REQUEST FOR REAPPLICATION OF SAFEGUARDS

KNIT FABRIC (CATEGORY 222) IMPORTED FROM

THE PEOPLE'S REPUBLIC OF CHINA

Filed November 19, 2004

Authority for Action: Section 204 of the Agriculture Act of 1956, as amended, and § 11.242 of the Report of the Working Party on the Accession of China to the World Trade Organization.

Subject of Petition: Imports of knit fabric from China, classified as category 222 by the U.S. Textile and Apparel Category System.

Original Federal Register Notice: 68 F.R. 74944 (December 29, 2003)

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A. INTRODUCTION

This Petition is filed requesting the reapplication of safeguards under the authority of § 204 of the Agriculture Act of 1956, as amended, and § 11.242 of the Report of the Working Party on the Accession of China to the World Trade Organization ("Report of the Working Party") with respect to imports of knit fabric (classified in the U.S. Textile and Apparel Category System as category 222, the "subject products") of Chinese origin.

Petitioners assert that imports of the subject products from China are, due to market disruption, threatening to impede the orderly development of trade in the subject products, and that imports of the subject products from China play a significant role in the existence of market disruption. Petitioners also assert that imports from China are, due to the threat of market disruption, threatening to impede the orderly development of trade in the subject products, and that imports of the subject products from China play a significant role in the threat of market disruption.

On December 23, 2003, the Committee for the Implementation of Textile Agreements (CITA) instituted consultations with China concerning imports of the subject products with respect to calendar year 2004.[1]

CITA is hereby requested to take all appropriate steps in order to avoid market disruption in 2005 with respect to imports from China of such products by reapplying safeguards to the subject products. Petitioners submit that such market disruption can only be avoided by the reapplication of limitations on imports of the subject products from China according to the provisions of Section 11.242 of the Report of the Working Party and the guidelines issued by the Committee for the Implementation of Textile Agreements (68 F.R. 27787, May 21, 2003)[2].

Upon the expiration of the current safeguard limitations on December 23, 2004, the U.S. market will experience an increase in imports of the subject products from China and from other sources which will continue the market disruption already found by CITA to exist. These increasing imports also threaten the U.S. with market disruption, and imports of the subject products from China will play a role in that increase and in the threat of market disruption.

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 2005;
- 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;

[1] See, Announcement of Request for Bilateral Consultations with the Government of the People's Republic of China and the Establishment of an Import Limit for Knit Fabric, Category 222, Produced or Manufactured in the People's Republic of China, 68 F.R. 74944 (December 29, 2003), [hereinafter "Consultation Announcement 222"]. (The Announcement may also be found at http://otexa.ita.doc.gov/china/safeguards/cat_222_consultations_with_china_FR.pdf.) The Federal Register Notice issued by CITA soliciting public comments on the request for safeguard action on imports of the subject products is 68 F.R. 49440 (August 18, 2003) and can be accessed at http://www.otexa.ita.doc.gov/FR2003/cat222sg.htm.

[2] Procedures for Considering Requests for the Public for Textile and Apparel Safeguard Actions on Imports from China, 68 F.R. 27787 (May 21, 2003), [hereinafter "Safeguard Procedures]. The procedures were clarified by notice issued August 18, 2003 (68 F.R. 49440).

- 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.

By demonstrating market disruption or the threat of market disruption and the role of Chinese imports in that disruption or threat of disruption should safeguards not be reapplied, Petitioners have established sufficient grounds for the reapplication of safeguards under section 11.242 of the Report of the Working Party and under the procedures established by CITA.[3] The imminent threat of substantial increases in imports of the subject products from China and of market disruption will impede the orderly development of trade in the subject products.

This Petition is filed on behalf of organizations[4] representing U.S. manufacturers and workers involved in the production of the subject products. Some of these organizations' members produce products like or directly competitive with the subject products. The production of the subject products occurs in the United States.

B. BACKGROUND ON REAPPLICATION

1. Provisions of Accession Agreement and Procedures

Paragraph 11.242 of the Report of the Working Party, subparagraphs (e) and (f) provide as follows:

> *(e) The term of any restraint limit established under subparagraph (d) would be effective for the period beginning on the date of the request for consultations and ending on 31 December of the year in which consultations were requested, or where three or fewer months remained in the year at the time of the request for consultations, for the period ending 12 months after the request for consultations;*
>
> *(f) No action taken under this provision would remain in effect beyond one year, without reapplication, unless otherwise agreed between the Member concerned and China; ...*

In its Procedures for Considering Requests from the Public for Textile and Apparel Safeguard Actions on Imports from China, CITA affirmed the applicable provisions of the Report of the Working Party and further provided as follows:

> ***Reapplication.*** *Under the Accession Agreement, no action may remain in effect beyond one year, without reapplication, unless otherwise agreed between the United States and China. Reapplication will only take place if the Committee makes a new affirmative determination that imports of Chinese origin textiles and apparel products are, due to market disruption, threatening to impede the orderly development of trade in these*

[3] See the 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, 68 F.R. 74945 (December 29, 2003) [hereinafter "Summary Decision 222"], where CITA found both current market disruption and the threat of market disruption and stated that "[e]ither 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...."

[4] A description of each organization and its membership is included in section C of this report and in Exhibit 1.

> *products. In considering requests or in considerations begun on its own initiative for reapplication, the Committee will follow procedures consistent with those set forth in this notice.*[5]

Accordingly, petitioners hereby submit this request for reapplication of safeguards concerning the subject products. Petitioners assert that the same grounds that justified the original imposition of safeguards with respect to the subject products continue to exist, namely, imports of the subject products from China are, due to market disruption, threatening to impede the orderly development of trade in the subject products, and that imports of the subject products from China play a significant role in the existence of market disruption. Petitioners also assert that imports from China are, due to the threat of market disruption, threatening to impede the orderly development of trade in the subject products, and that imports of the subject products from China play a significant role in the threat of market disruption.

2. 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 knit fabric are, due to market disruption, threatening to impede the orderly development of trade in knit fabric, and that imports of knit fabric from China play a significant role in the existence of market disruption. Further, the United States believes that imports of Chinese origin knit fabric are, due to the threat of market disruption, threatening to impede the orderly development of trade in knit fabric, and that imports of knit fabric from China play a significant role in the threat of market disruption.[6]
>
> **U.S. Imports from China Are Increasing Rapidly in Absolute Terms.** U.S. imports of knit fabric from China increased from 42,505 kilograms in 2000 to over 7 million kilograms in 2002 (an increase of 16,396 percent) and to 9.1 million kilograms in the year ending in October 2003 (an increase of 21,307 percent from the 2000 level).
>
> **U.S. Imports from China Are Increasing Rapidly Relative to Other Imports**. In 2001, China was the 30th largest exporter of knit fabric to the United States. Just one year later, China was the 5th largest exporter. In the year ending October 2003, China surpassed Mexico, becoming the 4th largest exporter of knit fabric to the United States.
>
> **Chinese Average Unit Values Are Well Below Values from Other Countries**. In the year ending October 2003, the average unit value of knit fabric imports from China was US$5.26 per kilogram, compared to a ‘‘rest of world’’ average unit import value of US$6.46 per kilogram.
>
> **U.S. Imports from China Are Likely to Increase Further in the Near Future**. China is the world’s largest textile machinery importing country. Between January and May 2003, China imported $1.8 billion worth of textile machinery, an increase of 71 percent compared to the same period last year. According to Chinese Customs data, China imported over US$243 million of knitting machines in the first five months of 2003 - an increase of over 105.4 percent over the same period in 2002.

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[5] Safeguard Procedures, *supra* note 2, 68 F.R. 27789.

[6] Summary Decision 222, *supra* note 3, page 74945.

The U.S. Knit Fabric Industry Is Vulnerable to Any Increase in Imports. U.S. production of knit fabric fell 27 percent from 2000 to 2002 (from 657,040 kilograms to 479,960 kilograms), while the share of the market held by U.S. producers fell by 9.6 percentage points (from 86.9 percent to 77.3 percent) during this period.[7]

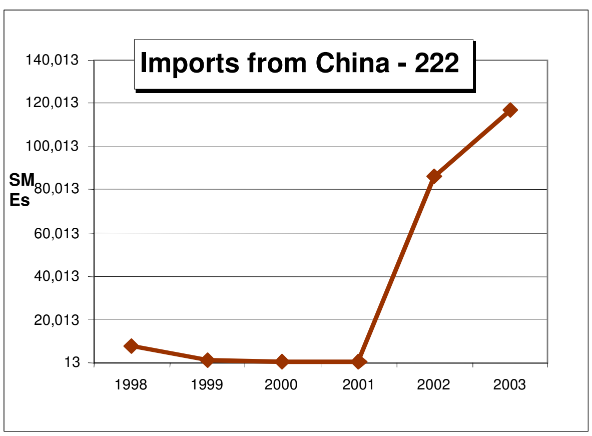
The circumstances that justified the original imposition of safeguards on imports from China of the subject products continue to exist. Of particular note, imports from China of the subject products exploded from an import market share of 0.03 percent to an 8 percent market for the year ending August 2004. Furthermore, U.S. Customs and Border Protection placed a hold on imports of the subject product as China has already filled 99.3 percent of their safeguard quota as of November 15th.

