U.S. International Trade Commission

Certain Wool Articles

Second Annual Report on U.S. Market Conditions

Investigation No. 332-427
Publication No. 3544
September 2002

U.S. International Trade Commission

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U.S. International Trade Commission

Washington, DC 20436
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Certain Wool Articles Second Annual Report on U.S. Market Conditions

Investigation No. 332-427

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ABSTRACT

Following receipt of a request from the United States Trade Representative (USTR) on January 22, 2001, the U.S. International Trade Commission (Commission) instituted investigation No. 332-427, U.S. Market Conditions for Certain Wool Articles, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) on February 12, 2001. As requested by the USTR, the Commission is providing information on U.S. market conditions for men's (and boys') worsted wool tailored clothing, worsted wool fabrics used in such clothing, and inputs used in such fabrics. This second and final annual report under this investigation provides the requested data for 2001 and the first quarter of 2002.

The results are as follows:

Apparent U.S. consumption of men's wool tailored clothing generally declined during the period covered by the report, reflecting the popularity of casual dress in the workplace and weak and uncertain economic conditions, especially since the terrorist attacks of September 11, 2001. U.S. production and imports of wool tailored clothing fell during the period. Nevertheless, imports still supplied most of the U.S. market for such clothing.

A number of U.S. tailored clothing manufacturers reported they are experiencing financial difficulty, mainly because of declining sales, pressure from retailers to reduce prices, and import competition. The manufacturers also attributed the decline in their domestic production to insufficient quantities and varieties of cost-competitive fabrics available in the United States relative to Canada and Mexico, major suppliers of tailored clothing that benefit from preferential market access under the North American Free Trade Agreement (NAFTA). The manufacturers stated that high U.S. import tariffs on worsted wool fabrics have put them at a competitive disadvantage vis-a-vis their counterparts in Canada and Mexico.

The Commission estimated that the U.S. market for worsted wool fabrics cut and sewn into men's tailored clothing domestically fell from 19 million square meters in 2000 to 13-14 million square meters in 2001. Based on the available data, the market could fall to 10-12 million square meters in 2002. The decline in 2001 was mostly in coarse-micron fabrics; demand for fine-micron fabrics remained fairly stable. Of the total market in 2001, domestic fabrics accounted for an estimated 2 million square meters; imported fabrics made up the residual (11-12 million square meters).

U.S. production capacity for worsted wool fabrics is expected to decline substantially to about 19 million square meters by the end of 2002, although this figure may overstate the actual level of capacity available for the tailored clothing manufacturers. A significant increase in purchases of domestic fabrics for the manufacture of men's tailored clothing in the United States, however, is unlikely. U.S. clothing manufacturers seek access to fabrics from many different mills worldwide so as to minimize their dependence on any one supplier, thereby spreading financial risk. Moreover, because no one mill in the United States or abroad can design or make the range of fabrics necessary to ensure product differentiation, U.S. clothing manufacturers likely will continue to obtain a diversity of fabrics from multiple sources of supply.

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EXECUTIVE SUMMARY

Following receipt of a request from the United States Trade Representative (USTR) on January 22, 2001, the U.S. International Trade Commission (Commission) instituted investigation No. 332-427, U.S. Market Conditions for Certain Wool Articles, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) on February 12, 2001. As requested by the USTR, the Commission is providing information on U.S. market conditions for men's (and boys') worsted wool tailored clothing, worsted wool fabrics and yarn used in such clothing, and wool fibers used in such fabrics and yarn. Title V of the Trade and Development Act of 2000 (the Act)[1] temporarily reduced tariffs and established tariff-rate quotas (TRQs) on U.S. imports of worsted wool fabrics for use in the manufacture of men's tailored clothing.[2] This second and final annual report under this investigation provides the requested data for 2001 and the first quarter of 2002.

Principal Findings

U.S. Market Conditions for Men's Tailored Clothing

- The U.S. market for men's wool tailored clothing generally declined during the period covered by the report, reflecting the popularity of casual dress in the workplace and the weak and uncertain economic conditions, especially since the terrorist attacks of September 11, 2001. Domestic production and imports of such tailored clothing fell during the period. However, imports still supplied most of the U.S. market for such clothing.

- Seven of the 17 clothing manufacturers providing information on their financial health reported financial solvency or sales growth, while the other 10 firms reported experiencing financial difficulty, mainly because of declining sales, pressure from retailers to reduce prices, and import competition. Six of these 10 firms permanently closed portions of their production operations, while the other 4 firms reduced the number of employees and work hours.

- The clothing manufacturers also attributed the decline in their domestic production to insufficient quantities and varieties of cost-competitive fabrics available in the United States relative to Canada and Mexico, major suppliers of tailored clothing that benefit from preferential market access under the North American Free Trade Agreement (NAFTA). In addition, the clothing manufacturers stated that high U.S. import tariffs on worsted wool fabrics have put

[1] On August 6, 2002, the President signed the Trade Act of 2002, which amends Title V. See chapter 1 of this report for more information on the changes.

[2] In general, under a TRQ, the United States applies a lower tariff rate to imports of an article up to a particular amount, known as the in-quota quantity, and another higher rate to imports in excess of the given amount. Title V of the Act established two TRQs for worsted wool fabrics, which went into effect for 3 years beginning on January 1, 2001. For 2002, the first TRQ permits 2.5 million square meters of "coarse-micron" fabrics to enter at 18.4 percent ad valorem, and the other TRQ permits 1.5 million square meters of "fine-micron" fabrics to enter at 6 percent ad valorem. Imports in excess of these quantities are subject to the normal trade relations duty rate of 27.2 percent ad valorem. The Trade Act of 2002 amended Title V by extending the TRQs through 2005, increasing the TRQ levels, and eliminating the 6 percent ad valorem duty rate on fine-micron fabrics.

them at a competitive disadvantage vis-a-vis their counterparts in Canada and Mexico. The manufacturers stated that a "tariff inversion" on certain worsted wool articles, in which imports of the fabrics have been subject to higher duty rates than imports of apparel made from such fabrics, serves as an incentive to import finished garments and that sales of tailored clothing often are lost to imports of comparable goods.

- Questionnaire data from U.S. tailored clothing manufacturers indicated that U.S. production of men's worsted wool suits continued to decline in 2001, falling by 25 percent from the 2000 level (see table below). During the first quarter of 2002, production of such suits fell by 20 percent from the year-ago level. U.S. production of men's worsted wool sport coats decreased by 38 percent in 2001, following an increase of 15 percent in 2000; it declined by 43 percent in the first quarter of 2002. Men's worsted wool trousers were the only clothing segment to grow in 2001 (by 7 percent); however, production of such trousers fell by 34 percent in the first quarter of 2002.

Men's and boys' worsted wool suits, sport coats, and trousers: U.S. manufacturers' production, by micron count, 1999-2001, January-March 2001, and January-March 2002

(1,000 units)

				January-March--	
Item	**1999**	**2000**	**2001**	**2001**	**2002**
Suits	1,523	1,359	1,022	307	246
18.5 microns or less	***	***	***	***	***
Greater than 18.5 microns	***	***	***	***	***
Sport coats	1,029	1,181	731	241	138
18.5 microns or less	***	***	***	***	***
Greater than 18.5 microns	***	***	***	***	***
Trousers	1,169	1,174	1,255	391	260
18.5 microns or less	***	***	***	***	***
Greater than 18.5 microns	***	***	***	***	***

Note.--Data for 1999 and 2000 are not available from a firm accounting for 2, 5, and 1 percent of suit, sport coat, and trouser production, respectively, in 2001. The firm said its suit and trouser output fell significantly in 2001 and January-March 2002. As such, the decline in total production from 1999 to 2001 is somewhat understated.

Source: Compiled from data submitted by U.S. tailored clothing manufacturers in response to Commission questionnaires.

U.S. Worsted Wool Fabric Industry

- The Commission estimated that the U.S. market for worsted wool fabrics cut and sewn into men's tailored clothing in the United States (the "subject fabrics") declined from 19 million square meters in 2000 to 13-14 million square meters in 2001 (see table below). Based on the available data, it is believed that the market could decline to as low as 10-12 million square meters in 2002. The decline in demand for the subject fabrics during the period covered by the report reflected a decrease in domestic production of men's tailored clothing, continued competition from imports of both the fabrics and tailored clothing, and sluggish and uncertain economic conditions.

- It is estimated that U.S. production of the subject fabrics totaled 2 million square meters in 2001. Imports are assumed to represent the residual of 11-12 million square meters (the difference between the market estimate of 13-14 million square meters and the domestic production estimate of 2 million square meters).

Worsted wool fabrics for men's and boys' tailored clothing (the "subject fabrics"): Estimated size of U.S. market, domestic production, and imports, 2001

(Million square meters)

Item	Fine-micron fabric	Coarse-micron fabric	Total
Market	***	***	13.0 -14.0
Production[1]	***	***	2.0
Imports[2]	***	***	11.0 -12.0

[1] Estimated production based on domestic production of worsted wool fabrics for men's tailored clothing, minus direct exports of/from GU.S. fabric producers and minus estimated shipments of fabrics for tailored clothing assembled under offshore production-sharing arrangements.

[2] Estimated imports represent the residual amount, or the difference between the estimate for the total market and the estimate for domestic production.

Source: Data on the U.S. market, production, and imports are estimated by the Commission on the basis of questionnaire responses, staff telephone interviews with industry representatives, and U.S. Customs Service data.

- U.S. demand for worsted wool fabrics for men's tailored clothing, whether the fabrics were cut and sewn in the United States or processed under offshore production-sharing arrangements, continued to decline in 2001 and the first quarter of 2002. The Commission estimated that apparent U.S. consumption of such fabrics in 2001 fell by *** percent from the 2000 level to 16.7 million square meters. It is estimated that apparent U.S. consumption of such fabrics also decreased during the first quarter of 2002 by 21 percent from the corresponding period in 2001. The decline in demand for worsted wool fabrics continued to be concentrated in coarse-micron fabrics (those having an average fiber diameter greater than 18.5 microns). Demand for fine-micron fabrics (those having an average fiber diameter of 18.5 microns or less) declined at a slower pace in 2001, and then increased in the first quarter of 2002.

- U.S. production capacity for worsted wool fabrics for all end uses is expected to decline substantially during 2002 as a result of restructuring actions by Burlington Industries, which, along with certain of its domestic subsidiaries, filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code on November 15, 2001. *** As such, total U.S. production capacity is expected to decline from *** million square meters in 2001 to about 19 million square meters by the end of 2002. Notwithstanding Burlington's planned reduction in production capacity, U.S. producers of worsted wool fabrics together still have considerable unused capacity.

Fabric Prices

- Average prices of domestic fine-micron fabrics generally were higher than those for similar imported fabrics during the period covered by the report. For coarse-micron fabrics, domestic fabrics typically had lower average prices than similar imported fabrics.

- Data from clothing manufacturers show that prices for domestic and imported fabrics fell on a quarterly basis from the first half of 2001 to the first quarter of 2002, although prices of imported fancy fine-micron fabrics rose slightly. Data from U.S. mills and importers show that prices of domestic and imported fine-micron fabrics rose from the first quarter of 2001 to the first quarter of 2002, while prices of domestic and imported coarse-micron fabrics fell during the period.

Ability of U.S. Fabric Producers To Meet Needs of U.S. Tailored Clothing Manufacturers

- U.S. production capacity for worsted wool fabrics used in men's tailored clothing is expected to reach a low of about 19 million square meters by the end of 2002, although this figure may overstate the actual level of capacity that may be available for tailored clothing manufacturers. A significant increase in purchases of domestic fabrics for the manufacture of men's tailored clothing in the United States, however, is unlikely. U.S. clothing manufacturers seek access to fabrics from many different mills worldwide so as to minimize their dependence on any one supplier, thereby spreading financial risk. Moreover, because no one mill in the United States or abroad can design or make the range of fabrics necessary to ensure product differentiation, U.S. clothing manufacturers likely will continue to obtain a diversity of fabrics from multiple sources of supply.

- The clothing manufacturers state that fabric quality and consistency, the variety of fabric styles available, fabric price and minimum order requirements, delivery, and reliability and flexibility of supply are all important factors affecting their sourcing decisions and ability to compete in the domestic market. The manufacturers contend that they need to be able to purchase small quantities of quality fabrics in a wide range of styles at competitive prices, because product quality, fashion, and differentiation are critical selling determinants in the mid-to-upper price segments of the U.S. retail market in which they sell their goods.

- For coarse-micron fabrics, U.S. mills are reported to have difficulty in meeting the needs of many tailored clothing manufacturers, in terms of the number and variety of fabric styles, fabric quality and consistency, and minimum order sizes. They appear to be able to meet the needs of the commercial uniform manufacturers, a segment of the market that requires relatively large lot sizes of generally solid-color, coarse-micron fabrics that are produced to exact specifications.

- For fine-micron fabrics, ***. However, even for these fabrics, clothing manufacturers indicated that Italian fabrics, in particular, were superior on average to domestic fabrics in terms of many market factors, including the number and variety of styles available, flexible lot sizes and lead times, and fabric quality.

Lost Sales and Revenues

- Of the four U.S. fabric producers reporting allegations of lost sales or revenues due to imports benefiting from the temporary duty reductions under the TRQs for worsted wool fabrics, ***.

- Of the four U.S. tailored clothing manufacturers reporting allegations of lost sales and revenues resulting from their inability to purchase adequate supplies of worsted wool fabrics on a cost-competitive basis, ***.

U.S. Market Conditions for Wool Fibers and Yarns

- The available data indicate that U.S. demand for worsted wool yarns used in fabric for men's tailored clothing declined in 2001 and in the first quarter of 2002. Consumption of such yarns by U.S. mills that make the worsted wool fabrics totaled *** kilograms in 2001. U.S. fabric mills' production and purchases of the subject yarns declined by *** percent and *** percent, respectively, during the first quarter of 2002, from the corresponding level in 2001.

- U.S. mill consumption of raw wool in 2001 declined by 14 percent from the 2000 level to 30.1 million kilograms, the lowest on record. U.S. wool production fell for the 12th straight year in 2001, to 10.3 million kilograms (clean content), down by 7 percent from 2000. The decline in mill consumption reflected reduced wool usage by domestic mills making inputs for apparel, which accounted for 80 percent of raw wool mill consumption in 2001.

