

September 14, 2005

James Leonard  
Chairman, Committee for the Implementation of Textile Agreements  
Room H3100  
U.S. Department of Commerce  
14<sup>th</sup> and Constitution Ave, NW  
Washington, DC 20230

Dear Mr. Leonard:

The American Manufacturing Trade Action Coalition (AMTAC), National Council of Textile Organizations (NCTO), National Textile Association (NTA), SEAMS, and UNITE HERE! request that the Committee for the Implementation of Textile Agreements (CITA) take the necessary actions to re-impose a safeguard on U.S. imports from China of underwear, classified within Category 352/652 of the U.S. Textile and Apparel Category System by January 1, 2006. This request is made pursuant to the guidelines issued by CITA (68 F.R. 27787, May 21, 2003).

Petitioners strongly request that there be a seamless reapplication of the safeguard quota in order to avoid market disruption with respect to the subject products when the current safeguard limit expires on December 31, 2005. Without re-imposition of quota restraints on January 1, 2006, available evidence demonstrates that the U.S. market will clearly experience a substantial increase of the subject products from China, causing market disruption in the United States. As such, the imminent threat of substantial increases in imports of the subject products from China will impede the orderly development of trade in the subject products.

The parties submitting this request are trade associations and unions that are representative of either domestic producers of products like or directly competitive with underwear in Category 352/652 or of domestic producers of components used in the production of products that are like or directly competitive with those contained in Category 352/652.

### **Description of Petitioners**

For your background information, descriptions of each organization are as follows:

**AMTAC** is a not-for-profit manufacturing trade association established for the purpose of preserving and creating American manufacturing jobs through the establishment of trade policy and other measures necessary for the U.S. manufacturing sector to stabilize and grow. Its members are involved in a wide variety of manufacturing, including textiles, throughout the United States. AMTAC's office is in Washington, D.C.  
[www.amtadc.org](http://www.amtadc.org)

**NCTO** is a not-for-profit trade association established to represent the entire spectrum of the United States textile sector, from fibers to yarns to fabrics to finished products, as

well as suppliers of textile machinery, chemicals and other such sectors, which have a stake in the prosperity and survival of the U.S. textile sector. Its headquarters are in Washington, D.C., and it also maintains an office in Gastonia, NC. [www.ncto.org](http://www.ncto.org)

**NTA** is a not-for-profit trade association of companies who knit or weave fabrics in the United States, dye, print or otherwise finish fabrics in the United States, or supply fibers, yarns, or other services to the American textile industry. NTA's office is in Boston, MA. [www.nationaltextile.org](http://www.nationaltextile.org)

**SEAMS** is a not-for-profit association that represents the all U.S.A. soft goods supply chain. It is comprised of manufacturing and contract manufacturing companies, and their suppliers in the sewn products industry. The mission of SEAMS is to work for the promotion of the sewn products industry by keeping members informed about federal issues that could affect them, and by offering members a variety of educational and other programs. SEAMS is headquartered in Columbia, SC and represents companies that manufacture the subject products in the United States. [www.seams.org](http://www.seams.org)

**UNITE HERE!** was formed by a merger in 2004 of UNITE (formerly the Union of Needletrades, Textiles and Industrial Employees) and HERE (Hotel Employees and Restaurant Employees International Union). The union, UNITE HERE, represents more than 440,000 active members and more than 400,000 retirees throughout North America. UNITE HERE's headquarters are in New York, NY. [www.unitehere.org](http://www.unitehere.org)

### **Previous Finding of CITA Regarding the Subject Products**

In its previous finding concerning the subject products, CITA made the following findings:

**“U.S. Imports from China Are Increasing Rapidly in Absolute Terms.** U.S. imports of underwear from China were 5,211,785 dozens for the entire twelve months of 2004. In the first quarter of 2005, U.S. imports from China increased to 5,252,622 dozens, an increase of 318 percent from the first quarter of 2004.

**U.S. Imports from the World Are Increasing Rapidly in Absolute Terms.** U.S. imports of underwear from all sources, excluding underwear containing U.S. components that were imported under outward processing programs, increased from 28,468 thousand dozens in the first quarter of 2004 to 32,770 thousand dozens in the first quarter of 2005 - an increase of 15 percent. More than 90 percent of this increase was attributable to imports from China.

**The Average Unit Value of Imports from China Is Falling in 2005.** In 2004, the average unit value of U.S. underwear imports from China was US\$31.46 per dozen. In the first three months of 2005, the average unit value of those imports fell to US\$15.68 per dozen, compared to US\$15.80 per dozen for “rest of world” imports.<sup>1</sup>

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<sup>1</sup> Summary of the Reasons and Justifications for U.S. Request for Consultations with China Pursuant to Paragraph 242 of the Report of the Working Party on the Accession of China to the World Trade Organization, 70 F.R. 29722, May 24, 2005.

The circumstances that justified the original imposition of safeguards on imports from China of the subject products continue to exist:

- Imports from China have continued to surge and are up 406.6 percent for the most recent period, year-to-date August<sup>2</sup>, even with the safeguard quota in place.
- China has risen from being the 11<sup>th</sup> largest supplier of the subject products to the U.S. market in 2004 to the number four supplier so far in 2005.
- China's share of the U.S. import market has also exploded from 1.9 percent in 2004 to 9.8 percent year-to-date August.
- China's precipitous price drops continue with the China price now 9 percent below the average world price.
- Furthermore, China filled 100 percent of their 2006 safeguard quota within six weeks of the quota becoming open (quota opened 5/23, filled 7/5).