C. OVERVIEW OF THE CASE

This petition proves that imports of the subject products from China are, due to market disruption and the threat of market disruption, threatening to impede the orderly development of trade in the subject products, and that imports of the subject products from China play a significant role in the existence and threat of market disruption.

It is evident that imports of the subject products into the United States will increase because 1) the expiration of current safeguard limitations on December 23 will provide greater opportunity for imports to increase; 2) when quotas were removed on the subject products, imports from China increased prior to the imposition of the safeguard on this category in late 2003; 3) in all other textile or apparel categories where quotas have been removed, imports from China have increased; 4) the price of the subject imports from China fell after import quotas were removed, making them more attractive in the U.S. market; 5) the price of the subject products from China is extremely low compared to both U.S. prices and prices charged by other suppliers; and 6) China continues to build capacity to produce exports of the subject products.

Imports of the subject products into the United States rose 108.0 percent from 1998 to 2003. As a result of the lifting of import quotas in January 2002, imports from China of the subject products rose 29,787.5 percent from 2001 to 2003. With the removal of quotas on knit fabric in 2002, China moved quickly and decisively to gain market share in the lucrative U.S. market by cutting their prices 57.5 percent in one year and expanding their exports to the U.S. 221 times 2001 levels.



[7] *Id.*

Imports from China will continue to increase should the safeguard limits be removed on January 1, 2005. Increasing imports of the subject products threaten to disrupt the U.S. market and impede the orderly development of trade in the subject products, and imports from China play a role in that disruption and threat of disruption. Not only did imports of the subject products from China increase, but per unit values of the subject products from China also decreased.

U.S. production of the subject products has declined by 39.1 percent since 1998.[8] The U.S. industry is vulnerable to any increase in imports.

In this regard, the petition provides evidence that China is well positioned to play a role in the increase of imports from the world into the United States in the subject product categories. China is already a major producer and exporter of the products in question. Imports from China increased drastically after import quotas were removed, and China is well on its way to filling its safeguard quota for the subject products in 2004.

The petition demonstrates that China is increasing its textile and apparel production capacity at unprecedented rates. Chinese government statistics reveal that China has invested $22.2 billion in its textile and apparel operations over the past three years.

China's ability to penetrate and capture world markets is substantially aided by the existence of numerous unfair trading practices. For example, China's ability to undercut the prices of its competitors, including U.S. producers, is a direct result of its resort to unfair trade practices, such as the manipulation of its currency, direct state subsidization, export tax rebates and the proliferation of non-performing loans - many of which are in the textile and apparel sectors. All of these practices have enabled China to undermine free market conditions and give it substantial capability to disrupt world markets, including the United States.

Further reinforcing the threat of disruption is the fact that the financial condition of the U.S. industry producing the subject products has worsened, with recent declines in virtually every measure of financial health, including declines in sales, volume, production, employment, and capacity utilization.

Historical trends, current levels of import, price considerations, recent history in other textile and apparel categories where quotas were lifted, examples from other markets where quotas were lifted, productive capacity, retail business operations and the experience in the U.S. market with respect to the subject products demonstrate conclusively that imports of the subject products from China will surge should the safeguard limits not be reapplied.

Reapplication of appropriate limitations in January 2005 as provided for in paragraph 11.242 of the Working Party Report is the only avenue by which CITA can avoid market disruption and the disruption of the orderly development of trade due to imminent increases in imports from China and the world.

D. PETITIONERS

Petitioners are trade associations and unions, which are representative of either domestic producers of products that are like or directly competitive with the subject products or of

8 The percentage increase is based off of a full year's production for the years 1998 through 2002 - the last year for which full production data is available.

domestic producers of a component used in the manufacture of products that are like or directly competitive with the subject products.

This Petition is filed on behalf of the following organizations[9] that represent U.S. manufacturers of the subject products (and components):

The National Council of Textile Organizations (NCTO)	The American Manufacturing Trade Action Coalition (AMTAC)
The National Textile Association (NTA)	UNITE HERE!

E. PRODUCT DESCRIPTION

This Petition is brought with respect to U.S. imports of knit fabric from China, classified within category 222 of the U.S. Textile and Apparel Category System.

The subheadings of the Harmonized Tariff Schedule of the United States applicable to Category 222 are set out in Exhibit 2.

Imports classified in category 222 were covered by the WTO Agreement on Textiles and Clothing as of the date the WTO Agreement entered into force and were under quota restraints until January 1, 2002. Category 222 products were then quota-free until December 24, 2003, when a U.S. safeguard limitation of 9,664,477 kilograms was imposed with respect to the People's Republic of China. The current safeguard limitation expires December 23, 2004, after which imports of category 222 will once again be quota free. Data from OTEXA[10] indicates that China has filled 100 percent of the safeguard limit.

Imports of the subject product compete directly with products produced in the U.S. market that are classified as category 222.

F. IMPORT, PRODUCTION AND MARKET SHARE DATA

As required by the guidelines issued by CITA, this section provides import data concerning the subject products from all sources and from China. CITA has previously made determinations concerning increases in imports of the subject products from China, the unit values of those imports, and the market disruption caused or threatened by those imports. In this request for reapplication, Petitioners establish that the situation has not changed since the original safeguard action taken by CITA. Imports of the subject products from China continue to cause or threaten market disruption to the U.S. industry. To the best of the knowledge of the Petitioners, there have been no material changes in circumstances -- market conditions, China's productive capacity, China's ability and intention to export the subject products, or in the condition of the U.S. industry producing like or competitive products -- to warrant any different conclusion by CITA.

The table attached as Exhibit 3 contains updates of all information required by CITA pursuant to its guidelines. This information includes the following:

- Total imports of the subject products;
- Imports of the subject products from China;

[9] A description of each organization and its membership is included in Exhibit 1.

[10] Office of Textile and Apparel, International Trade Administration, U.S. Department of Commerce.

- U.S. domestic production of like or directly competitive products;
- Market share data.

In summary, that data demonstrates the following:

- Total imports of the subject products increased by 108.0 percent from 1998 to 2003.
- Imports of the subject products from China increased by 29,787.5 percent following the removal of quotas in 2002. (From 2001 to 2003)
- U.S. domestic production of like or directly competitive products decreased by 39.1 percent since 1998.
- The U.S. market share of the subject products declined from 92.2 percent to 77.3 percent;
- The market share of imports of the subject products increased from 7.8 percent to 22.7 percent;
- The market share of imports of the subject products from China increased from 0.07 percent to 1.13 percent.
- Per unit prices for the subject products from China fell from $10.71/kg in 2001 to $4.52/kg.
- China has the following fill rate with respect to the safeguard limit imposed by CITA: 100 percent.

The increase in imports of the subject product overall, and in imports of the subject products from China is consistent with overall import trends when import restrictions are lifted.

Imports into the United States of all categories of textile and apparel have consistently increased for the last 10 years. Furthermore, imports surged in most product categories once quotas were removed. In the 44 textile and apparel categories removed from quota control, imports from the world rose by an average 19 percent during the twelve months following the removal of quotas. Large increases occurred in each kind of textile product, with yarn imports increasing by 12 percent, fabric imports increasing by 22 percent, made-up articles increasing by 16 percent and apparel products increasing by 12 percent.

