import the subject fiber duty free from China while U.S. companies sourcing these inputs are dependent on the MTB process, which by its design is temporary and has been subject to significant lapses in the past. Also of concern is the differential in fiber pricing for spinners from China to Korea vs. China to the U.S.

Additionally, there is a significant lack of equivalent opportunity for U.S. Spinners to export these products to Korea. U.S. exports of all types of cotton yarn under 5206 have averaged only $58,000 over the last 3 years according to USITC Dataweb, while U.S. imports from South Korea averaged $428,000. As a result, approval of the proposed change is likely to further contribute to the already growing trade deficit that the U.S. runs with South Korea, which totaled $994 million in textiles and apparel last year.

Thank you for your consideration of our input regarding this important matter. Please contact me if we may provide any further information helpful to the Commission in conducting its analysis.

Sincerely,

D. E. Nation

Daniel E. Nation
Government Affairs Manager
dan.nation@parkdalemills.com
(704) 860-0932