CHAPTER 1
INTRODUCTION

Purpose and Scope

Following receipt of a request from the United States Trade Representative (USTR) on January 22, 2001, the U.S. International Trade Commission (Commission) instituted investigation No. 332-427, U.S. Market Conditions for Certain Wool Articles, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) on February 12, 2001.[1] As requested by the USTR, the Commission is providing information on U.S. market conditions, including domestic demand, supply, and production for men's (and boys') worsted wool suits, suit-type jackets, and trousers; worsted wool fabrics and yarn used in the manufacture of such clothing; and wool fibers used in the manufacture of such fabrics and yarn. Also as requested by the USTR, the Commission is providing, to the extent possible, data on:

(1) increases or decreases in sales and production of the subject domestically-produced worsted wool fabrics;
(2) increases or decreases in domestic production and consumption of the subject apparel items;
(3) the ability of domestic producers of the subject worsted wool fabrics to meet the needs of domestic manufacturers of the subject apparel items in terms of quantity and ability to meet market demands for the apparel items;
(4) sales of the subject worsted wool fabrics lost by domestic manufacturers to imports benefiting from the temporary duty reductions on certain worsted wool fabrics under the tariff-rate quotas (TRQs) described in headings 9902.51.11 and 9902.51.12 of the Harmonized Tariff Schedule of the United States (HTS);
(5) loss of sales by domestic manufacturers of the subject apparel articles related to the inability to purchase adequate supplies of the subject worsted wool fabrics on a cost-competitive basis; and
(6) the price per square meter of imported and domestically produced worsted wool fabrics.

As requested by the USTR, the Commission submitted an interim report to the USTR in May 2001 and the first of two annual reports in September 2001.[2] This second and final annual report under this investigation provides the requested data for 2001 and the first quarter of 2002, except as noted. The USTR requested the second annual report by September 16, 2002.

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[1] A copy of the USTR request letter is in appendix A of this report, and a copy of the Commission's notice of institution, which was published in the *Federal Register* (66 F.R. 11315) on February 23, 2001, is in appendix B.

[2] U.S. International Trade Commission, *Certain Wool Articles: Interim Report on U.S. Market Conditions* (investigation No. 332-427), USITC publication 3422, May 2001, and *Certain Wool Articles: First Annual Report on U.S. Market Conditions* (investigation No. 332-427), USITC publication 3454, Sept. 2001.

Legislative Background

Title V of the Trade and Development Act of 2000, enacted on May 18, 2000, and implemented by Presidential Proclamation No. 7383 of December 1, 2000,[3] temporarily reduced tariffs on imports of worsted wool fabrics containing 85 percent or more by weight of wool and certified by the importer as suitable for use in men's suits, suit-type jackets (sport coats), and trousers. Title V created two TRQs for the purpose of granting the duty reductions on the subject fabrics for 3 years beginning on January 1, 2001.[4] HTS heading 9902.51.11 permits 2.5 million square meter equivalents (SMEs) of worsted wool fabrics having an average fiber diameter greater than 18.5 microns (coarse-micron fabrics) to enter each year at the same duty rate as that for men's wool sport coats.[5] HTS heading 9902.51.12 permits 1.5 million SMEs of worsted wool fabrics having an average fiber diameter of 18.5 microns or less (fine-micron fabrics) to enter each year at 6 percent ad valorem, the same rate applied by Canada on the finer worsted wool fabrics. Imports in excess of the TRQ in-quota quantities are subject to the normal trade relations (NTR) duty rates (table 1-1).

Table 1-1
U.S. TRQ in-quota, over-quota (NTR), and NAFTA rates of duty on worsted wool fabrics and NTR and NAFTA rates of duty on men's and boys' worsted wool sport coats, 2002

Item	In-quota ad valorem rate	NTR ad valorem rate	NAFTA rate[1]
Worsted wool fabrics having an average fiber diameter–			
18.5 microns or less	[2]6%	27.2%	Free
Greater than 18.5 microns	[3]18.4%	27.2%	Free
Men's and boys' worsted wool sport coats	([4])	18.4%	Free for Canada 2.2% for Mexico

[1] Rates apply on proper importer claim to originating goods under HTS general note 12.
[2] The Trade Act of 2002 temporarily reduced the rate to zero for such fabrics entered, or withdrawn from warehouse for consumption, on or after January 1, 2002.
[3] The 18.4 percent ad valorem duty rate on coarse-micron fabrics corresponds to the tariff level for men's and boys' worsted wool sport coats, thereby temporarily removing a tariff inversion in which the duty had been higher on the fabric than on garments made from such fabric.
[4] Not applicable.

Title V authorizes the President to modify the TRQ in-quota quantities, subject to a review of U.S. market conditions, by not more than 1.0 million SMEs in any of the 3 years. In Proclamation No. 7383, the President delegated the authority to modify the TRQ in-quota quantities to the

[3] The proclamation was published in the *Federal Register* on Dec. 6, 2000 (65 F.R. 76551).
[4] See appendix C for a copy of the relevant pages of HTS chapter 99 providing for the temporary duty reductions for the worsted wool fabrics, as well as the temporary duty suspensions for certain wool inputs.
[5] The rate is subject to the same staged duty reductions as those agreed to by the United States in the Uruguay Round of multilateral trade negotiations for men's wool sport coats (HTS subheading 6203.31.00). The rate for 2002 is 18.4 percent ad valorem.

Secretary of Commerce, and delegated to the USTR the authority to monitor market conditions. The Secretary of Commerce did not modify the TRQ limits for 2001. As discussed below, the Trade Act of 2002 modified the TRQ limits for 2002.

Title V also authorizes the President to reduce the 6 percent ad valorem duty rate on fine-micron fabrics, as necessary, to equalize the rate with that of Canada. Proclamation No. 7383 authorizes the Secretary of Commerce to monitor the most-favored-nation (MFN) rate of duty applicable to imports into Canada of the fine-micron fabric of the kind classified under HTS heading 9902.51.12 and to notify the President of any reduction in the Canadian MFN duty rate on such imports. On April 5, 2002, the Secretary of Commerce notified the President that, during 2001, Canada eliminated its MFN duty rate on selected fine-micron fabrics for use in men's tailored clothing.[6] Prior to August 6, 2002, the United States had not matched Canada's reduction in duties. To implement the duty-free treatment for the selected fabrics, which contain 85 percent or more by weight of wool or of fine animal hair (e.g., cashmere), Canada established four new tariff provisions that can be divided into two groups, as follows:[7]

(1) The first two provisions became effective on January 23, 2001, and depending on certain weight requirements, provide for fabrics solely of combed wool with average fiber diameters of 17.5 microns or less and of combed fine animal hair, measuring 100 decitex or less per single yarn, certified by the exporter to contain 7 percent or more by weight of fine animal hair; and

(2) The last two provisions became effective on November 22, 2001, and depending on certain weight requirements, provide for fabrics solely of combed wool or of combed wool mixed solely with cotton, silk, or manmade fibers, containing 95 percent or more by weight of worsted wool with average fiber diameters of 18.5 microns or less.

On August 6, 2002, the President signed the Trade Act of 2002. Section 5102 of the Act amends section 501 of the Trade and Development Act of 2000 to extend temporary duty reductions on imports of worsted wool fabrics through 2005, increase the in-quota quantities of imports of such fabrics, and suspend through 2005 the 6-percent in-quota tariff on fine-micron worsted wool fabrics, retroactive to January 1, 2002. The provision increases the in-quota quantity of imports of coarse-micron fabrics (under HTS heading 9902.51.11) to 3.5 million SMEs in calendar year 2002, and 4.5 million SMEs in 2003. The in-quota quantities for fine-micron fabrics (9902.51.12) are increased to 2.5 million and 3.5 million SMEs in calendar years 2002 and 2003, respectively. The 2003 in-quota quantities will apply during 2004 and 2005 unless the President determines that a change is appropriate and so provides by proclamation, as provided for under section 504(b)(3) of the Trade and Development Act of 2000.[8]

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[6] U.S. Department of Commerce, International Trade Administration, "Notice of Reduction of Canadian Most Favored Nation Rates of Duty for Certain Worsted Wool Fabrics," *Federal Register* (67 F.R. 18863), Apr. 17, 2002.

[7] Ibid. The fabrics for which Canada eliminated the MFN duty rate would otherwise be subject to a duty of 16 percent ad valorem, not to exceed Can$4.56 per kilogram.

[8] U.S. House of Representatives, *Conference Report: Trade Act of 2002* (H.R. 3009), 107th Cong., 2nd sess., unpublished version dated July 26, 2002, found at Internet address *http://www.house.gov/rules/HR3009_ CR.pdf*, retrieved Aug. 29, 2002.

Questionnaires and Other Information Sources

This report draws on market and industry information collected by the Commission from many different sources. The Commission obtained information at a public hearing on April 18, 2002, and from written statements from representatives of U.S. producers of worsted wool fabrics and men's tailored clothing.[9] Commission staff conducted in-person and telephone interviews with representatives of U.S. producers and importers of worsted wool fabrics and yarns, and U.S. manufacturers and retailers of men's tailored clothing. The staff also conducted interviews and visited plants in Connecticut, New York, and Canada during the first half of 2002 to obtain firsthand information about the industries and markets under consideration. Staff also reviewed the available literature on the issues.

Because there are no published data available on U.S. markets for the subject wool articles by micron count, to obtain such data for this report the Commission modified three of the four questionnaires used in preparation of the first annual report, as follows: (1) a producer questionnaire, sent to U.S. producers of the subject fabrics; (2) a purchaser questionnaire, sent to firms that purchase the fabrics, mainly U.S. manufacturers of men's tailored clothing; and (3) an importer questionnaire, sent to firms that import and sell the fabrics. The Commission did not use the yarn questionnaire that was sent to U.S. producers of worsted wool yarns for the first annual report, but instead modified the producer questionnaire to request data on U.S. fabric producers' yarn purchases and production.

The producer questionnaire was sent to six firms that reportedly have produced, or had the capability to produce, the subject fabrics since January 1, 2001. Five of the firms reported that they produce the fabrics, and one stated that it did not make them during the period. Of the five firms producing the fabrics, four provided information in response to the Commission questionnaire; the fifth firm, in a telephone interview with Commission staff, provided data on its production and production capacity.[10] The Commission believes that the information received in response to the producer questionnaire and in followup interviews represents most, if not all, domestic production of the subject fabrics.

The purchaser questionnaire was sent to 37 firms that reportedly purchased the subject fabrics during the period covered by the report. Two of the clothing manufacturers receiving the questionnaire, Hartmarx Corp. and Individualized Apparel Group (The Tom James Co.), had their respective subsidiaries complete the questionnaire for their own individual operations rather than provide a corporate-wide response. Some subsidiaries of the two firms also received the questionnaire directly from the Commission. ***[11] Of the clothing manufacturers that did not respond to the questionnaire, two firms were interviewed by Commission staff to obtain data on their tailored clothing production and purchases of the subject fabrics, another firm had gone out of business, four are commercial uniform manufacturers,[12] and the other five, on the basis of discussions

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[9] A list of individuals who appeared at the hearing is in appendix D. The views of interested parties are summarized in chapter 8 of this report.

[10] The firm stated that it produces small quantities of the subject fabrics.

[11] ***

[12] The Commission obtained information on commercial uniform fabrics from questionnaire responses from U.S. fabric producers and through telephone interviews with commercial uniform manufacturers.

with the firms themselves and other industry sources, are believed to account for very small portions of U.S. tailored clothing production. The purchaser questionnaire also requested that the clothing manufacturers separately report production of clothing made on contract from fabrics owned by others, such as retailers.

The importer questionnaire was sent to 16 firms that were believed to import the subject fabrics, including U.S. fabric producers that import the fabrics from their foreign facilities. The Commission received responses from 8 of the 16 firms and obtained information from an additional 2 companies in telephone interviews. Three firms believed to represent a large share of the clothing manufacturers' purchases of imported fabrics did not respond to the questionnaire. For this reason, the Commission used data submitted by clothing manufacturers in response to the purchaser questionnaire and U.S. Customs data, in addition to responses to the importer questionnaire for data on sales of imported fabrics.

Product Coverage and Organization of Report

As noted earlier in this chapter, the fabrics covered by Title V of the Trade and Development Act of 2000, and the subject of this investigation, are worsted wool fabrics containing 85 percent or more by weight of wool and certified by the importer as suitable for use in men's and boys' suits, suit-type jackets (sport coats), and trousers.[13] For purposes of this report, the subject fabrics are cut and sewn into men's tailored clothing in the United States. These fabrics are divided into "fine-micron fabrics," in which the wool fibers are of an average diameter of 18.5 microns or less (the lower the number, the finer the fiber), and "coarse-micron fabrics," in which the average fiber diameter is greater than 18.5 microns. The subject fabrics are also divided into "fancy fabrics," which contain two or more colors, and "solid-color fabrics." The term "men's tailored clothing" also includes such clothing for boys (consistent with the HTS), and "sport coats" refers to suit-type jackets (the term used in the legislation). The term "tailored clothing" includes suits, sport coats, and trousers.

Chapters 2 through 7 of this report provide the information requested, to the extent possible, on U.S. market conditions for men's worsted wool tailored clothing (chapter 2) and for worsted wool fabrics (chapter 3); on prices of domestic and imported worsted wool fabrics (chapter 4); on the ability of domestic fabric producers to meet the needs of domestic clothing producers (chapter 5); on lost sales and revenues (chapter 6); and on U.S. market conditions for certain wool yarns and fibers (chapter 7). Chapter 8 provides a summary of the views of interested parties as presented in written statements to the Commission and in the public hearing held before the Commission.

[13] Most wool tailored clothing is made from worsted fabric (a tightly woven fabric with a smooth, hard surface made from worsted yarn containing long wool fibers that have been carded and combed). However, significant quantities of sport coats are made from woolen fabric (a loosely woven fabric with a fuzzy or napped surface made from fuzzy, loosely twisted yarn containing short wool fibers that have been carded).

CHAPTER 2
U.S. MARKET CONDITIONS FOR MEN'S (AND BOYS') WORSTED WOOL TAILORED CLOTHING[1]

This chapter provides the requested information on U.S. market conditions for men's (and boys') worsted wool tailored clothing for 2001 and the first quarter of 2002, except as noted. The first section of this chapter discusses recent developments in the U.S. market for men's tailored clothing and factors affecting demand for such goods. The second section reviews recent developments in the U.S. men's tailored clothing industry, and the final section discusses recent trends in imports of the subject clothing.