Table 1 - Overall Import Growth First 12 Months Following Quota Removal

Increases in Imports during the 12 Months following Quota Removal		
	Increase in square meters (2002-2001)	**Percentage**
All textiles	1,244,685,214	17%
- Yarn	155,284,502	12%
- Fabric	641,673,905	22%
- Made-ups	447,726,808	16%
Apparel	129,203,805	12%

Increases in imports in de-controlled categories continued into 2002, 2003 and 2004, with imports in the made-ups category increasing by 71 percent. As of year-ending August 2004, the following increases in worldwide imports had occurred:

Table 2 - Overall Import Growth Following Quota Removal

Increases in Imports Since Quotas were Removed		
	Increase in square meters (YE 2004-2001)	**Percentage**
All textiles	3,817,716,392	54%
- Yarn	243,056,375	19%
- Fabric	1,652,493,106	56%
- Made-ups	745,506,327	71%
Apparel	1,922,166,910	67%

Imports of textile and apparel from China in all de-controlled categories increased by 185 percent during the first 12 months following quota removal, with imports of made-ups increasing by 165 percent, yarn increasing by 1,425 percent, and fabric increasing by 310 percent. Overall, imports from China of textile products increased by 165 percent during 2002. Imports of apparel products increased by 279 percent over the same time period.

Table 3 - Imports from China - First 12 Months Following Quota Removal

Increases in Imports from China during the 12 months Following Quota Removal		
	Increase in square meters (2002-2001)	**Percentage**
All textiles	793,477,911	165%
- Yarn	13,068,613	1,425%
- Fabric	69,623,244	310%
- Made-ups	710,786,054	155%
Apparel	. 292,105,642	279%

Again, China continued to dramatically increase its exports into 2002, 2003 and 2004. As of year-ending August 2004, the following increases in imports from China had occurred:

Table 4 - Overall Imports from China Following Quota Removal

Increases from China since Quotas were Removed		
	Increase in square meters (YE 8/2004-2001)	**Percentage**
All textiles	3,817,716,392	581%
- Yarn	243,056,375	1,062%
- Fabric	1,652,493,106	1,400%

- Made-ups	745,506,327	540%
Apparel	1,922,166,910	1,061%

As the tables above illustrate, China will undoubtedly play a significant role in the overall increase in imports of the subject products. As discussed more fully in section G below, other factors also demonstrate that imports from China will rise should safeguard limits not be reapplied. These include the combination of China's productive capacity in textiles and apparel, its substantial investment in its textile and apparel sectors, its use of unfair trade practices, and its performance in other textile and apparel categories and in other similar markets.

As a result, there can be no serious question as to whether China will increase its exports of the subject products should safeguard limits not be reapplied.

The general surge of textile and apparel imports from China continues. OTEXA's report on textile and apparel imports for the January-August 2004 time period already reads like a competition between China and the rest of the world - with China taking almost every category.

China is the --

- Number one shipper of textiles and apparel to the United States;
- Number one shipper of textiles to the United States;
- Number one shipper of apparel to the United States; and
- Number one shipper of other miscellaneous textile and apparel products to the United States.

A comparison of growth between imports from the entire world and imports from China is also compelling:

Increase in Imports: Jan-Sept 2004

Article	***From Rest of the World***	***From China***
Textiles and apparel	2.5%	45.9%
Apparel	-1.3%	29.1%
Textiles	6.2%	52.7%
Fabric	4.5%	30.0%

When the OTEXA report lists the countries accounting for 80 percent of the growth in imports to the United States, China is the only country listed for all textiles and apparel (81 percent of total growth), for apparel (244 percent of the growth), and for other miscellaneous imports (93 percent of the growth) and is one of three countries listed for textiles (but claims 72 percent of the growth).

The lifting of safeguard limits on January 1, 2005, also threatens the outward processing component of the U.S. market for the subject products with market disruption and threatens to disrupt the orderly development of this portion of the U.S. market. Exports of U.S. formed knit fabric to numerous preferential trading partners, such as beneficiaries of the CBTPA[11], will be jeopardized by the overall lifting of quotas on January 1.

A data table showing overall imports, imports from China, U.S. production, and applicable market shares is attached as Exhibit 3.

E. 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 the subject product 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.

1. Growth in China's Productive Capacity for Textiles and Apparel

China's capacity to produce the subject products and other textile products has increased dramatically in recent years[12] and this increase will fuel growth in U.S. imports from China.

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[11] The United States - Caribbean Basin Trade Partnership Act, 19 U.S.C. 2701 note.

[12] "In 2001, China imported the advanced textile machinery in value of US$2.5 billion, 31.4% up as against 2000. And the textile machinery imports for the first half of 2002 has already reached US$1.3 billion, a 5.82% up against the same period of last year; 2001 saw an import of 5.9526 million tons of dyestuffs and textile chemicals, 22.75% up against 2000, and from 1-6 months this year, this import arrived at 3.69 million tons, 37.71% growth compared with the same period of last year." Statement of Mr. Du Yuzhou, President of China National Textile Industry Council (2002), as reported at http://www.cntextile.com/cntex/english2/2002_du.htm.

Also see, "The country's import textile machinery reached 4,372,090,000 US dollars in 2003, an increase of 24.26 percent over the previous year. Of this, import in December was 452.04 million US dollars, rising 27.6 percent over the previous month. The biggest importers of textile machinery were Zhejiang Province to reach 1,167,210,000 US dollars and Jiangsu Province to 1,118,070,000. The two accounted for 48.67 percent of the total, rising 3.6 percentage points over the previous year. ... Looms and knitting machinery took up the biggest part of the import, followed by spinning and dyeing and printing machinery. Import of looms was 921.40 million US dollars; knitting machine, 834.85 million US dollars; spinning machinery, 732.72 million US dollars, and dyeing and printing machine, 745.38 million US dollars. Import value of knitting machinery jumped 34.72 percent and the price increased 52.54 percent." *China's fast development of textile industry has spurred a fast growth of imports of textile machinery,* Xinhua Economic News Service*,* April 7, 2004.

China has been aggressively buying textile and apparel machinery for the past four years, in some cases consuming up to two-thirds of world production of textile machinery (i.e. broadwoven fabric looms). According to *China Daily*, Chinese purchases of textile machinery totaled nearly $12 billion between 2000 and June 2003. Chinese government statistics reveal that China has invested $22.2 billion in its textile and apparel sectors since 2001.

As noted by the International Trade Commission, the "size and performance of the world textile industry can be measured in terms of mill consumption of fibers, installed spinning and weaving capacity, and investment in new production equipment.... there has been a shift of world yarn spinning and fabric weaving capacity from developed countries to developing countries in the past two decades. Most of the increase in production capacity has occurred in Asia, particularly China, which along with India has the largest number of spindles and weaving machines in the world. Growth of spinning and weaving capacity in China and India has been facilitated by strong demand for their exports of downstream textile goods."[13]

In its 2004 Report to Congress, the U.S.-China Economic and Security Review Commission stated:

> China is continuing to attract massive levels of foreign direct investment (FDI), including $57 billion in 2003. Its policies to attract FDI have been supplemented by industrial policies aimed at developing national productive capacity in selected "pillar" industries. These policies support Chinese corporations through a wide range of measures that include tariffs, limitations on access to domestic marketing channels, requirements for technology transfer, government selection of partners for major international joint ventures, preferential loans from state banks, subsidized credit, privileged access to listings on national and international stock markets, discriminatory tax relief, privileged access to land, and direct support for R&D from the government budget. Such policies give Chinese industry an unfair competitive advantage, thereby contributing to erosion of the U.S. manufacturing base. Many of these policies are not permitted under World Trade Organization (WTO) and U.S. trade rules.[14]

China has now overtaken the United States as the world's largest recipient of foreign direct investment.

Table 5 - Textile machinery purchases in China

Major Textile Machinery Imports		
Item	**2002 (in units)**	**% Change from 2001**
Automatic Spooling	1,186	23.54%
Rapier Looms	5,873	67.61%
Water-jet Looms	9,589	71.82%
Air-Jet Looms	14,963	108.31%
Washing, Bleaching, Dyeing Machines	4,582	51.82%

Source: China National Textile Industry Council,
2002/2003 Report on China Textile Industry Development

[13] Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market, Investigation No. 332-448, USITC Publication 3671 (January 2004), [hereinafter "ITC Report"], page 1-19.

[14] 2004 Report to Congress of the U.S.-China Economic and Security Review Commission, June 2004. The report is available online at http://www.uscc.gov/researchreports/2004/04annual.report.pdf.

News reports consistently cite increases in the buildup of production capacity in China.[15]

- Chinese government statistics showed that last year there were 3,784 textile plants under construction in China, with $180 billion in outstanding planned investment and $78 billion poured into new production in 2003.[16]
- The Investment Department of the National Bureau of Statistics reported that 4,584 textile "projects" were underway in 2003, with a total planned investment of $25 billion.[17]
- Total investment in the textile sector is up significantly in China. It is reported that there are 90 million people directly or indirectly employed in the Chinese textile industry.[18]

Table 6 - China Investment in Textile Industry

China: Cumulative Fixed Asset Investment in the Textile Industry (Bil US$)

	Cumulative Annual Total	
	Amount	**% Change**
1999	1.64318	-
2000	2.48413	51.2%
2001	3.54893	42.9%
2002	4.34511	22.4%
2003	7.24306	66.7%
Jan-Aug 2004	7.06277	72.6%

Note: Excluding investment by rural collectives and urban and rural individuals.
Sources: State Development Planning Commission, National Bureau of Statistics and SIC.

