

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), 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 combed cotton yarn, classified within Category 301 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 domestic producers of products like or directly competitive with combed cotton yarn in Category 301.

### **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)

**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 combed cotton yarn 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 combed cotton yarn from China were 2,015,700 kilograms for the entire twelve months of 2004. In the first quarter of 2005, U.S. imports from China were 612,219 kilograms, an increase of 120 percent from the first quarter of 2004.

**U.S. Imports from the World Are Increasing Rapidly in Absolute Terms.** U.S. imports of combed cotton yarn from all sources increased from 14,724 thousand kilograms in the first quarter of 2004 to 19,544 thousand kilograms in the first quarter of 2005 - an increase of 33 percent.

**The Average Unit Value of Imports from China Is Falling in 2005.** In 2004, the average unit value of U.S. combed cotton yarn imports from China was US\$3.98 per kilogram. In the first three months of 2005, the average unit value of those imports fell to US\$3.14 per kilogram, compared to US\$3.31 per kilogram 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 19.82 percent for the most

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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.

recent period, year-to-date August<sup>2</sup>, even with the safeguard quota in place.

China's share of the U.S. import market has also risen from 2.85 percent in 2004 to 3.96 percent year-to-date August.

China's precipitous price drops continue with the China price now at \$2.74/kg for year-to-date June, or 7 percent below the world price of \$2.94.

Furthermore, China has already filled 30.8 percent of their safeguard quota as of September 12, 2005, just over three months since 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 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. In other developed markets similar to the United States where quotas were removed, China moved quickly to dominate them; and
5. China continues to engage in a variety of unfair trade practices, including currency manipulation, which allow Chinese textile and apparel manufacturers to undercut U.S. and other competitors' prices.

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

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

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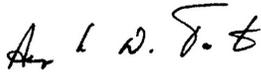
<sup>2</sup> All year-to-date August 2005 figures are preliminary.

**Requested Action**

The Committee for the Implementation of Textile Agreements (CITA) is hereby requested to take all appropriate steps in order to avoid market disruption in 2006 with respect to imports from China of such products. Petitioners submit that such market disruption can only be avoided by the reapplication of safeguard limitations on imports of the subject products from China according to the provisions of Section 11.242 of the Report of the Working Party, the guidelines issued by the Committee for the Implementation of Textile Agreements (68 F.R. 27787, May 21, 2003), and the previous decision of CITA reflected in its determination published at 70 F.R. 30930 (May 31, 2005).

Thank you for your consideration of this important matter.

Sincerely,



Auggie Tantillo  
Executive Director  
AMTAC



Cass Johnson  
President  
NCTO



Bruce Raynor  
**General President**  
UNITE HERE

Karl Spilhaus  
President  
NTA

**Table 1:** U.S. Production, Imports, and Domestic Market Share for Combed Cotton Yarn (Category 301) 1999-2003 (Market Share values calculated as a percentage of U.S. Production plus U.S. Imports\*.)

Time Period	U.S. Production (Thousand Kilograms)	U.S. Imports	U.S. Imports from China	U.S. Domestic Market Share (Percent)	Import Market Share (Percent)	China Market Share (Percent)
1999	190,966	37,587	1,513	83.55%	16.45%	.66%
2000	184,217	47,821	1,991	79.39%	20.61%	.86%
2001	132,446	35,277	1,417	78.97%	21.03%	.84%
2002	104,456	45,232	1,081	69.78%	30.22%	.72%
2003	75,988	54,320	1,719	58.31%	41.69%	1.32%

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); 2003

\*latest OTEXA figures available.

**Table 2:** U.S. Imports of Combed Cotton Yarn (Category 301) 1999-2004, 1<sup>st</sup> Quarter 2004 and 2005, 2<sup>nd</sup> Quarter 2004 and 2005, YE June 2004 and 2005, YTD June 2004 and 2005, YE August 2004 and 2005(p), YTD August 2004 and 2005(p), from the World and China: Quantity (Kilograms), Percent Change, and China's Percent Share of Total U.S. Imports

Time Period	U.S. Imports-Category 301 from:		China:		
	World: Quantity (Kgs.)	% Change	Quantity (Kgs.)	% Change	% Share
1999	37,587,409	--	1,513,268	--	4.03
2000	47,820,883	27.23	1,991,161	31.58	4.16
2001	35,277,270	-26.23	1,417,193	-28.83	4.02
2002	45,232,206	28.22	1,081,337	-23.70	2.39
2003	54,319,712	20.09	1,718,626	58.94	3.16
2004	70,695,627	30.15	2,015,700	17.29	2.85
1 <sup>st</sup> Qtr/04	14,724,316	--	278,731	--	1.89
1 <sup>st</sup> Qtr/05	19,544,253	32.73	612,219	119.65	3.13
2 <sup>nd</sup> Qtr/04	24,618,948	--	999,038	--	4.06
2 <sup>nd</sup> Qtr/05	20,045,005	-18.58	993,589	-0.05	4.96
YE 6/04	67,747,680	--	2,208,627	--	3.26
YE 6/05	70,941,621	4.71	2,343,739	6.12	3.30
YTD 6/04	39,343,264	--	1,277,769	--	3.25
YTD 6/05	39,589,258	.63	1,605,808	25.67	4.06
YE 8/04	70,292,780	--	2,048,796	--	2.91
YE 8/05(p)	66,145,343	-5.90	2,327,284	13.59	3.52
YTD 8/04	52,091,218	--	1,572,295	--	3.02
YTD 8/05(p)	47,540,934	-8.74	1,883,879	19.82	3.96