Market Overview

U.S. demand for men's tailored clothing generally declined during the period covered by the report, reflecting the popularity of casual dress in the workplace and weak and uncertain economic conditions, which were exacerbated by the terrorist attacks of September 11, 2001.[2] Although data available to the Commission show that retail sales of tailored clothing rose in 2001, before falling in the first quarter of 2002, trade sources attributed the gain in 2001 to retailers meeting demand by selling off existing inventories. An industry source stated that the apparel market is cyclical, with the level of consumer spending on apparel often falling during recessionary periods, when disposable income declines.[3] Gross domestic product (GDP) in real terms in the first quarter of 2001 fell by 0.6 percent from the preceding period, the first such quarterly decline since the first quarter of 1993. Real GDP continued to fall in the second quarter (1.6 percent) and the third quarter (0.3 percent) of 2001, before rising thereafter by 2.7 percent in the fourth quarter of 2001 and by 5.0 percent and 1.1 percent in the first and second quarters of 2002, respectively.[4]

Some tailored clothing manufacturers believe that there is an upturn in the mood at retail and that the casual wear trend is gradually subsiding in favor of a return to classic suiting.[5] Additionally, having depleted inventories in the latter half of 2001, retailers are likely to increase production orders as they seek to replenish stocks. The decline in production is expected to begin to slow if the

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[1] This chapter draws on information received by the Commission at the hearing, in response to its questionnaires, in written statements, and from in-person and telephone interviews by Commission staff with officials of Hickey-Freeman Co., Hartz & Co., and American Fashion, Inc., March-June 2002.

[2] Response to Commission questionnaire by ***, and Cathy Horyn, "In Paris, Breathing New Life into Men's Suits," *The New York Times*, July 2, 2002.

[3] Hartmarx Corp., Form 10-K filed with the U.S. Securities and Exchange Commission, Feb. 26, 2002, found at Internet address *http://www.sec.gov*, retrieved Mar. 20, 2002.

[4] The quarterly growth rates for real GDP are from the website of the U.S. Bureau of Economic Analysis (*www.bea.gov)*, retrieved Aug. 1, 2002.

[5] Information in this paragraph is from Keith Melrose, Senior Vice President and Director of Merchandising, Hartz & Co., interview by Commission staff, New York, NY, May 13, 2002, and Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., transcript of hearing, p. 78.

business climate for men's tailored clothing experiences a slight rebound, and manufacturers realize anticipated gains from the recent suspension of the TRQ in-quota tariff rate on fine-micron fabrics.[6]

Consumption

Apparent U.S. consumption of men's wool tailored clothing (made from both worsted and woolen fabrics) generally declined in unit volume during the period covered by the report (table 2-1). The data on apparent U.S. consumption (production plus imports minus exports) are based on official U.S. statistics that include a broader array of garments than those covered by Title V of the Trade and Development Act of 2000 and, therefore, should be used only as a guide for assessing market trends.[7] The decline in consumption during the period reflected decreases in domestic production and imports (which are discussed separately later in this chapter). Nevertheless, imports still accounted for most of the U.S. market for suits (75 percent), sport coats (84 percent), and trousers (70 percent) in 2001.

Retail Market

Although official statistics show that apparent U.S. consumption of men's wool tailored clothing (at wholesale) fell in 2001, data from the NPD Group[8] show that U.S. retail sales of such goods rose by 13 percent, to $2.3 billion (table 2-2). Retailers reportedly met consumer demand by selling from inventories rather than placing new orders with suppliers.[9] According to U.S. Census Bureau data, retail inventories for all clothing and accessories declined by 8 percent in 2001.

The NPD Group data show that retail sales of suits in 2001 rose 12 percent by quantity and 45 percent by value from year-ago levels, and that suits accounted for 40 percent of the quantity but 62 percent of the value of total retail sales of men's wool tailored clothing. Retail sales of sport

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[6] See chapter 1 of this report for more information on U.S. and Canadian tariffs on fine-micron fabrics.

[7] Official statistics overstate the size of the U.S. market for men's worsted wool tailored clothing in terms of the market conditions being monitored under Title V of the Trade and Development Act of 2000. First, data on production include garments that are cut in the United States, but sewn offshore and re-imported as finished apparel. Second, import and export data include garments not covered by the Act (e.g., those containing more than 50 percent wool by weight but less than 85 percent). Finally, the data include clothing made from woolen fabric, which is not covered by the Act, along with the subject garments of worsted wool fabric.

[8] NPD Group is a leading global market information company headquartered in Port Washington, NY, which uses both retail point-of-sale tracking and consumer information to monitor product movement at retail and consumer purchasing behavior. The data are based on responses by an online consumer panel of more than 400,000 households (over 1.25 million individuals) that represent a wide demographic range. The men's wool tailored clothing data collected by NPD Group include both worsted and woolen apparel, thus overstating the size of the retail market. Woolen fabrics are loosely woven with a fuzzy or hairy surface (e.g., tweeds), and are not included in the scope of this study. It is believed that most suits are made from worsted wool fabrics, while the proportion of woolen sport coats and trousers may be higher.

[9] Keith Melrose, Senior Vice President and Director of Merchandising, Hartz & Co., interview by Commission staff, New York, NY, May 13, 2002.

Table 2-1
Men's and boys' wool suits, sport coats, and trousers: U.S. production, imports for consumption, exports of domestic merchandise, and apparent U.S. consumption, 1997-2001, January-March 2001, and January-March 2002

Item and year	U.S. production	U.S. imports[1]	U.S. exports[2]	Apparent U.S. consumption	Ratio of imports to consumption
	1,000 units				*Percent*
Suits:					
1997	2,474	5,119	40	7,553	68
1998	2,320	6,127	77	8,370	73
1999	1,928	6,185	57	8,056	77
2000	1,792	6,221	40	7,973	78
2001	1,730	5,123	26	6,827	75
Jan.-Mar.:					
2001	625	1,528	2	2,151	71
2002[3]	501	1,369	1	1,869	74
Sport coats:					
1997	2,559	4,791	529	6,821	70
1998	2,313	4,989	565	6,737	74
1999	2,231	4,810	326	6,715	72
2000	2,131	5,646	990	6,787	83
2001	1,702	5,415	708	6,409	84
Jan.-Mar.:					
2001	568	1,224	155	1,637	75
2002[3]	325	1,053	112	1,266	83
Trousers:					
1997	4,651	6,962	765	10,848	64
1998	4,310	7,613	618	11,305	67
1999	4,068	8,018	466	11,620	69
2000	5,002	11,139	353	15,788	71
2001	5,099	11,191	302	15,992	70
Jan.-Mar.:					
2001	1,372	2,704	112	3,964	68
2002[3]	912	2,433	84	3,261	75

[1] Import data are based on HTS statistical reporting numbers 6203.11.2000, 6203.11.6000, 6203.11.9000, 6203.31.0010, 6203.31.5010, and 6203.31.9010 (suits); 6203.21.0015, 6203.21.3015, 6203.21.9015, 6203.31.0020, 6203.31.5020, and 6203.31.9020 (sport coats); and 6203.21.0020, 6203.21.3020, 6203.21.9020, 6203.41.1210, 6203.41.1220, 6203.41.1510, 6203.41.1520, 6203.41.1810, and 6203.41.1820 (trousers). Imports of trousers were reduced by a quantity equal to the quantity of suit-type jackets imported under HTS 6203.31.0010, 6203.31.5010, and 6203.31.9010 (suit-type jackets imported as parts of suits that do not meet the requirements for tariff classification as suits; for example, the outer shells of the suit-type jackets do not contain the required four or more panels; see note 3(a) of HTS chapter 62 for a complete definition of "suits").

[2] Export data are based on HTS subheadings 6203.11.00 (suits), 6203.31.00 (sport coats), and 6203.41.00 (trousers).

[3] Production data for January-March 2002 were estimated on the basis of the percentage change in production reported by tailored clothing manufacturers in their responses to Commission questionnaires for January-March of 2001 and 2002, and applying those changes to U.S. Census Bureau data for January-March 2001.

Note.--Official statistics of the U.S. Department of Commerce, which were used to develop data on apparent U.S. consumption, overstate the U.S. market for men's worsted wool tailored clothing in terms of the market conditions being monitored under Title V of the Trade and Development Act of 2000. First, production data include garments cut in the United States, sewn offshore, and re-imported as finished apparel. Second, import and export data include garments not covered by the Act (e.g., those containing more than 50 percent wool by weight but less than 85 percent). Finally, the data include clothing made from woolen fabric, which is not covered by the Act, along with the subject garments of worsted wool fabric.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 2-2
Men's wool suits, sport coats, and trousers: U.S. retail sales, 2000-2001, January-March 2001, and January-March 2002

Item	2000	2001	January-March-- 2001	2002
Suits:				
Quantity *(1,000 units)*	5,307	5,951	2,072	1,397
Value *(million dollars)*	1,035	1,497	553	324
Sport coats:				
Quantity *(1,000 units)*	5,022	6,263	1,944	1,022
Value *(million dollars)*	804	680	240	155
Trousers:				
Quantity *(1,000 units)*	3,080	2,180	323	731
Value *(million dollars)*	237	172	39	50

Note.--Data on trousers for January-March of 2001 and 2002 should be interpreted only as indicative of market trends. The NPD Group stated that the number of trouser transactions was insufficient to extrapolate an accurate projection of retail market size.

Source: Compiled from data of the NPD Group, Port Washington, NY.

coats rose 25 percent by quantity but fell 15 percent by value in 2001. The data also show that trouser sales declined in terms of both quantity (29 percent) and value (27 percent). Thus, while consumers purchased more suits and sport coats by quantity in 2001, they spent more money on each suit ($195 in 2000 and $252 in 2001) than on each sport coat ($160 in 2000 and $109 in 2001). During the first quarter of 2002, the NPD Group data show that retail sales declined in men's wool suits and sport coats but increased in men's wool trousers.[10]

The NPD Group data for 2001 show that suits sold at retail for less than $400 each accounted for 70 percent of total suit sales by value, while those selling for $400 each or more accounted for 30 percent of the total, up from 27 percent in 2000 (table 2-3). The increase in the share of suit sales accounted for by the $400-plus suits partly reflected consumer demand for higher quality and more luxurious clothing.[11] With the Consumer Price Index for apparel in 2001 reaching its lowest point in 5 years, retailers may be lowering prices on higher value suits while still remaining above the $400 mark, which could encourage customers to buy in the higher price range if they believe they are receiving significant value for their additional dollars. As retail prices decline, tailored clothing manufacturers face increased pressure to reduce production costs in order to remain competitive.

[10] Data on retail sales of men's wool trousers for January-March of 2001 and 2002 should be interpreted only as indicative of market trends. The NPD Group stated that the number of trouser transactions was insufficient to extrapolate an accurate projection of retail market size.

[11] Keith Melrose, Hartz & Co., interview by Commission staff, New York, NY, May 13, 2002.

Table 2-3
Men's wool suits: U.S. retail sales, by price points, 2000-2001, January-March 2001, and January-March 2002

Item	2000	2001	January-March-- 2001	2002
Under $400:				
Quantity *(1,000 units)*	4,850	5,095	1,668	1,154
Value *(million dollars)*	755	1,048	332	198
$400 or greater:				
Quantity *(1,000 units)*	458	856	403	243
Value *(million dollars)*	280	449	221	126

Source: Compiled from data of the NPD Group, Port Washington, NY.

U.S. Industry

Restructuring and Consolidation

The U.S. tailored clothing industry continued to decline in size during 2000-2001. U.S. Census Bureau data show that the number of establishments in the industry in 2000 fell by 6 percent from the 1999 level to 182; it is likely that the number fell further in 2001, given recent plant closures. U.S. Bureau of Labor Statistics data show that industry employment in 2001 declined by 18 percent from the 2000 level to 17,500 persons. A number of clothing manufacturers and retailers have expanded their global sourcing of clothing, including the use of production-sharing operations in Mexico, Colombia, and the Caribbean Basin (see "U.S. imports" later in this chapter for more information on such trade). The manufacturers stated that much of the production of moderate to lower priced tailored clothing has moved abroad, particularly to NAFTA trading partners Canada and Mexico, as well as Colombia and the Caribbean Basin. The worsted wool tailored clothing made domestically tends to compete in the upper-middle to high end of the domestic market, although some U.S. production of lower priced garments still exists. Questionnaire data for 2001 show that about 80 percent of the suits made domestically sold in the mid range ($400 to $699 each) and high end ($700 each or more) of the U.S. retail market.

Seven of the 17 clothing manufacturers responding to questions of financial health in the Commission questionnaire reported financial solvency or sales growth, while the other 10 firms reported experiencing financial difficulty and/or have ceased operations, primarily because of declining sales, pressure by retailers to reduce prices, and import competition. Of these 10 firms, 6 permanently closed portions of their production operations, while the other 4 reduced the number of employees and work hours. Some firms stated that they were trying to replace in-house production with contract sales or reduce the number of work hours in an effort to reduce costs and minimize losses. However, these firms also stated that such measures cannot be sustained over the long term if sales do not increase.

Two large U.S. manufacturers of men's tailored clothing, Hartmarx Corp. and The Tom James Co., both of which are parent companies to several smaller clothing firms, recently restructured

their operations.[12] The publicly held Hartmarx, whose revenues in 2001 decreased by $79 million from the 2000 level to $602 million, closed seven facilities in the United States and abroad, and reduced its workforce by 30 percent, or 2,200 jobs.[13] In February 2002, the firm consolidated the back-office operations of Hart Schaffner & Marx, Intercontinental Branded Apparel, and Plaid Clothing, and, in April 2002, announced that it would consolidate all of its men's tailored clothing operations, with the exception of Hickey-Freeman Co., into one entity, HMX Tailored.[14] Hartmarx's restructuring efforts may have been motivated, in part, by an attempted takeover of the firm by a group led by The Tom James Co., a privately held firm for which financial data are not available. ***[15]

Production

Hartmarx, the largest U.S. manufacturer of men's tailored clothing in 2001, accounted for an estimated *** percent of the total quantity of U.S. production of wool suits, *** percent of wool sport coats, and *** percent of wool trousers.[16] Hartmarx is also the largest purchaser of worsted wool fabrics for use in men's tailored clothing, accounting for *** percent of total purchases of domestic and imported fabrics in 2001, or *** percent of all fine-micron and *** percent of all coarse-micron fabric purchases.[17]

U.S. production of men's worsted wool suits continued to decline in 2001, decreasing by 25 percent from 2000 (table 2-4). The decline in production reflected decreases in suits of coarse-micron and fine-micron fabrics of *** percent, respectively. During the first quarter of 2002, wool suit production fell by 20 percent from the year-ago level, with production of suits of coarse-micron and fine-micron fabrics declining by *** percent, respectively.

U.S. production of men's worsted wool sport coats in 2001 decreased by 38 percent from the 2000 level, following an increase of 15 percent in 2000. The decline in 2001 reflected production decreases of *** percent in fine-micron sport coats and *** percent in coarse-micron sport coats. In the first quarter of 2002, production declined by 43 percent from the year-ago level, as output of both fine-micron and coarse-micron sport coats fell significantly.