The ITC report referred to earlier in this section goes on to note, "mill fiber consumption in China far exceeded that of any other developing country.... China alone accounted for 29 percent (34.7 billion pounds) of the world total in 2001; its mill consumption rose three times as fast as that for the world during 1997 through 2001 (39 percent versus 13 percent)."[19]

Mill use of cotton in China continues to skyrocket and is supplemented with significant purchases of cotton fabric and cotton yarn from around the world.

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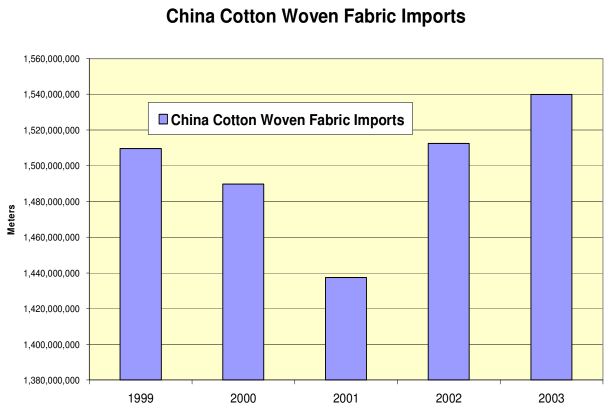
15 *See also, Gerber Technology Embarks on Chinese Expansion, just-style.com, September 24, 2004,* CAD/CAM supplier Gerber Technology has expanded its Advanced Technology Center in China in anticipation of a surge in business after quota phase-out.

16 *China Surge Big Topic at Cotton Meet,* Women's Wear Daily, March 3, 2004.

17 *Textile sector investment hits US$25b in 2003*, China Textile Network Co.

18 *China: Stick to WTO Rules, Commerce Minister Urges,* just-style.com, September 20, 2004.

19 *Id. See*, ITC discussion of Yarn and Fabric Production Capacity, pp. 1-19 - 1-22 of the ITC Report, *supra* note 13.



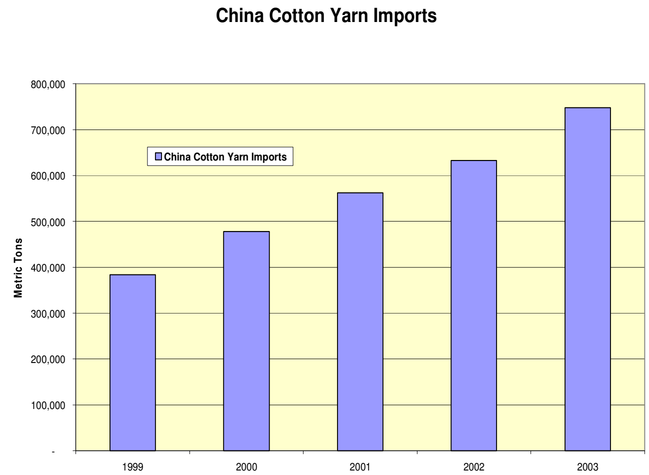
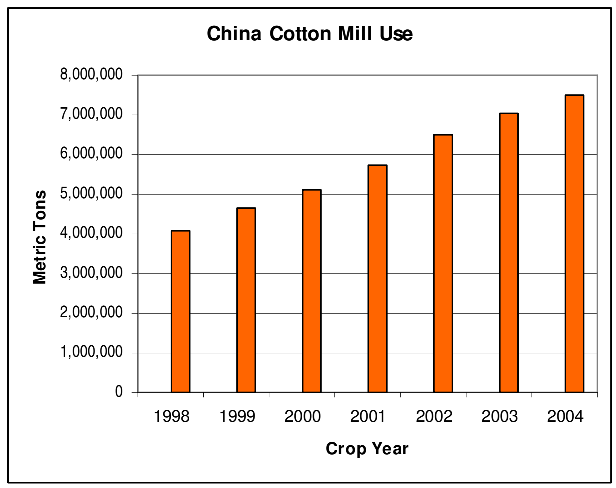


Chart 1 - Source, Global Trade Atlas Database

China Cotton Mill Use
(Source: USDA/FAS PSD Database)

Crop Year	Metric Tons	Million Bales
1995	4,223,895	19.39
1996	4,343,645	19.94
1997	4,169,464	19.14
1998	4,071,487	18.69
1999	4,637,576	21.29
2000	5,116,574	23.49
2001	5,715,322	26.23
2002	6,510,024	29.88
2003	7,054,340	32.38
2004	7,511,566	34.48
	Increase since '98	84%



Petitioners attempted to discover the names and addresses of manufacturers of the subject products in China. A list of those manufacturers reasonably believed by Petitioners to produce the subject products was determined to be too lengthy to attach to the report, as indicated in Exhibit 4.

In addition to cotton mill use, yarn production and fabric production, man-made fiber production capacity grew by 18 percent in China during the 1990s and has continued on a dramatic pace since 2000. China's share of world polyester fiber capacity has jumped from 26 percent in 2000 to 44 percent in 2004. The following tables chart China's growth in both mill consumption of manufactured fiber since 1998 and polyester fiber capacity in recent years with an estimate for 2005.

Table 7 – China Manufactured Fiber Mill Consumption

China Mill Consumption of Manufactured Fiber	
Year	***Metric tons***
1998	7,198,222
1999	8,241,586 (+14%)
2000	9,412,138 (+14%)
2001	10,204,168 (+ 8%)
2002	11,637,032 (+14%)
2003	12,952,016 (+11%)
Source: Fiber Economics Bureau	

Table 8 - China Polyester Fiber Capacity

China Polyester Fiber Capacity	
Year	***Thousand tons***
2000	7,300
2001	8,847 (+21%)
2002	10,354 (+17%)
2003	12,846 (+24%)
2004	15,835 (+23%)
2005	17,025 (+8%)
Source: PCI Consulting	

Not only is China a significant producer of man-made fiber, but also China has imported an ever-increasing amount of man-made fiber from other sources to feed its growing man-made textile and apparel operations, having increased polyester imports from 832,000 tons in 2000 to 992,000 tons in 2003.[20]

According to a recent report in the China Textile Leader[21], the production of man-made fibers in China continues to rise at a torrid pace. In an article reporting chemical fiber production in China for the January - July period, it reported:

> *The chemical fiber production in China in the January-July period of 2004 totaled 7.97 million tons, up 27.02% over the same period of last year, according to the National Bureau of Statistics. The production of ... synthetic fibers 7.36 million tons, up 28.01%.*
>
> *According to the customs, China imported about 1.04 million tons of chemical fibers, an increase of 90,100 tons by 9.49% compared with the same period of last year. The import of ... synthetic fibers 997,300 tons, an increase of 74,500 tons by 8.07% compared with same period of last year. The production of major synthetic fibers is respectively as follows: polyester fiber about 6.34 million tons, up 30.72% compared with same period of last year, polyester chips 4.77 million tons, up 17.86%, polypropylene fiber 168,500*

[20] Source: China Customs Statistics.

[21] China Textile Leader, 10F China Textile Mansion 6 South Dongzhimen St., 100027 Beijing China, Tel: 86-10-64160494, Fax: 86-10-64159702, E-mail: info@texleader.com.cn.

tons, up 11.07%, polyvinyl alcohol fiber 21,739 tons, up 8.33%, polyamide fiber 378,800 tons, up 20.98% and acrylic fiber 386,800 tons, up 8.99%.

2. China Dominates the Market in Textile Product Categories Previously Removed From Quotas

Not only did China move to dominate the U.S. market in the subject products following the removal of quotas in 2002, China consistently dominates trade in virtually all textile product categories where quotas have been removed. According to U.S. Department of Commerce data, in the 44 textile and apparel categories where quotas were removed in 2002[22], China increased its share of the U.S. import market from 7 percent in 2001 to 39 percent as of August 2004. Within the first twelve months of quota removal, China more than doubled its import market share to 18 percent and then doubled that share again with in the next 20 months. China accounted for 86 percent of the growth of total imports in these decontrolled categories, with imports from China increasing by 3.9 billion square meters and imports from all other sources increasing by 655 million square meters.

