

September 21, 2005

James Leonard
Chairman, Committee for the Implementation of Textile Agreements
Room H3100
U.S. Department of Commerce
14th 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), and UNITE HERE! request that the Committee for the Implementation of Textile Agreements (CITA) take the necessary actions to impose a safeguard on U.S. imports from China of cheesecloth, batistes, lawns/voile classified within Category 226 of the U.S. Textile and Apparel Category System. This request is made pursuant to the guidelines issued by CITA (68 F.R. 27787, May 21, 2003).

The parties submitting this request are trade associations and unions, which are representative of either domestic producers of products like or directly competitive with fabrics in Category 226 or of domestic producers of component parts used in the production of products that are like or directly competitive with the those contained in Category 226.

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

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

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

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

It is the strong view of the petitioners that the surge in the year-to-date July imports from China of cheesecloth, batistes, lawns/voile, compounded with continuous declines in U.S. production of these products since 2001, constitutes market disruption under § 11.242 of the Report of the Working Party on the Accession of China to the World Trade Organization (WTO). According to data provided for in the I/P Book published by the Office of Textiles and Apparel, International Trade Administration, U.S. Department of Commerce (OTEXA), the 2002, 2003, 2004, and 1st quarter 2005 declines in domestic production and the recent downward trend in the domestic market share, correlates directly to the import rise in these products.

CITA knows well the circumstances following the integration of certain categories on January 1, 2002, in which China registered enormous increases and quickly moved to dominate trade. A similar pattern of domination can be seen by tracking China's rise from a distant second place to Canada for largest supplier in 2004 to the number one supplier with a 46.8 percent U.S. import market share for the first seven months of 2005. China's new posture is also reflected in the sharp rise in imports of this product category, which registered an increase of 263.0 percent in the first seven months of 2005.

A closer look at the data shows that China was the second largest supplier of the subject products behind Canada with an 18.4 percent share of the U.S. import market for calendar year 2004. For the 1st quarter of 2005, Chinese market share rose to 43.7 percent, as China soared into the position of largest supplier to the U.S. market. China has continued to increase its share and now holds 49.9 percent of the U.S. import market for the first 8 months of 2005, the latest preliminary monthly data available. The second largest supplier is Canada, with a 25.5 percent share.

China's surge is driving a significant increase in total U.S. imports as well, with imports from all sources up 26.6 percent year-to-date July 2005. Furthermore, increases in imports from the world and China have taken a significant toll on U.S. production and domestic market share. U.S. production is down 13.4 percent for the 1st quarter of 2005, following a 16.9 percent drop in calendar year 2004. Likewise, domestic market share is down 4.9 percent for the 1st quarter of this year to a record low 86.6 percent.

Precipitous price reductions, corresponding to the removal of quota and the corresponding quota costs, are a major reason for the sudden surge of Chinese imports. A review of the most recent price data available indicates that China's January – July 2005 prices for Category 226 fabric averaged \$0.51/m². This average unit value is 19.0 percent below the price for the same period in 2004 of \$0.63/m² and 8.9 percent below the average world price for 2005 of \$0.56/m². China's surging imports, their rise in

market dominance and their sharp price reductions, follow the pattern China established in 2002 with the removal of certain items from quota. In those categories integrated in 2002, China dropped its prices by an average of 58 percent.

In sum, surging low-priced imports from China and declining U.S. domestic production in Category 226 are an indication of disruption of the U.S. market. Safeguard language in the U.S./China Protocol of Accession is based on similar language in the Multi-Fiber Agreement (MFA) and the WTO's Agreement on Textiles and Clothing (ATC). Both of those international agreements provide for immediate action in the event of highly unusual and critical circumstances. We believe that current circumstances are such that prompt action is necessary, irrespective of the timelines in the CITA procedures.

Thank you for your consideration of this important matter.

Sincerely,



Auggie Tantillo
Executive Director
AMTAC



Cass Johnson
President
NCTO



Karl Spilhaus
President
NTA



Bruce Raynor
General President
UNITE HERE

Table 1: U.S. Production, Imports, and Domestic Market Share for Cheesecloth, Batistes, Lawns/Voile (Category 226) 1999-2004, Year Ending March 2004 and 2005, and Year-to-date March 2004 and 2005. (Market Share values calculated as a percentage of U.S. Production plus U.S. Imports.)

Time Period	U.S. Production (1,000 Square Meters)	U.S. Imports (1,000 Square Meters)	U.S. Imports from China	U.S. Domestic Market Share (Percent)	Import Market Share (Percent)	China Market Share (Percent)
1999	733,009	59,769	9,114	92.46	7.54	1.15
2000	651,992	81,379	8,934	88.90	11.10	1.22
2001	696,394	68,899	6,956	91.00	9.00	0.91
2002	657,244	78,473	12,992	89.33	10.67	1.77
2003	645,071	60,498	7,407	91.43	8.57	1.05
2004	536,022	57,401	10,588	90.33	9.67	1.78
YE 3/04	605,959	58,721	8,130	91.17	8.83	1.22
YE 3/05	516,435	62,704	17,304	89.17	10.83	2.99
YTD 3/04	146,423	14,373	1,889	91.06	8.94	1.17
YTD 3/05	126,836	19,675	8,605	86.57	13.43	5.87

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)

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Table 2: U.S. Imports of Cheesecloth, Batistes, Lawns/Voile (Category 226) 1999-2004, 1st Quarter 2004 and 2005, 2nd 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 (Square Meters), Percent Change, and China's Percent Share of Total U.S. Imports

Time Period	U.S. Imports -Category 226 from:		China:		
	World: Quantity (m ²)	% Change	Quantity (m ²)	% Change	% Share
1999	59,769,228	--	9,113,571	--	15.2
2000	81,379,431	36.2	8,934,404	-2.0	11.0
2001	68,898,867	-15.3	6,956,488	-22.1	10.1
2002	78,472,689	13.9	12,992,489	86.8	16.6
2003	60,498,207	-22.9	7,407,012	-43.0	12.2
2004	57,401,309	-5.1	10,588,115	42.9	18.4
1 st Qtr/04	14,372,993	--	1,888,711	--	13.1
1 st Qtr/05	19,675,231	36.9	8,604,831	355.6	43.7
2 nd Qtr/04	14,264,943	--	2,518,664	--	17.7
2 nd Qtr/05	16,851,195	18.1	7,253,335	188.0	43.0
YE 7/04	60,257,819	--	9,192,118	--	15.3
YE 7/05	66,351,527	10.1	25,050,227	172.5	37.8
YTD 7/04	33,682,177	--	5,498,754	--	16.3
YTD 7/05	42,632,395	26.6	19,960,866	263.0	46.8
YE 8/04	58,991,353	--	8,786,163	--	14.9
YE 8/05 (p)	66,042,580	12.0	27,654,947	214.8	41.9
YTD 8/04	37,931,971	--	6,154,441	--	16.2
YTD 8/05(p)	46,573,242	22.8	23,221,273	277.3	49.9