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[12] Hartmarx markets men's tailored clothing under its own brand names (e.g., Hart Schaffner & Marx and Hickey-Freeman) and licensed trademarks (e.g., Kenneth Cole). Its men's tailored clothing subsidiaries include Hickey-Freeman Co., Hart Schaffner & Marx, and HMX Tailored, Inc. (formerly Intercontinental Branded Apparel, Plaid Clothing Co., and Biltwell Co.). ***

[13] According to questionnaire responses, Hartmarx closed the following facilities during 2001-2002: ***

[14] Hartmarx Corp., Form 10-K filed with the U.S. Securities and Exchange Commission, Feb. 26, 2002, found at Internet address *http://www.sec.gov*, retrieved Mar. 20, 2002, and "Hartmarx Consolidates Clothing Units," *DNR* (*Daily News Record*), Apr. 15, 2002.

[15] Official of The Tom James Co., telephone interview by Commission staff, Mar. 22, 2002.

[16] Based on data submitted by 17 U.S. clothing manufacturers in response to the Commission purchaser questionnaire for 2001. Because the reported shipments data were incomplete, the reported production and fabric purchase data were used to examine industry trends. ***

[17] Because of the significance of Hartmarx in the U.S. market for men's tailored clothing, much of the production and other market-related data submitted by Hartmarx and other clothing manufacturers in response to the Commission purchaser questionnaire are confidential.

Table 2-4
Men's and boys' worsted wool suits, sport coats, and trousers: U.S. manufacturers' production, by micron count, 1999-2001, January-March 2001, and January-March 2002

(1,000 units)

Item	1999	2000	2001	January-March-- 2001	2002
Suits	1,523	1,359	1,022	307	246
18.5 microns or less	***	***	***	***	***
Greater than 18.5 microns	***	***	***	***	***
Sport coats	1,029	1,181	731	241	138
18.5 microns or less	***	***	***	***	***
Greater than 18.5 microns	***	***	***	***	***
Trousers	1,169	1,174	1,255	391	260
18.5 microns or less	***	***	***	***	***
Greater than 18.5 microns	***	***	***	***	***

Note.--Data for 1999 and 2000 are not available from a firm accounting for 2, 5, and 1 percent of suit, sport coat, and trouser production, respectively, in 2001. The firm said its suit and trouser output fell significantly in 2001 and January-March 2002. As such, the decline in total production from 1999 to 2001 is somewhat understated.

Source: Compiled from data submitted by U.S. tailored clothing manufacturers in response to Commission questionnaires.

Men's worsted wool trousers were the only clothing segment to register an increase in U.S. production in 2001 (7 percent). The *** increase in production of fine-micron trousers offset the *** decline in output of coarse-micron trousers, which had accounted for all the growth in trouser output in 2000. Marked declines in production of both fine-micron and coarse-micron trousers occurred in the first quarter of 2002, compared with year-ago levels (*** percent, respectively).

According to the clothing manufacturers, the production decreases in 2001 and the first quarter of 2002 partly reflected their continued inability to have access to sufficient quantities and varieties of cost-competitive fabrics compared with their competitors in Canada and Mexico. The manufacturers stated that high U.S. tariffs on imports of worsted wool fabrics have put them at a competitive disadvantage vis-a-vis their counterparts in Canada and Mexico.[18] According to the clothing manufacturers, the fabric tariffs add significantly to their fabric costs, which represent a major portion of their overall costs. The share of total production costs accounted for by fabric averages 24 percent for suits, 30 percent for sport coats, and 36 percent for trousers.[19] The manufacturers also stated that a "tariff inversion"[20] serves as an incentive to import finished garments and that sales of tailored clothing often are lost to imports of comparable goods.

U.S. industry sources reported that the decline in domestic clothing production also reflected the growing buying power of large retailers, which has led to considerable downward pressure on

[18] Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., transcript of hearing, Apr. 18, 2002, p. 66.
[19] From data submitted by clothing manufacturers in response to Commission questionnaires (combining production of fine-micron and coarse-micron clothing).
[20] The tariff inversion for worsted wool articles reflects the fact that the normal trade relations duty is higher on the fabric than on garments made from such fabric.

prices and, in some cases, lost sales (see chapter 6 for further information on lost sales). Retailers are seeking greater value from producers, in the form of either higher quality products for the same prices they are accustomed to paying for lower quality, or lower prices for the same quality they have purchased in the past.

The U.S. market for men's tailored clothing of worsted wool fabrics also includes tailored commercial uniforms made from such fabrics.[21] The market for these commercial uniforms, such as those worn by airline, hotel, and public safety personnel, is believed to be supplied mostly by domestic production.[22] Some commercial uniforms are assembled in Mexico and Caribbean Basin countries under production-sharing arrangements with U.S. firms. The worsted wool fabrics used by U.S. uniform producers are ***.

U.S. Imports

U.S. imports of men's wool suits, sport coats, and trousers together totaled 73 million square meter equivalents (SMEs) in 2001, representing a decrease of 8 percent, or 6.4 million SMEs, from the 2000 level.[23] During January-April 2002, imports fell by 11 percent (or 2.5 million SMEs) from the year-ago level. These declines generally occurred in imports of all three clothing categories (table 2-5) and followed a period of uninterrupted import growth from 1997 to 2000, when total imports of men's tailored clothing rose by 32 percent. The cessation in the growth of imports is most likely attributable to the overall downturn in the U.S. apparel market that began in 2001.

The leading foreign suppliers of men's wool tailored clothing by quantity in 2001 were Italy, Mexico, and Canada, which together accounted for 51 percent of total imports. Imports of qualifying goods from Mexico and Canada benefit from NAFTA preferences. An additional 11 percent of the imports came from beneficiary countries under the United States-Caribbean Basin Trade Partnership Act (CBTPA).[24] The CBTPA, among other things, granted duty-free and quota-free entry to imports of apparel made in designated CBTPA beneficiary countries from fabrics produced in the United States of U.S. yarns, provided the fabrics are cut in the United States or, if cut in CBTPA countries, are sewn with U.S. thread. Several U.S. tailored clothing manufacturers report that they are moving a growing share of production to CBTPA countries, particularly clothing of coarse-micron fabrics. As such, the decline in domestic production of coarse-micron clothing is expected to continue.

[21] Production data in table 2-4 do not include commercial uniforms. Also, U.S. military uniforms are not included in this analysis. The "Berry Amendment," enacted as Title IX of Public Law 102-396, as amended, requires U.S. military procurement of uniforms, among other goods, to be manufactured in the United States from U.S.-produced components.

[22] Information in this paragraph is from officials of Elbeco, Inc.; Fechheimer Brothers & Co.; Uniforms to You & Co., Inc.; and Brookhurst; telephone interviews by Commission staff, July 10, 2001, and July 22, 2002.

[23] Based on data submitted by U.S. clothing manufacturers in response to Commission questionnaires, one suit equals 5.3 SMEs, one sport coat equals 3.1 SMEs, and one pair of trousers equals 2.6 SMEs.

[24] The CBTPA provides for preferential treatment for qualifying textiles and apparel from designated CBTPA beneficiary countries during a transition period that began on October 1, 2000, and ends on the earlier of September 8, 2008, or the date on which the Free-Trade Area of the Americas or a comparable free-trade agreement between the United States and CBTPA countries enters into force.

Table 2-5
Men's and boys' wool suits, sport coats, and trousers: U.S. imports for consumption, by principal sources, 1997-2001, January-April 2001, and January-April 2002

(*1,000 units*)

Item and source	1997	1998	1999	2000	2001	January-April-- 2001	2002
Suits:							
Italy	923	1,213	1,187	1,200	1,125	419	381
Mexico	775	996	1,195	1,293	989	358	316
Canada	1,373	1,282	1,307	1,024	883	351	265
Korea	133	319	306	344	184	67	75
India	31	108	146	170	168	65	56
Poland	164	218	190	169	138	38	52
Colombia	150	135	99	111	138	55	41
Costa Rica	252	302	236	250	136	57	21
Dominican Republic	171	175	141	145	129	36	27
All other	1,146	1,378	1,378	1,515	1,232	465	461
Total	5,120	6,127	6,184	6,221	5,122	1,909	1,694
Sport coats:							
Mexico	466	435	446	532	826	167	237
Canada	517	535	563	732	681	230	208
Colombia	570	575	598	737	594	248	147
Italy	469	573	552	553	562	172	149
Dominican Republic	590	635	452	441	439	119	54
Guatemala	180	206	199	371	240	117	37
Costa Rica	258	294	275	276	190	89	40
Poland	141	121	134	107	156	29	23
Israel	87	87	82	159	153	28	18
All other	1,514	1,528	1,508	1,738	1,576	370	423
Total	4,791	4,989	4,810	5,646	5,416	1,569	1,335
Trousers:							
Italy	1,134	1,465	1,586	1,869	2,056	727	631
Mexico	1,112	1,308	1,320	1,652	1,992	622	544
Canada	1,035	1,238	1,285	1,698	1,589	537	583
Dominican Republic	870	574	585	826	900	210	113
India	104	108	145	436	886	189	270
China	842	900	821	825	561	252	248
Colombia	327	454	492	551	456	207	250
Korea	66	237	332	422	323	91	67
Turkey	1	4	5	36	235	13	35
All other	1,471	1,325	1,449	2,825	2,191	580	439
Total	6,962	7,613	8,018	11,139	11,191	3,428	3,181

Note.–Import data are based on HTS statistical reporting numbers 6203.11.2000, 6203.11.6000, 6203.11.9000, 6203.31.0010, 6203.31.5010, and 6203.31.9010 (suits); 6203.21.0015, 6203.21.3015, 6203.21.9015, 6203.31.0020, 6203.31.5020, and 6203.31.9020 (sport coats); and 6203.21.0020, 6203.21.3020, 6203.21.9020, 6203.41.1210, 6203.41.1220, 6203.41.1510, 6203.41.1520, 6203.41.1810, and 6203.41.1820 (trousers). Imports of the trousers were reduced by a quantity equal to the quantity of suit-type jackets imported under HTS 6203.31.0010, 6203.31.5010, and 6203.31.9010 (suit-type jackets imported as parts of suits that do not meet the requirements for tariff classification as suits; for example, the outer shells of the suit-type jackets do not contain the required four or more panels; see note 3(a) of HTS chapter 62 for a complete definition of "suits").

Source: Compiled from official statistics of the U.S. Department of Commerce.

In 2001, the first full year for which official statistics were collected on U.S. imports of men's tailored clothing by micron count, fine-micron and coarse-micron garments accounted for 14 percent (10 million SMEs) and 86 percent (63 million SMEs), respectively, of total imports of men's tailored clothing (table 2-6). In January-April 2002, their respective shares changed slightly, to 13 and 87 percent. In 2001, the major foreign suppliers of fine-micron clothing were Mexico (2.2 million SMEs), Canada (1.9 million SMEs), and Italy (1.7 million SMEs), while the major suppliers of coarse-micron clothing were Italy (11.4 million SMEs), Mexico (10.8 million SMEs), and Canada (9.0 million SMEs).

In 2001, imports from Mexico constituted the largest share of fine-micron suits, followed by those from Canada and Italy (table 2-6). Although total imports of fine-micron suits declined by 31 percent to 254,000 units during January-April 2002, imports from Mexico rose and those from the other leading suppliers fell. Imports of coarse-micron suits during the 2002 period declined by 7 percent, with Italy supplying the largest share as was the case in 2001.

The largest foreign supplier of fine-micron sport coats in 2001 was Italy, followed by Colombia and the Dominican Republic. Mexico and Canada were leading overall suppliers, but imports from those countries consisted mostly of coarse-micron sport coats. In the 2002 period, imports of fine-micron sport coats declined by 47 percent, and those of coarse-micron fabrics remained flat.

The leading foreign suppliers of fine-micron trousers in 2001 were Canada, Italy, and Mexico, which together accounted for 69 percent of the total import quantity. Total imports of such trousers declined by 45 percent in the 2002 period. Imports of coarse-micron trousers from Canada increased by 12 percent in the 2002 period to 512,000 units, while total imports of such trousers decreased slightly.

Industry sources stated that U.S. tailored clothing manufacturers and retailers are expanding their imports of "full-package" men's tailored clothing, in which a foreign supplier agrees to provide a range of services, such as apparel design, fabric procurement, and apparel assembly, packaging, and distribution, or any combination of these services. Some of these suppliers tend to offer more competitive prices for finished goods because they have little or no margin on intermediate processes undertaken "in-house" that would otherwise be sourced externally.[25]

About one-fifth of the imports of men's wool tailored clothing in 2001 entered under the production-sharing provisions of chapter 98 of the Harmonized Tariff Schedule of the United States (HTS; formerly the "807" tariff provision).[26] Imports of such clothing under the production-sharing provisions, which come primarily from Mexico, the Caribbean Basin countries, and Colombia, fell by 4 percent in 2001, from 2000, to 13.5 million SMEs.

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[25] Officials of the Forstmann Co., interview by Commission staff, New York, NY, May 12, 2002.

[26] Under the production-sharing provisions of HTS chapter 98, U.S. importers receive a partial-duty exemption for articles assembled abroad in whole or in part of U.S. components. In general, the duty is assessed only on the value added abroad (mainly the cost of sewing the garment parts together). The fabric for making the apparel parts can be of either U.S. or foreign origin as long as the fabric is cut to shape in the United States, exported ready for assembly, and not advanced in value abroad except by assembly and incidental operations.

Table 2-6
Men's and boys' wool suits, sport coats, and trousers: U.S. imports for consumption, by principal sources and by micron count, 2001, January-April 2001, and January-April 2002

(1,000 units)

Item and source	2001–		January-April 2001--		January-April 2002–	
	18.5 microns or less	Greater than 18.5 microns	18.5 microns or less	Greater than 18.5 microns	18.5 microns or less	Greater than 18.5 microns
Suits:						
Italy	134	990	63	356	24	357
Mexico	266	723	102	256	116	200
Canada	211	673	99	252	30	235
Korea	2	182	2	66	15	59
India	38	129	10	55	2	54
All other	168	1,607	90	558	67	535
Total	819	4,304	366	1,543	254	1,440
Sport coats:						
Mexico	108	718	46	122	37	200
Canada	40	641	21	209	7	202
Colombia	116	478	60	188	42	105
Italy	149	412	65	108	39	110
Dominican Republic	111	328	55	63	14	40
All other	631	1,684	238	393	117	423
Total	1,155	4,261	485	1,083	256	1,080
Trousers:						
Italy	192	1,865	121	607	34	597
Mexico	166	1,826	76	546	39	505
Canada	246	1,344	80	457	71	512
India	5	880	0	189	0	270
Dominican Republic	49	851	24	186	18	99
All other	216	3,555	88	1,056	51	985
Total	874	10,321	389	3,041	213	2,968

Source: Compiled from official statistics of the U.S. Department of Commerce.