In textile specific categories, China's domination of U.S. textile imports followed a similar track. China's share increased from 7 percent in 2001 to 33 percent by August 2004. Again, China more than doubled its import share to 15 percent within the first twelve months and then doubled it again over the next twenty months. China accounted for 73 percent of the total growth of 3.8 billion SMEs in imports in these categories.[23]

In category 622 (glass fiber fabric), which was also released from group quota coverage in 2002, China's share of the U.S. imports grew in similar fashion. China went from a 1.3 percent share of the U.S. import market to a 15 percent share for the year ending August 2004.

In apparel categories, China increased its market share from 10 percent to 72 percent as of year-to-date June 2004. Imports from China in these product categories grew by 1,009 percent or 1.05 billion square meters during the two and a half year period after quotas were removed.

Imports from the rest of the world fell from a 90 percent market share to 28 percent, and shipments by the rest of the world fell by 370 million square meters.

3. China Engages in Significant Price Cutting in Categories Removed From Quota

China has already demonstrated its ability to cut prices once imports restrictions are lifted. The per unit value of China imports of the subject products decreased dramatically when quotas were lifted in 2002, declining by 57.5 percent in just one year from $\$0.87/m^2$ in 2001 to $\$0.37/m^2$ in 2002. All the evidence points to the continuation and possible further reduction of these low prices on imports from China of the subject products should the safeguard limits not be reapplied.

Similarly, price declines have been evident in other import categories where quotas have been lifted and as well as in other markets where quotas were lifted on products from China. U.S. Commerce Department data shows that, with respect to the categories where quotas have been lifted, China dropped its prices by an average of 53 percent for all textile and apparel products,

[22] Results of a tracking study by the National Council of Textile Organizations (NCTO) on the impact of China on the apparel categories released from quota control in 2002.

[23] Textile categories: 600, 606, 607, 800, 222, 223, 229, 621, 810, 464, 465, 665, 670, 870, 871, 889.

with average prices falling from $2.73/square meter in 2001 (with quotas still in place) to $1.32/square meter for year-to-date August 2004.[24]

In fabric categories removed from quota control, Chinese prices dropped by an average of 69 percent, falling from $1.59/square meter in 2001 to $0.50/square meter YTD August 2004. Every fabric category removed from quota control experienced sharp price declines.

Likewise in apparel categories removed from quota control, Chinese prices fell an average of 54 percent, with average prices declining form $6.23/square meter in 2001 (with quotas still in place) to $2.87/square meter for YTD August 2004.[25] China's prices dropped in every single apparel category removed from quota control, with the largest drop being 89 percent and the smallest drop being 4 percent. However, the 4 percent price drop occurred in a category (silk gloves) where China already had an 80 percent share of the market.

In the category with the 89 percent price drop (wool hosiery), China went from a 4 percent share of the U.S. import market to a 48 percent share in two and a half years.

Petitioners submit that, absent reapplication of the safeguard limits, price declines or the continuation of low prices can be expected to occur for imports of the subject products on January 1, 2005.

4. Chinese Exports of the Subject Products to the World Have Increased Substantially

Petitioners were unable to obtain historical data regarding China's exports of the subject products. Data available to petitioners is limited to 2002 and 2003 annual data. This information shows that China is the largest exporter of knit fabric in the world, with a 32 percent share of the world market in knit fabric exports for 2003, with 530,000 tons in exports out of world exports of 1.581 million tons[26].

Chinese exports are also increasing rapidly, rising by 22 percent, or 95,302 metric tons, in 2003 over 2002 levels. China's rapid growth was particularly remarkable as it took place in a declining world market. Worldwide exports of knit fabrics fell by almost six percent in 2003 over 2002 while China's share jumped from 24 percent to 32 percent during the same time period.

Remarkably low Chinese prices appear to be the primarily reason for the Chinese surge. The average export price for all suppliers other than China for knit fabric in 2003 was $8,514 per ton compared to an average Chinese price of $3,721 per ton. Chinese prices were 63 percent under the average price for exporters from the rest of the world. Chinese prices were also 34 percent under the average 2003 U.S. export price for knit fabric of $5,617 per ton.

China also charged higher prices for knit fabric exports to the United States than it did to the rest of the world. Chinese prices to the U.S. were 18 percent higher than its prices to other suppliers

[24] Results of a tracking study by the National Council of Textile Organizations (NCTO) on the impact of China on the apparel categories released from quota control in 2002.

[25] Results of a tracking study by the National Council of Textile Organizations (NCTO) on the impact of China on the apparel categories released from quota control in 2002.

[26] Source: Global Trade Atlas Database.

($4,404/ton to U.S. vs. $3,721/ton to world), indicating that China retains considerable leeway to further lower prices in the U.S. market.[27]

5. In Markets Similar to the U.S., China Quickly Dominated Categories Removed From Quota

It is expected that imports from China into the United States will increase on January 1 because 1) China has already demonstrated its ability to do so; and 2) textile and apparel imports from China quickly took a dominant position upon the lifting of quotas in other markets similar to the United States. In her WTO study, Hilegunn Nordds[28] confirmed this, writing, "A high and rapidly increasing market share is observed for China following its accession to the WTO in 2001 in Australia, Japan and South Africa." In 2001, Chinese share of the apparel market in South Africa was 56 percent, Japan was 78 percent and Australia was 70 percent (Source: Comtrade Database). WTO figures also show that by 2003 China had achieved an 80 percent share of the Japanese apparel market.

As cited by the U.S. International Trade Commission report, "China has proven its ability to compete in other developed country markets, particularly Australia and Japan, for which it accounted for 69 percent (2002) and 77 percent (2001) of their apparel import markets, respectively." In the trouser market, China has gained a monopoly share of the Australian market. Australia is significant because it represents a developed market with similar consumption patterns and preferences as the United States but for whom quotas were removed ten years ago.

Similarly, the ITMF Country Statements Publication[29] for Australia stated: "China has maintained its dominance and has demonstrated sustained growth and increasing share in the last year. Over the past five years, imports from China in value terms have roughly doubled and now account for 70 percent of clothing imports. As average fob prices from China are low relative to other countries, in quantitative terms, this share is significantly higher."

6. China Engages in a Variety Of Unfair Trade Practices, Including Currency Manipulation

China's persistent use of unfair trade practices will provide additional fuel to its export surge. In a major review last June by the U.S.-China Economic and Security Review Commission of China's industrial policies[30], Commissioners cited a wide range of unfair and mercantilist trade practices. In summation, the Commissioners noted that major areas of concern were "China's manipulation of its currency, continued provision of direct and indirect subsidies to Chinese producers, use of unjustified technical and safety standards to exclude foreign products and poor enforcement of intellectual property rights."

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[27] Id.

[28] Nordds, Hilegunn, "The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing," World Trade Organization, 2004

[29] For its annual conference, the International Textile Manufacturers Federation (ITMF) publishes a review of the current state of the textile industry in each member country. Included are data relating to the general economic situation, textile manufacturing capacities, activity levels and trade in textiles. ITMF is an international association for the world's textile industries.

[30] *Ibid.*

Regarding the textile and apparel sector, the Commission noted that the Chinese government had selected this sector as one of its “pillar industries.” According the Commission, the Chinese government supports these pillar industries "through a wide range of measures that include tariffs, limitations on access to domestic marketing channels, requirements for technology transfer, government selection of partners for major international joint ventures, preferential loans from state banks, subsidized credit, privileged access to listings on national and international stock markets, tax relief, privileged access to land, and direct support from R&D from the government budget.”

Of particular note, China’s tax rebates of 13 percent for textile and apparel products exported to the United States, China’s government subsidization of state-owned textile and apparel enterprises and the proliferation of “free credit” for both these enterprises and private enterprises have created a “playing field” in textiles and apparel where China can choose to under price its competitors, including U.S. producers, virtually at will. In response to China’s widespread utilization of subsidies, the U.S., the European Union and Japan challenged China over its failure for the past three years to simply report its annual subsidies as required by the WTO. The U.S. cited a study by the Organization for Economic Cooperation and Development asserting that China bolsters export industries by providing significant extensive tax incentives, and, as further evidence, the U.S. brought up the $45 billion supplied from foreign reserves to the Bank of China and the China Construction Bank in December 2003.[31] Indeed with a non-performing loan rate at near fifty percent by its state banks and an apparent enormous increase in apparel capacity, Chinese manufacturers are poised to meet and break price points set by its free market competitors in the U.S. and around the world.

