

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 man-made fiber trousers classified within Category 647/648 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 man-made fiber trousers in Category 647/648 or of domestic producers of components used in the production of products that are like or directly competitive with those contained in Category 647/648.

### **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.amtacdc.org](http://www.amtacdc.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:

“The United States believes that imports of Chinese-origin man-made fiber trousers, slacks and shorts are, due to a threat of market disruption, threatening to impede the orderly development of trade in these products. This finding supports a request for consultations with the Government of the People's Republic of China under Paragraph 242 of the Report of the Working Party on the Accession of China to the World Trade Organization (“Paragraph 242”). The following facts, and others contained in this Statement, support this belief:

**U.S. Imports from China Are Increasing Rapidly in Absolute Terms.** U.S. imports of man-made fiber trousers, slacks and shorts from China were 2,851,512 dozens for the entire twelve months of 2004. In the first quarter of 2005, U.S. imports from China were 2,328,112 dozens, an increase of 278 percent from the first quarter of 2004, and a level of 82 percent of total calendar year 2004 imports from China.

**U.S. Imports from the World are Increasing Rapidly in Absolute Terms.** U.S. imports of man-made fiber trousers, slacks and shorts from all sources, excluding man-made fiber trousers, slacks and shorts containing U.S. components that were imported under outward processing programs, increased from 12,031 thousand dozens in the first quarter of 2004 to 12,995 thousand dozens in the first quarter of 2005 – an increase of 8 percent. The absolute increase of imports from China in the first quarter of 2005 (1,713 thousand dozens) is greater than the absolute increase in U.S. imports of this category from the world as a whole (964 thousand dozens).

**The Average Unit Value of Imports from China is Falling in 2005.** In 2004, the average unit value of U.S. man-made fiber trousers, slacks and shorts imports from China was US\$130.58 per dozen. In the first three months of 2005, the average unit value of those imports fell to US\$68.76 per dozen compared to US\$62.18 dozen for “rest of world” imports.”<sup>1</sup>

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 288.7 percent for the most recent period, year-to-date August<sup>2</sup>, even with the safeguard quota in place.
- China has risen from 7<sup>th</sup> largest supplier of the subject products to the U.S. market in 2004 to number one supplier so far in 2005.
- China’s share of the U.S. import market has also exploded from 4.6 percent in 2004 to 17.4 percent year-to-date August.
- China’s precipitous price drops continue with China’s price now at \$56.38/doz for year-to-date July, or 42 percent below its price of \$97.78/doz for the same time period last year.
- Furthermore, China completely filled the Category 647/648 safeguard quota on August 3, 2005, just over 2 months after the quota was established.

### **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.

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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. 30930, May 31, 2005.

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

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

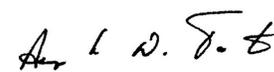
- ◆ U.S. imports from China will increase rapidly in absolute terms in 2006;
- ◆ U.S. imports from China will increase rapidly relative to other imports;
- ◆ The increase in imports will contribute to market disruption in the U.S. as the U.S. industry is vulnerable to any increase in imports;
- ◆ Imports 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 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. 30930, May 31, 2005.

Thank you for your consideration of this important matter.

Sincerely,



Auggie Tantillo  
Executive Director  
AMTAC



Cass Johnson  
President  
NCTO



Karl Spilhaus  
President  
NTA



Sarah Friedman  
Executive Director  
SEAMS



Bruce Raynor  
General President  
UNITE HERE

**Table 1:** U.S. Production, Imports, and Domestic Market Share for Man-Made Fiber Trousers (Category 647/648) 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	19,444	44,144	2,921	30.58	69.42	4.59
2000	18,502	54,285	2,808	25.42	74.58	3.86
2001	18,345	56,801	2,334	24.41	75.59	3.11
2002	15,751	57,775	3,366	21.42	78.58	4.58
2003	14,740	60,036	3,220	19.71	80.29	4.31
2004	10,492	61,507	2,851	14.57	85.43	3.96

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 Cotton and Man-Made Fiber Trousers (Category 647/648) 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 647/648 from: World:		China:		
	Quantity (Doz.)	% Change	Quantity (Doz.)	% Change	% Share
1999	44,144,235	--	2,921,266	--	6.6
2000	54,284,976	23.0	2,807,559	-3.9	5.2
2001	56,801,191	4.6	2,334,161	-16.9	4.1
2002	57,774,906	1.7	3,366,038	44.2	5.8
2003	60,030,570	3.9	3,219,753	-4.3	5.4
2004	61,506,036	2.5	2,851,279	-11.4	4.6
1 <sup>st</sup> Qtr/04	15,434,153	--	615,356	--	4.0
1 <sup>st</sup> Qtr/05	15,871,141	2.8	2,326,632	278.1	14.7
2 <sup>nd</sup> Qtr/04	15,171,710	--	603,871	--	4.0
2 <sup>nd</sup> Qtr/05	15,995,319	5.4	3,390,158	461.4	21.2
YE 7/04	60,022,277	--	2,577,266	--	4.3
YE 7/05	62,747,921	4.5	8,634,269	235.0	13.8
YTD 7/04	36,584,882	--	1,561,018	--	4.3
YTD 7/05	37,826,767	3.4	7,344,008	370.5	19.4
YE 8/04	60,171,966	--	2,615,119	--	4.3
YE 8/05(p)	61,752,834	2.6	8,310,726	217.8	13.5
YTD 8/04	42,115,914	--	1,891,057	--	4.5
YTD 8/05(p)	42,362,712	0.6	7,350,504	288.7	17.4