CHAPTER 3
U.S. MARKET CONDITIONS FOR CERTAIN WORSTED WOOL FABRICS[1]

This chapter provides the requested information on the U.S. market for worsted wool fabrics used in men's tailored clothing for 2001 and the first quarter of 2002. It discusses the size of the market and the decline in demand for such fabrics, as evidenced by decreases in domestic production and imports. It also examines the state of the U.S. worsted wool fabric industry, whose capacity to produce fabrics for men's tailored clothing is expected to contract sharply during 2002 as a result of actions by Burlington Industries to downsize its fabric operations.

U.S. Market for Worsted Wool Fabrics

The Commission prepared two sets of estimates on the size of the U.S. market for worsted wool fabrics, both of which are based primarily on questionnaire data. The first set is limited to worsted wool fabrics of a kind covered by the tariff rate quotas (TRQs)--namely, fabrics cut and sewn into men's tailored clothing in the United States (hereafter referred to in this chapter as the "subject fabrics"). The second set includes both the subject fabrics and other worsted wool fabrics for men's tailored clothing processed by U.S. tailored clothing manufacturers under offshore production-sharing arrangements, whether the fabrics are cut in the United States and sewn offshore or are both cut and sewn offshore (hereafter referred to in this chapter as "fabrics used domestically and offshore"). Thus, although the second set of data overstate the true size of the market for the subject fabrics, they are indicative of trends in demand for them. (Information on formulation of the Commission estimates on the market size for the subject fabrics can be found in box 3-1.)

Fabrics Used Domestically

The Commission estimated that the size of the U.S. market for the subject fabrics fell from 19 million square meters in 2000 to about 13-14 million square meters in 2001 (table 3-1). The market could contract further in 2002, possibly to as low as 10-12 million square meters, according to data available for the first quarters of 2001 and 2002. The decline in 2001 was mostly in coarse-micron fabrics, demand for which was *** million square meters; demand for fine-micron fabrics remained fairly stable at *** million square meters. It is estimated that U.S. production of the subject fabrics in 2001 was 2 million square meters,[2] of which coarse-micron fabrics accounted for

[1] This chapter draws on information received by the Commission at the public hearing, in response to its questionnaires, in written statements, and from in-person and telephone interviews by Commission staff with officials of Burlington Industries, Cleyn & Tinker International, Warren Corp., The Forstmann Co., the Northern Textile Association, ***.

[2] The Commission estimated production of the subject fabrics based on data submitted by U.S. fabric producers in response to the Commission fabric producer questionnaire, as follows: production of worsted wool fabric for men's tailored clothing, minus direct exports of U.S. fabric producers and minus estimated shipments of fabrics from U.S. fabric producers to U.S. clothing manufacturers assembling garments offshore.

Box 3-1
Total Size of the Worsted Wool Fabric Market

Estimate for 2001

The total size of the U.S. market for worsted wool fabrics suitable for use in men's tailored clothing was estimated from data collected from U.S. tailored clothing manufacturers regarding fabric purchases and clothing production (as converted into square meter equivalents (SMEs)).[1] For 2001, data collected on purchases of worsted wool fabric for use in the domestic production of men's tailored clothing totaled about *** million SMEs, down from *** million SMEs in 2000, and data collected on domestic production of men's worsted wool tailored clothing totaled *** million SMEs, down from an estimated *** million SMEs in 2000. These data are believed to represent virtually all of the domestic production of companies that are members of the Tailored Clothing Association (TCA), which are believed to account for 75-80 percent of domestic production of men's worsted wool tailored clothing.[2] On the basis of this information, it is estimated that the U.S. market for worsted wool fabrics for use in men's tailored clothing was roughly 13-14 million SMEs in 2001, assuming that *** million SMEs represents between 75 and 80 percent of the total market.

It is believed that the TCA members account for most, but not all, U.S. purchases of fine-micron fabrics. Such purchases for use in men's tailored clothing totaled an estimated *** million SMEs in 2001, according to questionnaire responses. Questionnaire data indicated that U.S. production of men's tailored clothing using fine-micron fabrics totaled about *** million SMEs in 2001. According to questionnaire data, apparent U.S. consumption of fine-micron fabrics totaled *** million square meters in 2001, the majority of which is believed to have been used in U.S. production of men's tailored clothing made in the United States. From these data, the Commission estimated the size of the market for fine-micron fabrics at approximately *** million SMEs in 2001. Coarse-micron fabrics are assumed to account for the remainder of the market, or about *** million SMEs for 2001.

Estimate for 2002

Questionnaire data indicated that tailored clothing production on an SME basis was down 30 percent in the first quarter of 2002, compared with the corresponding period of 2001, and fabric purchases were down 10 percent. Thus, it is likely that the size of the market could decline to as low as 10-12 million SMEs for all of 2002. From all the information available, it is believed that coarse-micron fabrics will account for most of this decline.

[1] It was assumed that one suit equals 5.3 SMEs, one sport coat equals 3.1 SMEs, and one pair of trousers equals 2.6 SMEs. These conversion factors are based on data on average fabric usage for each garment as reported by tailored clothing manufacturers in their responses to the Commission questionnaires in 2001.

[2] David A. Starr, Williams & Jensen, Counsel to TCA, transcript of hearing, 2001, p. 77.

Table 3-1
Worsted wool fabrics for men's and boys' tailored clothing (the "subject fabrics"): Estimated size of U.S. market, domestic production, and imports, 2001

(Million square meters)

Item	Fine-micron fabric	Coarse-micron fabric	Total
Market	***	[1]***	13.0 -14.0
Production[2]	***	***	2.0
Estimated Imports[3]	***	***	11.0 -12.0

[1] The size of the market for coarse-micron fabrics is assumed to account for the difference between the total size of the market and the share of the market accounted for by fine-micron fabrics.

[2] Estimated production is based on domestic production of worsted wool fabrics for use in men's tailored clothing, minus direct exports by domestic fabric producers and minus estimated shipments of fabrics for use in garments assembled under offshore production-sharing arrangements.

[3] Estimated imports represent the residual, or the difference between the estimate for the total market and the estimate for domestic production.

Source: Data on the U.S. market, production, and imports are estimated by the Commission on the basis of questionnaire responses, staff telephone interviews of industry representatives, and U.S. Customs Service data.

*** million square meters, and fine-micron fabrics for *** million square meters. Imports are assumed to represent the residual of 11-12 million square meters (the difference between the market estimate of 13-14 million square meters and the domestic production estimate of 2 million square meters).

The decline in demand for the subject fabrics during January 2001-March 2002 reflected a decrease in domestic production of men's tailored clothing, continued pressures from imports of both the fabrics and the tailored clothing, and sluggish and uncertain economic conditions. The decline also reflected reduced demand for commercial uniform fabrics. On the basis of information from questionnaire responses and industry officials, the Commission estimates that domestic production of commercial uniform fabrics fell from *** square meters in 2000 to *** square meters in 2001.[3]

Fabrics Used Domestically and Offshore

The Commission estimated for 2001 that apparent U.S. consumption of worsted wool fabrics used domestically and offshore for men's tailored clothing fell by *** percent to 16.7 million square meters from the 2000 level, reflecting declines of *** percent in domestic production and *** percent in imports (table 3-2). It was estimated that apparent U.S. consumption during the first quarter of 2002 decreased by 21 percent from the level in the first quarter of 2001, also reflecting declines in both domestic production and imports. Because imports declined less than domestic production in 2001, their share of apparent consumption rose by *** percentage points to 78 percent.

The decline in apparent U.S. consumption in 2001 reflected weak demand for both fine-micron and coarse-micron fabrics, the latter of which accounted for *** of total consumption.

[3] Some portion of the commercial uniform fabrics are most likely used in offshore production.

Table 3-2
Worsted wool fabrics for use in men's and boys' tailored clothing: U.S. production,[1] imports for consumption, exports of domestic merchandise, and apparent U.S. consumption, 2000-2001, January-March 2001, and January-March 2002[1]

Item and year	U.S. production	U.S. imports[2]	U.S. exports	Apparent U.S. consumption	Ratio of imports to consumption
	1,000 square meters				*Percent*
Total:					
2000	***	***	***	***	***
2001	5,414	12,966	1,656	16,724	78
Jan.-Mar.:					
2001	1,959	3,459	838	4,580	76
2002	1,640	2,688	695	3,633	74
18.5 microns or less:					
2000	***	***	***	***	***
2001	***	***	***	***	***
Jan.-Mar.:					
2001	***	***	***	***	***
2002	***	***	***	***	***
Greater than 18.5 microns:					
2000	***	***	***	***	***
2001	***	***	***	***	***
Jan.-Mar.:					
2001	***	***	***	***	***
2002	***	***	***	***	***

[1] Includes only that fabric intended for use in men's and boys' tailored clothing.
[2] U.S. import data are estimated by the Commission based on questionnaire data for direct imports as reported by importers (including U.S. fabric producers) and clothing manufacturers. In addition, the Commission estimated a portion of the imports for non-respondents based on U.S. Customs data.

Note.–Apparent U.S. consumption data in this table are believed to overstate the true size of the U.S. market for worsted wool fabrics used in the domestic production of men's tailored clothing, because an unknown, but believed to be significant portion of the fabrics are destined for offshore assembly. As such, the import market share may be understated.

Source: Commission estimates based on questionnaire responses and telephone interviews of industry representatives, and U.S. Customs data.

During January-March 2002, apparent U.S. consumption of coarse-micron fabrics fell further, by *** percent, while apparent U.S. consumption of fine-micron fabrics rebounded, by *** percent. Most of the change in apparent U.S. consumption in January-March 2002 was accounted for by imports; those of coarse-micron fabrics were down by *** percent and those of fine-micron fabrics were up by *** percent. The increase in consumption of fine-micron fabrics in January-March 2002 largely reflected intense competition at the retail level, driven by consumer demand for quality clothing at competitive prices, which has exerted downward pressure on prices for such fabrics, making them more affordable to consumers.

The Commission estimated that in 2001, domestic production of worsted wool fabrics used domestically and offshore for men's tailored clothing totaled 5.4 million square meters, of which *** million square meters were coarse-micron fabrics and *** million square meters were fine-micron fabrics (table 3-2). It also estimated that imports of the fabrics totaled 13 million square meters, of which *** million square meters were coarse-micron fabrics and *** million were fine-micron fabrics. Fabrics processed under offshore production-sharing arrangements are estimated to have accounted for one-third of U.S. production in 2001, including *** percent of coarse-micron fabrics and *** percent of fine-micron fabrics, and an unknown, but believed to be significant, portion of the imports.

As discussed in chapter 2 of this report, U.S. tailored clothing manufacturers are using domestic fabrics in the production of garments in the Caribbean Basin so that the goods will qualify for trade preferences under the CBTPA. The CBTPA granted duty-free and quota-free treatment to imports of apparel assembled in designated CBTPA countries from fabrics made in the United States of U.S. yarns, provided the fabrics are cut in the United States or, if cut in CBTPA countries, are sewn with U.S. thread. Several U.S. fabric producers reported that they are selling a growing share of their fabrics to clothing manufacturers that are assembling garments in CBTPA countries. Therefore, demand for fabrics used in the manufacture of tailored clothing in the United States is expected to decline further as clothing manufacturers continue to move production to CBTPA countries.

U.S. Imports

As noted above, imports of worsted wool fabrics used domestically and offshore for men's tailored clothing were estimated to be 13 million square meters in 2001 (table 3-2). Such fabrics accounted for the majority of total imports of worsted wool fabrics of all types, including fabrics for uses other than men's tailored clothing (e.g., for women's wear). Official statistics show that total imports fell by 12 percent in 2001, to 19.2 million square meters, and decreased by 52 percent in January-April 2002 compared with the level in January-April 2001 (table 3-3). Coarse-micron fabrics accounted for 75 percent of the total import quantity in January-April 2002, while fine-micron fabrics accounted for 25 percent.

The largest foreign suppliers of worsted wool fabrics in 2001 were Mexico and Italy, which together accounted for one-half of the total import quantity. Imports from Mexico in 2001 remained unchanged from 2000 at 5.3 million square meters, following several years of rapid growth. During January-April 2002, Mexico's shipments fell by 72 percent from the year-ago level. Imports from Italy declined by 8 percent in 2001, and were 25 percent lower in January-April 2002 than in January-April 2001. Italy and Mexico were the top suppliers of both fine-micron and coarse-micron fabrics in 2001 (table 3-4).

Mexico has been highly competitive in the U.S. worsted wool fabric market due to favorable prices and proximity to the U.S. market, while Italy has benefited from U.S. consumer preferences for its fabrics. The average cost of worsted wool fabrics from Italy of $9.86 per square meter (customs value) was roughly twice that for Mexico ($4.77) in 2001. Italy's competitiveness largely reflects the ability of Italian mills to produce a wide range of quality fancy fabrics and to market them in small lot sizes (as little as 50 linear meters) at competitive prices.

Table 3-3
Worsted wool fabrics: U.S. imports for consumption, by principal sources, 1997-2001, January-April 2001, and January-April 2002

(*1,000 square meters)*

Item	1997	1998	1999	2000	2001	January-April-- 2001	January-April-- 2002
Mexico	1,837	1,439	3,035	5,252	5,251	2,590	718
Italy	5,177	5,689	5,215	4,849	4,450	1,794	1,339
Canada	1,711	1,199	1,303	2,158	2,067	690	421
Korea	961	1,271	1,994	1,453	1,406	527	444
India	1,158	1,593	1,360	1,301	1,175	788	187
Israel	877	1,207	1,012	1,002	614	158	139
Germany	407	613	812	864	519	237	135
Turkey	644	632	710	847	519	277	65
United Kingdom	706	620	516	520	491	187	149
Brazil	1,203	1,042	807	851	487	286	72
Uruguay	884	793	804	634	471	218	69
China	709	1,140	862	514	393	140	84
Peru	274	361	312	361	199	59	23
Czech Republic	84	51	40	29	168	52	73
South Africa	181	149	81	52	131	51	27
Other	2,534	1,775	974	1,092	837	307	106
Total	19,347	19,573	19,837	21,780	19,177	8,361	4,052
Duty-free imports under--							
NAFTA	3,505	2,606	4,299	7,373	7,305	3,276	1,132
U.S.-Israel FTA	870	1,207	1,012	1,000	575	157	139
Total duty-free imports	4,375	3,813	5,311	8,373	7,880	3,433	1,271

Note.–Includes imports of worsted wool fabrics classified in HTS subheadings 5112.11.20, 5112.11.30, 5112.11.60, 5112.19.60, 5112.19.90, and 5112.19.95.