China's manipulation of its currency over the past ten years by pegging the Yuan to the U.S. dollar has had a particularly disruptive impact on world trade of textiles and apparel, and this disruption has been even more pronounced since 1999. The undervaluation of China's currency has enabled China to sell the subject products at prices that are lower than fair value and enabled it to undercut prices for the products in many markets around the world. Further, the continued devaluation of the Yuan ensures that China retains significant price flexibility once quotas are lifted on January 1, 2005. It is clear that China is positioned to repeat the type and degree of price undercutting it has practiced with respect to other products and in other markets.

According to the Federal Reserve, over the past five years, the Yuan has been valued at an average of 8.2775 Yuan to the U.S. dollar, with only a very narrow fluctuation range of plus or minus 0.1 percent (essentially equal to 1/100th of one U.S. cent). In the last year, the range has narrowed even further to plus or minus 0.01 percent (equal to 1/1000th of one U.S. cent). Such microscopic variations in the Yuan vis-à-vis the U.S. dollar clearly constitute a fixed-peg currency system, and as a consequence it is the consensus view among economists, academicians and policy makers that the Yuan has been artificially undervalued by a significant margin, possibly as much as 40 percent.

Moreover, this fixed-peg currency system, when combined with the absence of quantitative restraints, has given China such an unbeatable and unfair competitive advantage that it has enabled China to literally manipulate and seize control of textile and apparel markets worldwide.

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[31] As reported in “China’s Disclosure of Subsidies Under Fire,” *Women’s Wear Daily*, November 8, 2004.

China's currency manipulation, which has been acknowledged by the Administration as harmful to U.S. manufacturing, violates a number of international agreements and legal obligations, including those which prohibit export subsidies, and it circumvents the basic goal of the World Trade Organization -- to promote the orderly development of world trade. It also violates the International Monetary Fund's Articles of Agreement, which states that each IMF member shall "avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members."[32]

F. ADDITIONAL INFORMATION

1. Economic Condition of the U.S. Textile and Apparel Industries

As the following table illustrates, U.S. employment in fabric mills has declined significantly since 1999, falling from 211 .2 thousand in January 1999 to 116.0 thousand in June of 2004.

Quantity in thousands of workers
Series Id: CEU3231320001
Not Seasonally Adjusted
Super Sector: Manufacturing
Industry: Fabric mills
NAICS Code: 3132
Data Type: ALL EMPLOYEES, THOUSANDS

Table 9 - Employment in Fabric Mills in the U.S.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
1999	211.2	208.8	207.8	206.6	205.3	205.4	202	201.3	200.7	198.8	197.2	196.3	203.5
2000	193.7	193.9	194.5	194.7	193.8	193.8	191.4	192.6	191.9	189.1	187.6	186.1	191.9
2001	183.4	176.6	178.8	175.6	173.2	170.9	166.5	162.9	159.7	157.5	154.7	153	167.7
2002	149.7	149.2	148.5	147.9	147.1	147	145	144.5	144.1	141.3	139.8	138.3	145.2
2003	138.9	138.4	137.5	136	133.7	133.2	126.3	124.2	124.8	121.9	121.5	118.2	129.6
2004	116.5	113.9	115.5	116.1	115.7	116.0(p)							

p : preliminary - [SOURCE: U.S. Dept. of Labor Bureau of Labor Statistics]

Since the late 1990s, and despite spending over $2 billion annually[33] in capital investments in an effort to modernize and increase productivity, the United States textile sector has experienced an unprecedented wave of plant closings and job losses. In the last six years, the U.S. has lost some 220,000 textile jobs, fully 33 percent of its entire workforce. The textile industry lost 50,000 jobs in 2003 alone, fully 10 percent of the workforce. These jobs paid an average of between $11 and $12 per hour, depending on the position.[34] (For apparel, the damage has been even worse, as 347,000 jobs have been lost in the last six years, equal to 55 percent of that workforce.) Using a 50-year time frame, the 10 percent rate of decline in textiles employment in 2003 was second only to the 13 percent rate the industry suffered in 2001.[35]

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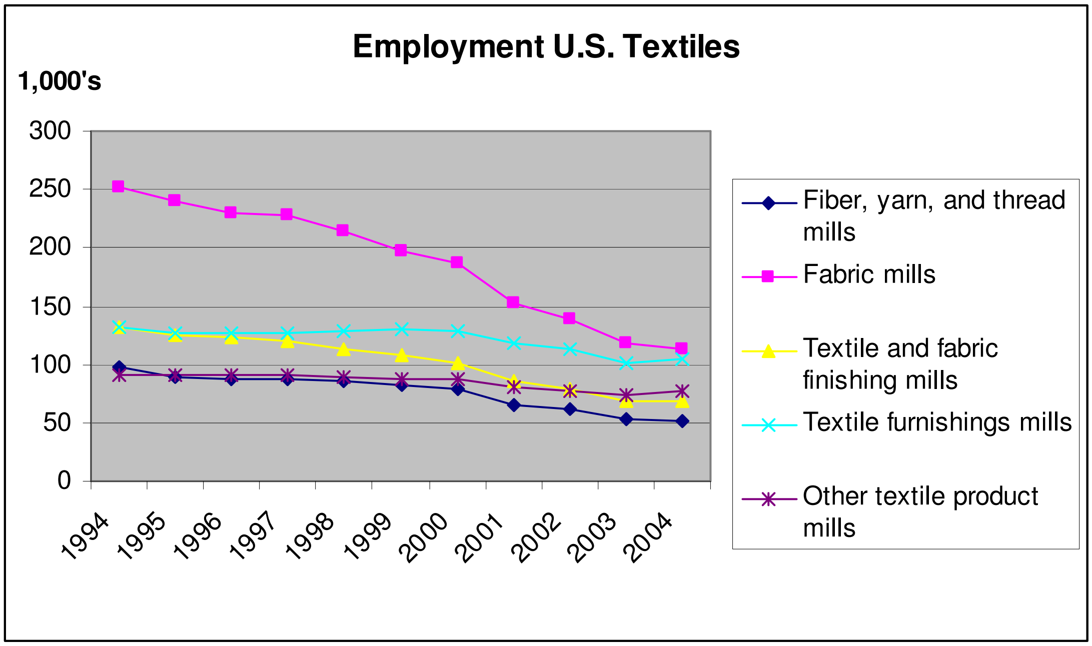
[32] International Monetary Fund Articles of Agreement, Article IV, Section 1 (iii).

[33] Source: U.S. Census Bureau (industry record for capital expenditures was $3.4 billion in 1997; because of industry contraction, capital expenditures had dropped to $2.3 billion in 2001, the most recent year for which figures are available)

[34] Source: U.S. Bureau of Labor Statistics

[35] Source for all employment data: U.S. Bureau of Labor Statistics

Chart 2 - Employment in U.S. Textiles



By virtually every measure, the textile industry's fortunes continued to suffer in 2003 and did not rebound significantly in 2004, even as the rest of the economy was reported to be recovering. Textile mill shipments fell in 2003 by eight percent to $39.8 billion and, while they have risen in 2004 by a small percentage, 3.5 percent over last year, in year-to-date figures through August, they are still 6 percent lower than the comparable period in 2002.[36] Textile corporate sales also declined in 2003 by three percent to $47 billion, and while corporate sales are up somewhat in 2004, so far they are still barely three percent above the comparable period in 2002.[37]

As imports have risen, the U.S. textile industry has experienced losses in employment and an increased number of plant closings. The charts below show job losses over the past five years in textiles nationally and in key textile producing states, as well as plant closing data:

[36] Source: U.S. Census Bureau

[37] Source: U.S. Census Bureau Quarterly Financial Report

Table 10 - Textile Job Losses

Textile Job Losses Over the Past 5 Years

(Thousands of jobs)

	Latest Employment Figures	*Change Since:*			
		Over 12 Month Period (June-03)		**Over 5 Year Period (June-99)**	
	(June 2004)	Jobs Lost	Percent	Jobs Lost	Percent
United States Textile Workers:	414.6	-29.9	-6.70%	-199.4	-32.50%
Alabama	23.8	-1.4	-5.60%	-8.8	-27.00%
North Carolina	78.9	-10.2	-11.40%	-61.1	-43.60%
South Carolina	47.8	-1.9	-3.80%	-27.8	-36.80%
Virginia	12.8	-1.1	-7.9%	-7.1	-35.70%

Source: U.S. Bureau of Labor Statistics

Table 11 - Textile Plant Closings

Textile Plant Closings

(As of July 1, 2004)

	2004	2003	2002	2001	2000	1999	1998	1997	Since Crisis Began (1997 – to date)
United States	21	50	42	116	29	35	26	14	328
- North Carolina	5	24	20	31	14	16	9	6	125
- South Carolina	2	11	5	31	6	5	4	6	70
- Georgia	4	1	1	16	2	4	6	0	34
- Virginia	1	1	3	4	1	3	2	1	16
- Alabama	1	4	1	7	0	0	0	1	14
- All other states	8	9	12	22	6	7	5	0	69

Sources: various media and company reports.