### **The Threat of Increased Imports from China**

There is strong and compelling evidence from many sources that imports of the subject products from China will increase should safeguard limits be removed on January 1.

1. Growth in textile and apparel production capacity in China has occurred at an astounding rate, demonstrating the country's commitment to accelerated market share in textiles and apparel worldwide;
2. China has moved quickly to dominate the market in virtually all textile and apparel categories removed from quota control;
3. China has engaged in significant price cutting in order to rapidly accumulate orders in every category, including this category, removed from quota in the U.S. market;
4. Chinese exports of the subject products to the world have increased substantially while other exporters have declined;
5. In other developed markets similar to the United States where quotas were removed, China moved quickly to dominate them; and
6. China continues to engage in a variety of unfair trade practices, including currency manipulation, which allow Chinese textile and apparel manufacturers to undercut U.S. and other competitors' prices.

This petition establishes that, should the United States not reapply safeguards as authorized under paragraph 11.242 of the Report of the Working Party:

- ♦ U.S. imports from China will increase rapidly in absolute terms in 2006;
- ♦ U.S. imports from China will increase rapidly relative to other imports;

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<sup>2</sup> All year-to-date August 2005 figures are preliminary.

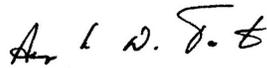
- ◆ The increase in imports will contribute to market disruption in the U.S. as the U.S. industry is vulnerable to any increase in imports;
- ◆ Imports of the subject products from China play a role in the threatened market disruption to the U.S. market;
- ◆ Imports from China are likely to increase further in the near future; and
- ◆ Average unit values of imports of the subject products from China will undercut prevailing prices and further disrupt the U.S. market.

**Requested Action**

The Committee for the Implementation of Textile Agreements (CITA) is hereby requested to take all appropriate steps in order to avoid market disruption in 2006 with respect to imports from China of such products. Petitioners submit that such market disruption can only be avoided by the reapplication of safeguard limitations on imports of the subject products from China according to the provisions of Section 11.242 of the Report of the Working Party, the guidelines issued by the Committee for the Implementation of Textile Agreements (68 F.R. 27787, May 21, 2003), and the previous decision of CITA reflected in its determination published at 70 F.R. 29722, May 24, 2005 (May 24, 2005).

Thank you for your consideration of this important matter.

Sincerely,



Auggie Tantillo  
Executive Director  
AMTAC



Karl Spilhaus  
President  
NTA



Cass Johnson  
President  
NCTO



Bruce Raynor  
General President  
UNITE HERE

**Table 1:** U.S. Production, Imports, and Domestic Market Share for Underwear (Category 352/652) 1999-2004 (Market Share values calculated as a percentage of U.S. Production plus U.S. Imports.)

Time Period	U.S. Production (Thousand Dozen)	U.S. Imports	U.S. Imports from China	U.S. Domestic Market Share (Percent)	Import Market Share (Percent)	China Market Share (Percent)
1999	138,714	227,180	4,988	37.91	62.09	1.36
2000	121,029	229,884	4,423	34.49	65.51	1.26
2001	90,293	220,921	5,394	29.01	70.99	1.73
2002	71,996	242,402	4,446	22.90	77.10	1.41
2003	57,730	255,979	5,394	18.40	81.60	1.72
2004	45,732	235,811	5,212	16.24	83.76	1.85

Source: U.S. Imports, Production, Markets, Import Production Ratios and Domestic Market Shares for Textile and Apparel Product Categories (OTEXA/ITA/U.S. Department of Commerce)

**Table 2:** U.S. Imports of Underwear (Category 352/652) 1999-2004, 1<sup>st</sup> Quarter 2004 and 2005, 2<sup>nd</sup> Quarter 2004 and 2005, YE July 2004 and 2005, YTD July 2004 and 2005, YE August 2004 and 2005(p), YTD August 2004 and 2005(p), from the World and China: Quantity (Dozen), Percent Change, and China's Percent Share of Total U.S. Imports

Time Period	U.S. Imports-Category 352/652 from:		China:		
	World: Quantity (Doz.)	% Change	Quantity (Doz.)	% Change	% Share
1999	227,180,488	--	4,988,238	--	2.2
2000	229,883,624	1.2	4,422,533	-11.4	1.9
2001	220,921,008	-3.9	5,393,531	22.0	2.4
2002	242,401,707	9.7	4,446,364	-17.6	1.8
2003	255,976,699	5.6	5,393,710	21.3	2.1
2004	268,286,180	4.8	5,212,029	-3.4	1.9
1 <sup>st</sup> Qtr/04	57,450,578	--	1,255,900	--	2.2
1 <sup>st</sup> Qtr/05	64,026,055	11.4	5,252,622	318.2	8.2
2 <sup>nd</sup> Qtr/04	65,737,931	--	1,361,119	--	2.1
2 <sup>nd</sup> Qtr/05	76,115,986	15.8	11,461,269	742.0	15.1
YE 7/04	255,689,558	--	5,455,453	--	2.1
YE 7/05	281,790,561	10.2	20,055,505	267.6	7.1
YTD 7/04	148,290,907	--	3,054,819	--	2.1
YTD 7/05	161,795,288	9.1	17,898,295	485.9	11.1
YE 8/04	258,639,310	--	5,463,748	--	2.1
YE 8/05(p)	285,248,070	10.3	19,317,259	253.6	6.8
YTD 8/04	171,015,905	--	3,520,002	--	2.1
YTD 8/05(p)	182,000,757	6.4	17,833,097	406.6	9.8