Source: Compiled from official statistics of the U.S. Department of Commerce.

A significant share of U.S. imports of worsted wool fabrics enter free of duty. In 2001, duty-free imports totaled 7.9 million square meters (41 percent of total imports), of which 7.3 million square meters entered under the North American Free Trade Agreement (NAFTA) and the rest under the United States-Israel Free Trade Agreement (table 3-3). During January-April 2002, fine-micron fabrics accounted for 12 percent of the duty-free imports, and coarse-micron fabrics, for 38 percent. An unknown, but believed to be significant, portion of these duty-free imports were used for men's tailored clothing.

U.S. importers of the subject fabrics include U.S. tailored clothing manufacturers, U.S. fabric producers, and fabric wholesaler-importers.[4] Clothing manufacturers usually purchase fabrics from a variety of sources–buying directly from domestic or foreign mills, purchasing from fabric importers or agents representing several foreign mills, and shopping the market by attending trade shows. *** Working with several foreign mills at a time, fabric importers (some of which are also known as agents because they may represent several foreign fabric mills) may put together their own lines of

[4] Information in this paragraph is based on questionnaire responses by fabric importers and interviews with industry representatives by Commission staff.

Table 3-4
Worsted wool fabrics: U.S. imports for consumption, by principal sources and by micron count, 2001, January-April 2001, and January-April 2002

(*1,000 square meters*)

Item and source	2001	January-April-- 2001	2002
Worsted wool fabrics 18.5 microns or less:			
Italy	1,394	495	637
Mexico	712	527	96
Korea	304	129	58
China	218	65	37
United Kingdom	191	45	58
Turkey	187	104	10
Israel	167	75	32
Brazil	154	114	0
India	118	72	33
All other	616	318	65
Total	4,060	1,943	1,026
Worsted wool fabrics greater than 18.5 microns:			
Mexico	4,539	2,063	622
Italy	3,056	1,299	702
Canada	2,007	638	421
Korea	1,102	398	386
India	1,057	716	154
Germany	485	217	113
Israel	447	83	107
Uruguay	360	182	59
Brazil	334	172	72
All other	1,731	649	392
Total	15,117	6,417	3,027
Total worsted fabrics	19,177	8,361	4,052

Source: Compiled from official statistics of the U.S. Department of Commerce.

fabrics or develop their own "collections." Some importers also custom design their own fabrics and work with clothing manufacturers to design fabrics for a clothing manufacturer's exclusive use. Importers generally take ownership of the fabrics, and take responsibility for financing, shipping, delivery, inventory, and distribution of the fabrics. For these services, importers may charge a premium.

U.S. Worsted Wool Fabric Industry[5]

Almost all U.S. production of the subject fabrics is accounted for by four firms: Burlington Industries, Inc., Greensboro, NC; Cleyn & Tinker International Inc. (CTI), Malone, NY; The Forstmann Co., Dublin, GA; and Warren Corp., Stafford Springs, CT.[6] *** also produces small quantities of the subject fabrics.[7] *** The product mix and recent developments of these firms are summarized later in this chapter.

U.S. production capacity for worsted wool fabrics for all end uses is expected to decline substantially during 2002 as a result of restructuring activities by Burlington (discussed later in this chapter), the largest domestic producer of such fabrics in 2001. Total U.S. production capacity is expected to decline from *** million square meters in 2001 to about 19 million square meters by the end of 2002. ***[8] ***

U.S. production of worsted wool fabrics used domestically and offshore for men's tailored clothing fell by *** percent in 2001 from the 2000 level to 5.4 million square meters, and was down by 16 percent in the first quarter of 2002 from that in the first quarter of 2001 (table 3-6). Most of the decline in 2001 was posted by ***, which more than offset ***. The decrease in production by *** in the first quarter of 2002 more than offset the increase in production by ***. These decreases in production were mainly attributable to the weak and uncertain economy, exacerbated by the terrorist attacks of September 11, 2001.

Burlington Industries, Inc.

On November 15, 2001, Burlington Industries and certain of its domestic subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code.[9] ***[10] *** Burlington said it has the capacity to produce as much as 21 million square meters of wool fabrics in North America between its U.S. and Mexican facilities.[11]

***

[5] Unless otherwise indicated, information presented in this section is based on questionnaire responses by U.S. fabric producers and importers, and on interviews with industry representatives by Commission staff.

[6] The Commission received testimony at the public hearing and written statements in connection with the investigation from officials of Burlington Industries, Forstmann Co., and Warren Corp., a summary of which appears in chapter 8 of this report.

[7] The firm's production of the subject fabrics varies yearly, averaging about *** percent of its total fabric output per year. ***

[8] ***

[9] Burlington Industries, Inc., Form 10-Q filed with the U.S. Securities and Exchange Commission, May 1, 2002, found at Internet address http://www.sec.gov, retrieved July 29, 2002.

[10] ***

[11] John D. Englar, Senior Vice President, Corporate Development and Law, Burlington Industries, Greensboro, NC, written submission to the Commission, Apr. 26, 2002.

Table 3-5
Worsted wool fabrics for all end uses: U.S. capacity and production, by companies, 2000-2001, January-March 2001, and January-March 2002

Item	2000	2001	January-March-- 2001	2002
	1,000 square meters			
Average production capacity, total	***	***	***	***
Burlington Industries	***	***	***	[1] ***
Warren Corp.	***	***	***	***
Cleyn & Tinker International	***	***	***	***
Forstmann Co.	***	***	***	***
U.S. production, total	***	8,948	4,511	2,272
Burlington Industries, total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Warren Corp., total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Cleyn & Tinker International, total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Forstmann Co., total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
	Percent			
Average production capacity utilization, total	***	***	***	***
Burlington Industries	***	***	***	***
Warren Corp.	***	***	***	***
Cleyn & Tinker International	***	***	***	***
Forstmann Co.	***	***	***	***

[1] ***

Source: Estimates based on questionnaire responses and telephone interviews of industry representatives.

Warren Corp.

Warren Corp. is owned by Loro Piana of Italy and primarily makes fine-micron fabrics having an average fiber diameter of *** microns or less. ***; however, Warren Corp. said it experienced losses on its 2001 sales because it had to reduce prices to compete.[12] ***[13] ***

***

[12] Pier Luigi Loro Piana, President, Warren Corp., transcript of hearing, p. 18.
[13] ***

Table 3-6
Worsted wool fabrics for men's and boys' tailored clothing:[1] U.S. production, total and by companies, 2000-2001, January-March 2001, and January-March 2002

(*1,000 square meters*)

Item	2000	2001	January-March-- 2001	January-March-- 2002
U.S. production, total	***	5,414	1,959	1,640
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
U.S. production by company:				
Burlington Industries, total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Warren Corp., total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Cleyn & Tinker International, total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Forstmann Co., total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***

[1] Includes worsted wool fabrics used domestically or offshore for men's tailored clothing.

Note.–Totals based on unrounded data.

Source: Based on questionnaire responses.

Cleyn & Tinker International, Inc.

CTI is a subsidiary of Canadian-based Cleyn & Tinker, Inc. ***[14] *** ***[15] ***

The Forstmann Co.

The Forstmann Co. was established in September 1999, when Canadian-based Victor Woolen Products of America, Inc., acquired U.S.-based Forstmann Co. (including two plants in Dublin, GA, the equipment, and the Forstmann brand name), which had previously declared bankruptcy. The firm makes mostly woolen fabrics. ***[16] ***

[14] ***

[15] ***

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CHAPTER 4
PRICES OF DOMESTIC AND IMPORTED WORSTED WOOL FABRICS

This chapter discusses price comparisons, price trends, factors affecting prices, and pricing methods for domestic and imported worsted wool fabrics.[1] The chapter first discusses the price data collected, including the types of fabrics for which data were requested and the limitations of such data. Then prices of domestic and imported fabrics are compared and price trends and factors affecting prices are analyzed. Finally, the chapter discusses pricing methods used by U.S. mills and importers in selling fabrics to the clothing manufacturers.

Data Collection

The Commission sent questionnaires to mills and importers requesting quarterly data on the total quantity and value of their shipments (sales) of the subject fabrics to unrelated U.S. customers (the clothing manufacturers). Similarly, the questionnaire sent to the clothing manufacturers requested quarterly data on the total quantity and value of their purchases and direct imports of the specified fabrics for their own use. The Commission used the sales data of the mills and importers to construct weighted average "selling prices," and the purchase and direct import data of the clothing manufacturers to construct weighted average "purchase prices."[2] In addition, the Commission collected data for the period January-March 2001 to January-March 2002, to supplement data already collected (covering January-March 1999 to January-March 2001) in connection with the first annual report on wool articles (hereafter "the first report").

Because prices for worsted wool fabric can vary greatly owing to differences in micron level and style, price data were requested for four different types of fabrics, as follows: (1) fine-micron fabric in fancy styles (i.e., two or more colors), (2) fine-micron fabric in solid-color styles, (3) coarse-micron fabric in fancy styles, and (4) coarse-micron fabric in solid-color styles. In the first report, an additional price factor was wool content--100 percent wool as opposed to blends containing at least 85 percent by weight of wool. Because questionnaire respondents did not supply enough data for fabrics of 85-99 percent wool by weight in the first report, this year's questionnaires asked for pricing data based on a wool content of 85 percent or above, in effect combining eight categories into the four categories used for this report.

[1]Unless otherwise noted, information in this chapter is based on responses to Commission questionnaires sent to U.S. fabric producers (mills), wholesaler-importers (importers) of worsted wool fabrics, and U.S. tailored clothing manufacturers that purchase and import worsted wool fabric.

[2]These data were collected in terms of linear yards and transformed into square meters by assuming that the fabric is woven in pieces 60 inches wide. Using this factor, 1 yard is equal to approximately 1.3935 square meters.

The data shown in table 4-1 for each specified fabric represent the total volume of sales reported by the mills and importers for 2001, which were used to construct the average selling prices, and the total volume of purchases and direct imports reported by the clothing manufacturers for 2001, which were used to construct the average purchase prices. The Commission received usable data from four mills and four importers[3] to construct the average selling prices and from 14 clothing manufacturers to construct the average purchase prices, although not all of the reporting firms provided price data for each fabric type. The data used to construct the average selling prices reflected virtually all of the responding U.S. mills' shipments of worsted wool fabrics in 2001, but a much lower share of estimated U.S. imports of such fabrics in 2001.

Table 4-1
Worsted wool fabrics: Sales and purchases of domestic and imported fabrics, by types, 2001

(In square meters)

Product	Sales of domestic fabric	Sales of imported fabric	Purchases of domestic fabric	Purchases of imported fabric	Direct imports
18.5 microns or less:					
Fancy	***	***	***	***	***
Solid	***	***	***	***	***
Greater than 18.5 microns:					
Fancy	***	***	***	***	***
Solid	***	***	***	***	***
Total	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

The price data are limited by several factors. First, relative to sales of domestic fabrics, there was low coverage of purchases of domestic fabrics. Second, mid-range to high-end clothing manufacturers, which tend to purchase higher quality, more expensive fabric, accounted for most of the reported purchases of both domestic and imported fabrics. This trend may cause differences between domestic selling prices, which generally cover a broader range of fabrics, and purchase prices.[4] Third, prices may also vary by weight, quality, weave construction, and the more detailed micron level of the wool, factors not distinguished in the data categories. Finally, because importers generally found it difficult to provide pricing data by country of origin in the first report, the Commission questionnaire did not request price data by country of origin for this report.

[3] *** of the importers that supplied pricing data, ***, are affiliated with U.S. producers. In some instances, the weighted average selling and purchase prices constructed from responses to Commission questionnaires differ significantly from individual company prices. According to Warren Corp., clothing manufacturers fall into one of three different market segments in terms of their purchases of worsted wool fabrics: (1) those who typically pay between $30 and $40 per linear yard ($21.53 and $28.70 per square meter), (2) those who typically pay between $10 and $20 per linear yard ($7.18 and $14.35), and (3) those who typically pay between $9 and $12 per linear yard ($6.46 and $8.62).

[4] It appears this is true for import sales price data as well, but few importers that reported pricing data provided a list of their customers. Another factor that may cause differences between average domestic selling and purchase prices is the possibility that ***.

Price Comparisons

As reported by both purchasers and sellers, during January-March 2002, average prices of domestic fine-micron fabrics were generally higher than those of imported fabrics, but domestic coarse-micron fabrics were priced lower than imports, as shown in table 4-2.

Table 4-2
Worsted wool fabrics: Weighted-average selling and purchase prices for domestic and imported fabrics, by types, January-March 2002[1]

(Per square meter)

Product	Sales of domestic fabric	Sales of imported fabric	Purchases of domestic fabric	Purchases of imported fabric	Direct imports
18.5 microns or less:					
Fancy	$***	$***	$***	$***	$***
Solid	***	***	***	***	***
Greater than 18.5 microns:					
Fancy	***	***	***	***	***
Solid	***	***	***	***	***

[1] Weighted average selling and purchase prices for both domestic and imported fabric are f.o.b. U.S. point of shipment. Weighted average purchase prices for direct imports do not include U.S.-inland transportation costs for delivery.

Source: Compiled from data submitted in response to Commission questionnaires.

During the period January-March 1999 to January-March 2002, average prices of domestic fine-micron fabrics were generally higher than those for similar imported fabrics, as shown in figures 4-1 to 4-4. For coarse-micron fabrics, domestic fancy fabrics typically had lower average prices than imported fabrics (figures 4-5 to 4-8). However, for coarse-micron, solid-color fabrics, while the purchasers reported that average prices for domestic fabrics were lower than for similar imported fabrics, the sellers reported that average prices for such domestic fabrics were higher until the second quarter of 2001 (figures 4-7 and 4-8). Overall, average purchase prices were generally higher than average selling prices for comparable fabrics. The relatively higher average purchase prices may be attributable to broader coverage for the selling price data compared with the purchase price data, the latter of which were mostly accounted for by mid-range to high-end clothing manufacturers.

Prices of Fine-Micron Fabric

As shown in table 4-2, the average purchase prices per square meter for domestic fine-micron fabrics of $*** for fancy types and $*** for solid-color types were higher than those for similar

Figure 4-1
Worsted wool fabric: Weighted-average purchase prices per square meter of domestic and imported 85-percent or more wool fine-micron fancy fabric, by quarters, January-March 1999 to January-March 2002

* * * * * * *

Source: Table E-1.