A partial listing of textile plant closings can be found by visiting the following website: http://www.ncto.org/ustextiles/plantclosingsUSA.html

This decline would have been far more pronounced had it not been for a successful transition into an increased outward processing trade. U.S. participation in outward processing trade has increased substantially over the last 10 years.

2. Apparel Sector Declines Have Hurt the U.S. Fabric Sector

Declines in the production of U.S. apparel have a corresponding negative impact on the U.S. fabric sector – again an impact that would have been even more pronounced if not for the development of the outward processing component of the U.S. market.

U.S. apparel shipments have been consistently contracting in recent years. For 2003, the end of the year total of $52.7 billion marked the sixth consecutive year in which shipments declined since they peaked at $68.0 billion in 1997. Looking at the first six months of 2004, shipments were at $28.3 billion, which was $3.5 billion lower than they were in the first six months of 1999. While shipments rose during the second quarter, inventories continued to decline. At $7 billion, inventories were $2.6 billion lower than the comparable period in 1999.[38]

Employment in U.S. apparel manufacturing continued to fall in 2004. In August, employment in this industry stood at 282,300 workers, which was 21,400 or 7 percent below August 2003 levels. August 2004 employment levels are almost half of August 1999 levels, representing a 48.6 percent decrease in total U.S. apparel jobs.[39]

U.S. apparel production is continuing to show the same negative trends evident in both the employment and shipment sectors of the industry. For 2003, apparel production was at $23.9 billion or 11.8 percent below 2002 levels. Like the continuing decline in shipments and employment, production has declined year in and year out. Since reaching the $41.6 billion mark in production in 1999, U.S. apparel production has dropped $17.5 billion or 42.5 percent.[40]

Apparel sales at the wholesale stage of the pipeline dropped considerably in 2003 with more than a 5.5 percent decline for the year from the previous year 2002. At $84.7 billion, wholesale U.S. apparel sales are now at their lowest levels since 1998. End of period inventories are also on the decline and are 12.3 percent lower than 1998 levels.[41]

The expected increase in imports of the subject products from China when quotas are lifted will exacerbate these negative trends.[42]

G. ACTION AUTHORIZED UNDER THE AGREEMENT

Action by the United States reapplying safeguard limitations under paragraph 11.242 of the Report of the Working Party is authorized, warranted and appropriate upon the belief of the United States that there is market disruption or a threat of market disruption concerning the subject products and that imports from China of the subject products played a role in the market disruption or threat of market disruption.

The WTO Report of the Working Party—Special Safeguard Authorization provides, in pertinent part, as follows:

> "... The Member requesting consultations would provide China, at the time of the request, with a detailed factual statement of reasons and justifications for its request for consultations with current data which, in the view of the requesting Member, showed: (1) the existence or threat of market disruption; and (2) the role of products of Chinese origin in that disruption; ..."

[38] Source: U.S. Census Bureau

[39] Source: U.S. Bureau of Labor Statistics

[40] Source: U.S. Census Bureau

[41] Source: U.S. Census Bureau

[42] Bruce Raynor, President of the Union of Needle, Trades, Industrial and Textile Employees predicts that an additional 500,000 domestic jobs will be lost if textile quotas, which were set when China entered the WTO, are lifted. In 2001, Wal-Mart brought its international buying division in-house and almost half of Wal-Mart's global sourcing employees work in China. Daniels, Alex, *"Suppliers Move Jobs Overseas,"* Arkansas Democratic – Gazette, November 12, 2003.

H. 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 2005 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. 27788, May 21, 2003), and the previous decision of CITA reflected in its determination published at 68 F.R. 74944 (December 29, 2003). .

I. EXHIBITS

Exhibit 1 - Description of Petitioners

Exhibit 2 - HTSUS Codes of articles covered by the applicable category

Exhibit 3 - Table containing information as required by CITA guidelines

Exhibit 4 - List of China manufacturers (as complete as possible)

EXHIBIT 1

Description of Petitioners

The American Manufacturing Trade Action Coalition (AMTAC) – 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. Its office is in Washington, DC. (www.amtacdc.org)

National Council of Textile Organizations (NCTO) – 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 in the textile machinery, chemical and other such sectors which have a stake in the prosperity and survival of the U.S. textile sector. Its headquarters is in Washington, DC, and it also maintains an office in Gastonia, NC. (www.ncto.org)

The National Textile Association (NTA) – 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 supplies or services to the American textile industry. NTA's office is in Boston, MA. (www.nationaltextile.org)

UNITE HERE! – 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)

It is difficult for UNITE HERE! to determine the exact number of its members that make the subject products exclusively as it represents numerous contract textile and apparel workers who make all types of textiles and apparel, including the subject products. UNITE HERE! has as many as 1,045 members who are engaged in the production of the subject products in the United States on a constant basis.

EXHIBIT 2

HTSUS Codes of articles covered by the applicable category

CATEGORY 222 * KNIT FABRIC

(Conversion Factor to Square Meters= 12.30 ; Unit=KG)

HTS CODE	DESCRIPTION
6002.40.4000	KNT/CRO COT FAB<30 CM WD>5% ELSTMRC YRN/NO RUB TH
6002.40.8020	KT/CRO FAB OT COT<=30 CM WD>=5% ELSTO YRN/NT RUB
6002.40.8080	KNT/CRO FAB OT COT<=30 CM WD>=5% ELST YRN/NT RUB
6002.90.4000	OTH KNT COT FAB<30 CM WD>5% ELSTMRC YRN/RUB THRD
6002.90.8020	KT/CRO FAB OT COT<=30 CM WD OPN-WRK FAB, WRP KT NE
6002.90.8080	KNT/CRO FAB OT COT<=30 CM WD>=5% ELST YRN/RUB NESO
6003.20.3000	OTH KNT/CROC CTTN FAB WIDTH<=30 CM OT OPN WRK
6003.30.6000	OTH KNIT/CRO FAB SYN FIB WIDTH<=30 CM OT OPN WRK
6003.40.6000	OTHER KNIT/CROC FAB ART FIB WID<=30 CM OT OPN WRK
6004.10.0010	OPN-WRK FIG FAB WRP KT KT/CRO>30 CM WD>=5% ELSTO
6004.10.0025	OT WRP KT KT/CRO FAB>30 CM WD>=5% ELSTO YRN/WO RU
6004.10.0085	KT/CRO FAB>30 CM WD>=5% ELST YRN/ W/O RUB THRD NE
6004.90.2010	OPN-WRK FIG FAB WRP KT KT/CRO ELASTRO YRN>30 CM W
6004.90.2025	OT WRP KT FAB KT/CRO>30 CM WD ELSTO YRN/RUB THRD
6004.90.2085	KT/CRO FAB>30 CM WD>=5% ELSTO YRN W/O RUB THRD NE
6004.90.9000	OTH KT/CRO FAB WDTH>30 CM NT CNTN ELASTO YRN/RUB
6005.21.0000	WARP KNIT FABRICS(INCL GALLOON)OF UNBLCH/BLCH COT
6005.22.0000	WARP KNIT FABRICS INCL GALLOON KT MACH OF DYED COT
6005.23.0000	WARP KNT FAB(INCL GALLN KT MCH) OF COT YRN DIF CL
6005.24.0000	WARP KNIT FABRIC(INCL GALLN KT MACH)OF PRNT COTTON
6005.31.0080	OTH UNBLCH/BLCH SYN FIB WRP KT INCL GLLN KT MCH
6005.32.0080	OTH DYED SYN WRP KT INCL GALLN KT MACH
6005.33.0080	OTH YRN DIFF CLR SYN FIB WRP KT INCL GLLN KT MCH
6005.34.0080	OTH PRNT SYN FIB WRP KT INCL GALLN KT MACH
6005.41.0080	OTH BLCH/UNBLCH ART FIB WRP KT INCL GLLN KT MACH
6005.42.0080	OTH DYED ART FIB WRP KT INCL GLLN KT MACH
6005.43.0080	OTH YRNS DIFF CLR ART FIB WRP KNIT INCL GALLN KT
6005.44.0080	OTH PRNTD ART FIB WRP KNT INCL GALLON KNIT MACHINE
6006.21.1000	OTH KT/CRO FAB UNBLCH/BLCH COT CR KT,>100 MTRC
6006.21.9020	OTH KNIT/CRCHTD UNBLCH/BLCH COT FAB OF SINGLE KNT
6006.21.9080	OTH KNT/CRCHT UNBLCH/BLCH COT FAB, NESOI OT SNG KN
6006.22.1000	OTH KT/CRO FAB DYED COT CIR KNIT, YRN>100 MET NUM
6006.22.9020	OTH KNIT/CRCHTD DYD COT FAB OF SINGLE KNIT CONSTRN
6006.22.9080	OTH KNT/CRCHTD DYD COT FAB, NESOI, OT SNGL KNT
6006.23.1000	OTH KT/CRO FAB COT YRN DIFF CLR CIR KNIT,>100 M
6006.23.9020	OTH KNIT/CRCHTD FAB OF COT YRN DIFF CLR OF SNGL KN
6006.23.9080	OTH KNT/CRCHTD COT OF YRN DIFF CLR FB, NESOI, OT S
6006.24.1000	OTH KT/CRO FAB PRNTD COT CIR KNIT, YRN>100 MET NUM
6006.24.9020	OTH KNT/CRCHTD PRNTD COT FAB OF SNGL KNT CONSTRUCN
6006.24.9080	OTH KNT/CRCHTD PRNTD COT FAB, NESOI, OT SINGLE KNT
6006.31.0020	NYLON, BLCH/UNBLCH, DBL KNT/INTRLCK SYN FIB, OTH K
6006.31.0040	POLYSTR DBL KNT/INTRLCK, UNBL/BL SYN FIB, OTH KT/C
6006.31.0060	OTH UNBL/BL SYN FB, DBL KNT/INTRLCK CON, OT KT/CR,
6006.31.0080	OTH UNBLCH/BLCH SYN FIB, OTH KNT/CRCHT FBRC,NESOI

6006.32.0020	NYLON, DYD, DBL KNT/INTERLCK, SYN FIB, OTH KNT/CRO
6006.32.0040	POLYESTER DYED, DBL KNT/INTRLCK, SYN FIB, KNT/CRO
6006.32.0060	OTH DYD DBLE KNT/INTRLOCK, SYN FIB, OTH KNT/CRO,NE
6006.32.0080	OTH DYED, SYN FIB, OF KNIT/CROCHET FABRIC, NESOI
6006.33.0020	NYLON OF YRN DIFF CLR, DBL KNT/INTRLCK, SYN FIB, O
6006.33.0040	POLYSTR YRN DIFF CLR, DBL KNT/INTRLCK, SYN FB OTH
6006.33.0060	OTH YRN DIFF CLR, DBL KNT/INTRLOCK SYN, OTH K/C,NE
6006.33.0080	OTH YRN DIFF CLR, SYN FIB, OF OTH KNT/CRCHT FA, NE
6006.34.0020	NYLON PRNTD DBL KNIT/INTERLCK SYN FIB, OTH KNT/CRO
6006.34.0040	POLYESTER PRNT DBL KNT/INTRLCK, SYN FB, OTH KNT/CR
6006.34.0060	OTH PRNT DBL KNT/INTRLCK,SYN FIB, OTH KNT/CRO, NES
6006.34.0080	OTH PRNT, SYN FIB OF OTH KNT/CROCHET FABRIC, NESOI
6006.41.0025	DBL KNT/INTRLCK, UNBLCH/BLCH ART FIB, OTH KNT/CRO
6006.41.0085	KNT/CRCHT FABRC, UNBLCH/BLCH, NT DBL KNT OR INT CN
6006.42.0025	DBL KNT/INTRLOCK, DYD OF ART FIB, OTH KNT/CROC FAB
6006.42.0085	KNIT/CROCHET FABRC OF ART FIB, DYED, NESOI
6006.43.0025	DBL KNT/INTRLCK OF YRN DIFF CLR, ART FIB, OTH K/C
6006.43.0085	KNIT/CROCHT FABRC OF ART FIB OF YRN DIFF CLR, NESO
6006.44.0025	DBL KNT/INTRLCK, PRNT OF ART FIB, OTH KNIT/CRO FAB
6006.44.0085	KNIT/CROCHET FABRIC ART FIB, PRINTED, NESOI

EXHIBIT 3

Information Requested by CITA

Category 222 - Knit fabric

Yearly Data						
Quantity in Thousand Kilograms (Unless otherwise specified)						
	1998	**1999**	**2000**	**2001**	**2002**	**2003**
1) Imports from the World	66,770	94,266	99,018	105,703	140,620	138,879
2) Imports from China	639	113	43	32	7,011	9,493
3) China Quota Level **- Thousand SME**	269,136	271,828	274,546	277,292	Cat. 222 Removed From Quota - NO LIMIT	
4) Imports Charged to Quota - **Thousand SME**	266,533	266,977	268,671	265,267		
5) China Quota Fill	99.03%	98.22%	97.86%	95.66%		
6) Total U.S. Market	854,323	826,187	756,058	624,274	620,580	NA
7) U.S. Domestic Production	787,553	731,921	657,040	518,571	479,960	NA
8) U.S. Domestic Market Share	92.18%	88.59%	86.90%	83.07%	77.34%	NA
9) U.S. Mkt Share - Total Imports	7.82%	11.41%	13.10%	16.93%	22.66%	NA
10) U.S. Mkt Share - Imports from China	0.07%	0.01%	0.01%	0.01%	1.13%	NA
11) Avg. unit price of China Imports	$7.25	$7.03	$12.86	$10.71	$4.50	$4.52
Value of Trade - In Thousand US Dollars						
12) Imports from the World	$487,731	$663,847	$692,527	$748,825	$818,826	$784,606
13) Imports from China	$4,631	$791	$547	$340	$31,548	$42,871

SOURCES:
(1), (2), (12), and (13) trade data from OTEXA website
(3), (4), and (5) from U.S. Customs and OTEXA websites
(6), (7), and (8) from IP Book available on OTEXA website
(9) and (10) Calculated by taking total imports and imports from China as percentages of the total U.S. market (6)
(11) Calculated by dividing the value of imports from China (13) by the quantity (2)

Category 222, Knit Fabric

Year-to-Date, Year Ending, and Quarterly Data										
Quantity in Thousand Kilograms										
	2003 YTD*	**2004 YTD***	**YE 2003****	**YE 2004****	***1Q 03***	***2Q 03***	***3Q 03***	***1Q 04***	***2Q 04***	***Q3 04***
1) Imports from the World	104,247	103,796	138,788	138,428	30,902	36,927	36,418	33,893	37,532	32,371
2) Imports from China	7,027	8,831	8,992	11,297	2,102	2,645	2,279	3,004	3,575	2,252
3) China Quota Level	*NA*	9,664	*NA*	*NA*	NA	NA	NA	NA	NA	NA
4) Imports Charged to Quota	*NA*	9,664	*NA*	*NA*	NA	NA	NA	NA	NA	NA
5) China Quota Fill	*NA*	100%	*NA*	*NA*	NA	NA	NA	NA	NA	NA
6) Avg. unit price of China Imports	$4.46	$4.26	$4.36	$4.36	$4.59	$4.47	$4.33	$4.32	$4.31	$4.12
Value of Trade - In Thousand U.S. Dollars										
7) Imports from the World	$584,154	$563,443	$786,254	$763,895	$177,939	$201,960	$204,255	$184,762	$204,818	$173,863
8) Imports from China	$31,328	$37,663	$39,173	$49,206	$9,650	$11,813	$9,864	$12,983	$15,399	$9,281

* YTD period is through September
** YE period is year ending September
SOURCES:
(1), (2), (7), and (8) trade data from OTEXA website
(3), (4), and (5) from U.S. Customs and OTEXA websites
(6) Calculated by dividing the value of imports from China (8) by the quantity (2)

GENERAL NOTES:
(a) Category 222 was controlled under the Group III quota for 1998-2001. China quota levels and fill rates for 1998-2001 are for Group III as a whole and are reported in thousand square meter equivalents.
(b) Imports from China of Category 222 are restricted by a safeguard quota for the period December 24, 2003 - December 23, 2004.
(c) DOMESTIC PRODUCTION and MARKET SHARE data for YTD and YE are not reported by OTEXA for category 222.

EXHIBIT 4

List of China Manufacturers

Petitioner's attempts to develop a list of China manufacturers of the subject products (222 knit fabrics) returned information on over 3,900. Petitioners are willing to share this information directly with CITA, but determined it would create too lengthy of a document if attached at the present time.