Figure 4-2
Worsted wool fabric: Weighted-average selling prices per square meter of domestic and imported 85-percent or more wool fine-micron fancy fabric, by quarters, January-March 1999 to January-March 2002

* * * * * * *

Source: Table E-5.

Figure 4-3
Worsted wool fabric: Weighted-average purchase prices per square meter of domestic and imported 85-percent or more wool fine-micron solid fabric, by quarters, January-March 1999 to January-March 2002

* * * * * * *

Source: Table E-2.

Figure 4-4
Worsted wool fabric: Weighted-average selling prices per square meter of domestic and imported 85-percent or more wool fine-micron solid fabric, by quarters, January-March 1999 to January-March 2002

* * * * * * *

Source: Table E-6.

Figure 4-5
Worsted wool fabric: Weighted-average purchase prices per square meter of domestic and imported 85-percent or more wool coarse-micron fancy fabric, by quarters, January-March 1999 to January-March 2002

* * * * * * *

Source: Table E-3.

Figure 4-6
Worsted wool fabric: Weighted-average selling prices per square meter of domestic and imported 85-percent or more wool coarse-micron fancy fabric, by quarters, January-March 1999 to January-March 2002

* * * * * * *

Source: Table E-7.

Figure 4-7
Worsted wool fabric: Weighted-average purchase prices per square meter of domestic and imported 85-percent or more wool coarse-micron solid fabric, by quarters, January-March 1999 to January-March 2002

* * * * * * *

Source: Table E-4.

Figure 4-8
Worsted wool fabric: Weighted-average selling prices per square meter of domestic and imported 85-percent or more wool coarse-micron solid fabric, by quarters, January-March 1999 to January-March 2002

* * * * * * *

Source: Table E-8.

imported fabrics of $*** and $*** respectively in January-March 2002. The average selling price for domestic fancy fine-micron fabric of $*** per square meter was higher than that ($***) for similar imported fabric, and the average selling price for domestic solid-color fine-micron fabric of $*** per square meter was higher than that ($***) for similar imported fabric. This pricing pattern for fine-micron fabrics also generally holds true for all quarterly periods during 1999-2001, as shown in figures 4-1 to 4-4.

Prices of Coarse-Micron Fabric

For coarse-micron fabrics, the price data reported by the clothing manufacturers for January-March 2002 show the same relative prices as those reported by the mills and importers. The clothing manufacturers' data show that the average price of coarse-micron fancy fabric made domestically was $*** per square meter, which was lower than that for similar imported fabric ($***). Data from U.S. mills show that the average selling price of the domestic fancy fabric was ($***), which was lower than that reported by importers ($***) for similar imported fabric. Similarly, for coarse-micron solid-color fabric, the average purchase price for domestic fabric of $*** per square meter was lower than that for similar imported fabric ($***), and the average selling price of domestic solid-color fabric ($***) was lower than that for imported fabric ($***).

Price Trends

As can be seen in table 4-3, the reported selling and purchase prices of domestic worsted wool fabric have fallen since January-March 1999 for all types of fabric except coarse-micron fancy fabric, which has seen an *** percent total purchase price rise after the ***. Purchasers reported that prices for imported fabric have generally been falling, but importers showed stable prices for fine-micron solid fabric and coarse-micron fancy fabric, falling prices for fine-micron fancy fabric, and rising prices for coarse-micron solid fabric.

Tables 4-3 and E-1 to E-8 (in appendix E of this report) also show that sellers reported that prices of domestic coarse-micron fabric have fallen since January-March 2001, while the price of domestic fine-micron fabric has risen somewhat after a price decline over 1999-2000.[5] The purchase price data tend to show the same pattern of declining prices for coarse-micron fabric, but show a decrease in the prices of domestic fine-micron fancy fabric and imported fine-micron solid fabric. In addition, as figures 4-1 and 4-3 show, purchase prices for domestic fine-micron fabric briefly rose from the January-March 2001 troughs, only to decrease again. The volume of purchases of imports also rose in 2001 (see tables E-1 to E-4) as purchase prices for most imported fabrics fell.

Several firms reported changes in fabric pricing since 2001. *** stated that it had seen recent aggressive pricing of worsted wool fabric from India, China, Turkey, and Korea. Warren Corp. stated that Italian wool fabric is sold at a premium, but has been falling in price over the past year.[6] Forstmann described Canadian prices as becoming significantly lower over the past year, in part

[5] ***

[6] Transcript of hearing, pp. 36-37.

Table 4-3
Percentage changes in selling and purchase prices for domestic and imported worsted wool fabrics, by types, for the periods from January-March 1999 to January-March 2002 and from January-March 2001 to January-March 2002

* * * * * * *

owing to currency movements.[7] Among U.S. clothing manufacturers, nine stated that imported fabric was less expensive than domestic fabric. *** of those nine indicated that at least 80 percent of their domestic suits sold at retail at less than $400 each in 2001.

Factors Affecting Prices

Prices of worsted wool fabrics are affected by changes in consumer demand for men's tailored clothing, which are discussed in chapter 2 of this report, as well as by changes in exchange rates of major exporting countries, U.S. duties on the fabrics, raw material costs, and transportation costs. Differences in pricing methods used by mills to market fabrics also affect prices; these differences are discussed later in this chapter.

Exchange Rates

Depreciations of the currencies of major exporting countries against the U.S. dollar generally reduce the price competitiveness of domestic fabrics relative to imports, while currency appreciations increase the price competitiveness of domestic fabrics. Significant fluctuations in the exchange rates of several major exporting countries occurred between January 1999 and March 2002, during which period the nominal currencies of most major countries exporting wool fabrics to the United States fell against a strong dollar (table 4-4 and appendix F).

The Northern Textile Association stated that the U.S. dollar appreciation in recent years has effectively negated the existing U.S. tariff on worsted wool fabrics by allowing U.S. importers of such fabrics to lower their prices.[8] Of the 11 major fabric exporting nations listed in table 4-4, only Mexico and the United Kingdom showed appreciation in their nominal exchange rates relative to the

[7]Ibid., p. 56.

[8]Ibid., p. 9. Warren Corp. agreed with this assessment. In addition, Neal Grover of Forstmann Co. stated that it was difficult to export to Canada or Mexico with the current U.S. dollar strength. While the data in appendix F do not seem to support this statement for Mexico, it should be noted that the Mexican peso reversed its strengthening against the dollar in mid-April of this year, and has lost some strength against the dollar since then.

United States, while major fabric exporting nations of the European Union as well as several Asian nations showed currency depreciations against the dollar. Graphs of exchange rate trends for the countries included in table 4-4 can be found in appendix F.

In addition to making products exported to the United States less expensive than U.S. domestic products, an appreciating dollar can also make labor costs in the United States relatively more expensive than in other countries. Warren Corp., a U.S. fabric producer affiliated with Loro Piana of Italy, stated that the last decade's fall in the Italian lira (and Euro) has made U.S. labor approximately 50 percent more expensive than Italian labor, whereas 10 years ago the relative labor costs were reversed.[9] The degree to which Italian fabric mills lower their dollar prices and increase their sales to the U.S. market as a result of the depreciation depends on how much purchasers of Italian fabrics in the U.S. market respond to price changes and how much market power Italian fabric mills can exert in the U.S. market.

Effects of the Tariff-Rate Quotas

Reductions in U.S. duties on worsted wool fabrics covered by the TRQs may also affect the prices of worsted wool fabric. Such a reduction in duties on imports of fabric under the TRQs may lower prices and increase sales of dutiable fabric.[10] The degree to which prices fall and sales increase depends on how much purchasers of imported fabrics in the U.S. market respond to price changes, how much market power foreign fabric mills can exert in the U.S. market, expected and actual demand for dutiable fabric, and TRQ allocations for individual tailored clothing manufacturers.[11]

Both Warren Corp. and Forstmann Co. stated that they had been forced to reduce prices after the TRQs took effect, with Warren Corp. stating that it reduced its prices 15 percent as an initial reaction, and then maintained them at those lower levels. Clothing manufacturers did not dispute that there have been fabric price reductions over the last year, but attributed these reductions to price reductions throughout the wool suit industry resulting from lower demand for suits.[12]

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[9]Ibid., pp. 17-18.

[10]TRQ allocations for 2001 were announced on July 31, 2001. The TRQ allocations were awarded to individual tailored clothing manufacturers that use imported fabric to produce men's and boys' tailored clothing. See *Federal Register* (66 F.R. 39490) published on July 31, 2001.

[11]It should also be noted that because importers can choose to enter each shipment under either the in-quota or the over-quota category, importers may tend to enter higher priced fabric within the TRQ and their lower priced fabric at the over-quota higher duty rate.

[12]Transcript of hearing, pp. 28-29, 36-37, and 94-95.

Table 4-4
Overall appreciation or depreciation amounts for currencies of selected countries relative to the U.S. dollar[1]

(In percent)

Country	Nominal exchange rate		Real exchange rate	
	Currency appreciation	Currency depreciation	Currency appreciation	Currency depreciation
Brazil[2]	-	25.6	10.0	-
Canada	-	5.2	-	3.2
China[3]	0.0	0.0	-	-
Germany	-	21.9	-	19.5
India	-	12.6	-	3.8
Israel[4]	-	12.2	-	7.8
Italy	-	21.9	-	18.0
Korea[5]	-	9.3	-	9.9
Mexico[6]	9.3	-	-	-
Turkey[7]	-	74.8	-	29.5
United Kingdom[8]	14.5	-	12.7	-

[1] Unless otherwise noted, nominal changes in exchange rates are measured for the period Jan. 1999-Mar. 2002 and real changes in exchange rates are for the period Jan. 1999-Dec. 2001.
[2] Data for real exchange rates are for the period Jan. 1999-Mar. 2002.
[3] China has a fixed nominal exchange rate, and does not provide enough data to calculate real exchange rates.
[4] Data for nominal exchange rates are for the period Jan. 1999-Mar. 2001, and for real exchange rates, Jan. 1999-Sept. 2001.
[5] Data for real exchange rates are for the period Jan. 1999-Mar. 2002.
[6] Data for real exchange rates are not available for 2001 or 2002.
[7] Data for real exchange rates are for the period Jan. 1999-Sept. 2001.
[8] Data for real exchange rates are for the period Jan. 1999-Mar. 2002.

Source: International Monetary Fund, *International Financial Statistics,* June 2002 and selected back issues.

Raw Materials

Wool in the form of worsted yarn is the major raw material in worsted wool fabrics, accounting for 30-35 percent of the selling price of the fabric.[13] Fabric producers can either spin their own worsted yarn or purchase it. The worsted yarn for fine fabrics costs more than that for coarse fabrics because of its fineness. One industry source stated that about 10-15 percent of the world wool clip is fine-micron wool.[14] Over the last year or more, the price of wool (and hence worsted wool yarn as well) has risen, driven by a continuing low supply of wool (and higher prices) from

[13]Moreover, the cost of wool yarn can account for as much as 50 percent of the fabric price. Pier Luigi Loro Piana, President, Warren Corp., transcript of hearing for the first report, pp. 185-186.
[14]Staff visit to ***.

Australia.[15] Some U.S. fabric producers said that they have been unable to pass these raw material price increases on to their customers.[16]

Transportation Costs

Changes in international transportation costs have a relatively small effect on fabric prices because such costs represent a relatively small portion of total import costs. The cost of shipping worsted wool fabrics to the United States varies by country of origin and type of fabric, as shown in table 4-5.

Pricing Methods

U.S. producers and importers of worsted wool fabric varied somewhat in their pricing methods, but most stated that they used transaction-by-transaction negotiation or negotiable price lists for certain types of orders. Eleven fabric purchasers reported that terms are negotiable, while five reported that the supplier sets the terms.[17] Fabric producers and importers listed quantity and special orders as factors that might contribute to moving an order from a price list to negotiation. Few producers or importers reported a set discount policy, though *** reported some quantity discounts and ***.[18] Prices are usually quoted f.o.b. mill or warehouse.

Among U.S. fabric producers, ***. Among importers, ***. Both importers and producers reported that contracts tend to fix both price and quantity, and that "meet or release" provisions are rare.

As discussed in chapter 3 of this report, Burlington filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in November 2001. Fabric producers and clothing manufacturers differed as to the effect that this development would have on U.S. fabric prices. Fabric producers had seen some price pressure owing to liquidation of inventories by Burlington. Clothing manufacturers said that Burlington's domestic supply was already decreasing, and predicted that the shifting of much of Burlington's U.S. production to Mexico would result in lower prices, as Burlington's fabric imported from Mexico would be less expensive than the U.S. production it would replace.[19]

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[15]Neal Grover of Forstmann Co. stated that the price of wool has increased from $1.35 per pound to $1.90 per pound over the last 6 to 12 months. ***. While ***, Neal Grover of Forstmann Co. stated that imported wool faces a tariff in the United States but not in Mexico or Canada. Title V effectively suspends tariffs on fine-micron wool *** but not on the coarse-micron wool that Forstmann Co. purchases.

[16]Transcript of hearing, pp. 29, 36-37; staff visit to ***. In addition, Neal Grover of Forstmann Co. stated that higher energy prices in 2001 also contributed to a cost-price squeeze for fabric producers. However, producers of more expensive fabric, such as Warren Corp., may find that wool prices are less important in pricing than processing cost. Pier Luigi Loro Piana, President, Warren Corp., transcript of hearing, pp. 39-40.

[17]In addition, two fabric purchasers described importers as more flexible than U.S. producers when it came to negotiating terms.

[18]Four purchasers did describe receiving some volume discounts, with one, ***, stating that due to its high purchase volumes, it ***. U.S. clothing manufacturers reported widely varying minimum lot sizes from their suppliers. Minimum lot sizes are discussed in more detail in chapter 5.

[19]See transcript of hearing, pp. 27, 30, 53, 67, 73, and 96.

CHAPTER 5
ABILITY OF DOMESTIC FABRIC PRODUCERS TO MEET THE NEEDS OF DOMESTIC CLOTHING MANUFACTURERS

This chapter examines the ability of U.S. producers of worsted wool fabrics for men's tailored clothing (the "subject fabrics") to meet the needs of U.S. tailored clothing manufacturers in terms of quantity and clothing market demands. It discusses the total size of the domestic market for the subject fabrics and the levels of U.S. production capacity and production for such fabrics. The chapter then analyzes other factors that influence fabric-purchasing decisions of clothing manufacturers.

As discussed in chapter 3 of this report, the Commission estimates that the U.S. market for the subject fabrics in 2001 was about 13-14 million square meters, which represents demand only for worsted wool fabrics cut and sewn into men's tailored clothing in the United States. Capacity to produce worsted wool fabrics for men's tailored clothing is expected to decline to 19 million square meters by the end of 2002, although this figure may overstate the level of capacity available for men's tailored clothing manufacturers. The critical importance of other (noncapacity) factors suggest that it is unlikely that there will be significant increases in purchases of domestic fabrics by clothing manufacturers that cut and sew garments in the United States. The clothing manufacturers contend that they need to be able to purchase small quantities of quality fabrics in a wide range of styles at competitive prices, because product quality, fashion, and differentiation are critical selling determinants in the mid-to-upper price segments of the domestic retail market in which they sell their goods. To do so, the clothing manufacturers reported that they need to have access to fabrics from many different mills worldwide so as to minimize their dependence on any one supplier, thereby spreading financial risk. Moreover, because no one mill in the United States or abroad can design or make the range of fabrics necessary to ensure product differentiation, U.S. clothing manufacturers likely will continue to obtain a diversity of fabrics from multiple sources of supply.

In Terms of Quantity

As discussed above, the domestic market for the subject fabrics totaled about 13-14 million square meters in 2001. U.S. production capacity available to make the subject fabrics is expected to reach a new low of about 19 million square meters by the end of 2002. However, it is likely that the capacity available to produce the subject fabrics could be much smaller. It is unlikely that U.S. fabric producers would use all of their capacity for the subject fabrics, given their existing relationships with clothing manufacturers assembling garments offshore and with other customers, such as manufacturers of U.S. military uniforms and women's clothing.

U.S. production of the subject fabrics in 2001 was about 2 million square meters, of which *** million square meters were coarse-micron fabrics and *** million square meters were fine-micron fabrics. Questionnaire data from the clothing manufacturers show that their purchases of domestic fabrics totaled 1.5 million square meters (17 percent of their total fabric purchases), of which *** million square meters were coarse-micron fabrics and *** million square meters were fine-micron fabrics.[1]

The Commission estimates that imports of the subject fabrics totaled about 11-12 million square meters in 2001, of which an estimated *** million square meters were fine-micron fabrics and *** million square meters were coarse-micron fabrics. Approximately 4 million square meters were eligible for reduced duty rates under the tariff-rate quotas. In addition, a portion of the imported subject fabrics may have entered the U.S. market free of duty under the provisions of the NAFTA and the United States-Israel Free Trade Agreement. Official statistics on imports of worsted wool fabrics for all end uses show that 47 percent of the coarse-micron fabrics (or 6.9 million square meters) and 23 percent of the fine-micron fabrics (or 0.9 million square meters) entered free of duty under these programs in 2001.

In Terms of Market Demands for the Clothing

The clothing manufacturers responding to the Commission questionnaires indicated that the most important factors influencing their fabric-purchasing decisions are fabric quality and consistency, the variety of styles available, fabric price, and delivery, including lead times and reliability of delivery, as discussed below. The manufacturers, which are believed to represent 75-80 percent of U.S. tailored clothing production, primarily compete in the mid-to-upper price levels of the domestic retail market. The clothing manufacturers reported that one-third of their worsted wool suits by quantity were sold in the high end of the market (each retailing for $700 or more), nearly one-half were in the mid range (from $400 to $699), and the rest were in the low end (less than $400). By comparison, almost 60 percent of the domestic suiting fabrics were intended for suits retailing in the low end of the market.

*** However, even for fine-micron fabrics, clothing manufacturers indicated that Italian fabrics, in particular, were superior on average to domestic fabrics in terms of many market factors, including the number and variety of styles available, flexible lot sizes and lead times, and fabric quality. For coarse-micron fabrics, U.S. mills are reported to have difficulty in meeting the needs of many clothing manufacturers in terms of the number and variety of fabric styles, fabric quality and consistency, and minimum order sizes. U.S. mills appear to be able to meet the needs of the commercial uniform manufacturers, a segment of the market that requires relatively large lot sizes of generally coarse-micron, solid-color, fabrics made to exact specifications.

Tables 5-1 to 5-4 summarize the questionnaire responses of clothing manufacturers on their evaluation of imported and domestic fabrics regarding fabric quality, delivery, styles, and prices. The data are presented in the form of indices. An index score of 100 indicates that the questionnaire respondents on average rated the imported fabric comparable with the domestic fabric for the

[1] Commercial uniform manufacturers did not provide data on their fabric purchases. According to questionnaire data, U.S. fabric mills produced an estimated *** square meters of commercial uniform fabrics in 2001.

specified factor. The lowest possible score is 50, meaning that all the respondents rated the imported fabric as inferior to the domestic fabric for that particular factor, and the highest possible score is 150, indicating that all the respondents rated the imported fabric as superior for that factor.

Quality and Consistency

Fabric quality refers to any physical defects in the fabric, its tactile qualities (or "hand"), how easily the fabric can be sewn into a garment, and its drape (how the fabric hangs, particularly once it has been sewn into a garment). Consistency refers to the uniformity of the fabric characteristics, including quality and color, among different batches of fabrics. Consistency is particularly important for fabrics used in commercial uniforms, tuxedos, and suit separates. These garments tend to be made in relatively large volumes, with the jackets and trousers often being made in different factories and sometimes by different manufacturers.

Most questionnaire respondents considered fabrics from Italy and the United Kingdom to be superior to domestic fabrics in terms of quality and consistency for both fine-micron and coarse-micron types (table 5-1). They also considered fabrics from Mexico to be directly comparable with domestic fabrics. Twelve of the 16 questionnaire respondents indicated that the domestic and imported fine-micron fabrics are not interchangeable, while 3 said they are interchangeable. Seven of those 12 respondents cited quality as one of the reasons the imported and domestic fabrics are not interchangeable, noting in particular that Italian fabrics were made of higher quality yarns and had superior finishing to domestic fabrics. Other respondents listed lower prices and better designs for imported fabrics.

Delivery

The subject fabrics are generally made to order. Clothing manufacturers usually place orders for fabrics on a seasonal basis, depending on their customers' clothing purchase orders and, to some extent, their own forecasts. They typically place fabric orders 4-6 months prior to fabric delivery. For some custom-designed fabrics, clothing manufacturers will begin to work with fabric producers as much as 9 months prior to fabric delivery and 18 months in advance of the clothing selling season. Because of these long lead times, reliability of fabric supply is of great importance to clothing manufacturers. Also important to them is the ability to reorder fabrics during the selling season on short notice. Clothing manufacturers report that they buy fabrics from many different sources worldwide to diversify financial risk and obtain the widest possible assortment of fabric styles.

For coarse-micron fabrics, respondents on average rated imported fabrics higher than domestic fabrics for reliability of supply, ability to reorder fabrics, and flexible lead times (table 5-2). For fine-micron fabrics, the reliability of supply was considered comparable for imports from India and Mexico, but somewhat higher for fabrics from Italy, South America, the United Kingdom, and Korea. Domestic fine-micron fabrics were considered superior to fabrics from Korea and India in terms of flexible lead times, but inferior to fabrics from the other suppliers listed, particularly Italy.

Table 5-1
Worsted wool fabrics: Index showing average rating for U.S. versus imported fabrics from certain sources for product quality and consistency

Source	Quality and consistency-- Fine-micron	Quality and consistency-- Coarse-micron
Italy	142	133
Korea	113	110
India	110	120
Mexico	100	100
South America	125	113
United Kingdom	130	125

Note.–Data are based on questionnaire responses. Respondents were asked to rate each foreign supplier for the above characteristics compared with U.S. suppliers. They were asked if the foreign supplier was superior, comparable, or inferior. The ratings were scored giving a "5" for each superior, a "3" for each comparable and a "1" for inferior. The scores were then turned into an index, with 100 being the score for all respondents indicating the foreign supplier was comparable to U.S. suppliers. Greater than 100 indicates that more respondents said that the foreign supplier was superior and less than 100 indicates that the foreign supplier was viewed as inferior for that variable.

Source: Based on data submitted by U.S. tailored clothing manufacturers in response to the Commission purchaser questionnaire.

Table 5-2
Worsted wool fabrics: Index showing average rating for U.S. versus imported fabrics from certain sources for reliability of supply, ability to reorder, and flexible lead times

Source	Reliability of supply-- Fine-micron	Reliability of supply-- Coarse-micron	Ability to reorder-- Fine-micron	Ability to reorder-- Coarse-micron	Flexible lead times-- Fine-micron	Flexible lead times-- Coarse-micron
Italy	133	125	125	108	142	117
Korea	113	120	113	130	75	110
India	100	110	110	120	90	110
Mexico	100	113	100	100	117	125
South America	125	113	125	113	125	125
United Kingdom	130	138	120	125	130	138

Note.–Data are based on questionnaire responses. Respondents were asked to rate each foreign supplier for the above characteristics compared with U.S. suppliers. They were asked if the foreign supplier was superior, comparable, or inferior. The ratings were scored giving a "5" for each superior, a "3" for each comparable and a "1" for inferior. The scores were then turned into an index, with 100 being the score for all respondents indicating the foreign supplier was comparable to U.S. suppliers. Greater than 100 indicates that more respondents said that the foreign supplier was superior and less than 100 indicates that the foreign supplier was viewed as inferior for that variable.

Source: Based on data submitted by U.S. tailored clothing manufacturers in response to the Commission purchaser questionnaire.

Importers responding to the Commission questionnaires reported lead times from order to delivery of about 9 weeks. The standard lead times reported by U.S. fabric producers for 2001 ranged from 3-16 weeks, made-to-stock fabrics were deliverable within 3 weeks, and custom orders might take as much as 16 weeks. Some producers reported that they had reduced their standard lead times. ***

Another factor affecting lead times and the ability to respond quickly to orders is the availability of yarns on hand to weave into fabric. ***

Styles

U.S. clothing manufacturers purchase fabrics in hundreds of different styles for each selling season (fall and spring). The number of different fabric styles purchased by the domestic industry as a whole is likely to be well into the thousands, as manufacturers try to differentiate their clothing from those of their competitors. Because U.S. clothing manufacturers compete in the mid-to-high end of the domestic market, the manufacturers try to avoid selling clothing made with the same style fabric to more than one retailer. Clothing manufacturers may purchase imported fabrics from importers or directly from foreign suppliers. Some foreign suppliers, particularly those in Italy, put together a collection of different fabric styles they offer each selling season. Some importers also put together collections from producers worldwide that they offer for sale each season. *** For the commercial uniform and tuxedo markets, the variety of fabrics is less important, because fabrics are generally made to exact specifications dictated by the manufacturer or final end user (such as a police force). For these market segments, quality and consistency are among the most important factors considered by the clothing manufacturers.

Clothing manufacturers often will custom order domestic and imported fabrics to ensure exclusivity of that particular fabric in their respective markets. Such fabrics may be part of an existing line and be guaranteed to be exclusive to that customer, or the fabrics may be designed specifically for that customer. In general, custom orders represented a smaller share of the fabric sales of U.S. producers than for fabric importers responding to the Commission importer questionnaire. ***[2] ***

Questionnaire data from U.S. fabric producers show that their shipments of the subject fabrics to clothing manufacturers in 2001 consisted primarily of solid-color fabrics (almost *** percent of the total by quantity), with the remainder comprising fancy fabrics (having two or more colors). ***. In comparison, questionnaire data from the clothing manufacturers show that fancy fabrics accounted for the majority of their fabric purchases in 2001 (about *** percent of the total by quantity), with solid-color fabrics accounting for the rest.

***.

[2] ***

*** Warren Corp. said it is trying to expand its business in coarse-micron fabrics in order to use more of its available production capacity, but said it "is not engineered to do medium or low qualities."[3] ***

***[4]

***[5] ***.

In terms of the variety of styles available, all of the clothing manufacturers responding to the Commission questionnaire indicated that imports of coarse-micron fabrics from Italy, the United Kingdom, and South America were superior to domestic fabrics (table 5-3). For fine-micron fabrics, most respondents indicated that fabrics from Italy, the United Kingdom, Mexico, and India were superior to domestic fabrics in terms of the variety of styles available. Most respondents thought Italy provided more custom options for fine-micron fabrics and South America for coarse-micron fabrics than domestic producers, but the results were somewhat mixed for other suppliers. Seven of the 17 respondents indicated they had attempted to purchase worsted wool fabrics from domestic producers since January 1, 2001, but the domestic producers were not able to meet their needs in terms of styling and the variety of yarn colors.

Table 5-3
Worsted wool fabrics: Index showing average rating for U.S. versus imported fabrics from certain sources for variety of styles available and custom options

	Variety of styles available--		Custom options--	
Source	Fine-micron	Coarse-micron	Fine-micron	Coarse-micron
Italy	146	150	138	125
Korea	125	120	113	120
India	130	130	100	110
Mexico	133	138	117	125
South America	125	150	125	138
United Kingdom	140	150	120	125

Data are based on questionnaire responses. Respondents were asked to rate each foreign supplier for the above characteristics compared with U.S. suppliers. They were asked if the foreign supplier was superior, comparable, or inferior. The ratings were scored giving a "5" for each superior, a "3" for each comparable and a "1" for inferior. The scores were then turned into an index, with 100 being the score for all respondents indicating the foreign supplier was comparable to U.S. suppliers. Greater than 100 indicates that more respondents said that the foreign supplier was superior and less than 100 indicates that the foreign supplier was viewed as inferior for that variable.

Source: Based on data submitted by U.S. tailored clothing manufacturers in response to the Commission purchaser questionnaire.

[3] Pier Luigi Loro Piana, President, Warren Corp., transcript of hearing, Apr. 18, 2002, p. 32.

[4] ***

[5] ***

Price and Flexible Lot Sizes

Clothing manufacturers look at price and "value" as one of the top considerations in determining which fabrics to purchase. Value refers to the relationship of price to quality and to the type of fabric offered. Many questionnaire respondents indicated that imported fabrics are a better value than domestic fabrics, substituting a higher quality fabric for the same price as a lower quality fabric available domestically. *** All of the clothing manufacturers responding to the Commission questionnaire indicated that the prices of both fine-micron and coarse-micron fabrics from Mexico were superior to the price of domestic fabrics, and most of the respondents considered the fabrics from India lower priced compared with domestic fabrics (table 5-4). The United Kingdom was the only source for which the respondents indicated on average that the prices of both coarse-micron and fine-micron fabrics were higher than those of domestic fabrics. (See chapter 4 for additional information on prices.)

A firm's willingness to offer flexible lot sizes, particularly as they relate to minimum order size, is also an important factor in making fabric sourcing decisions. Almost all questionnaire respondents rated fabric mills in Italy and the United Kingdom higher than U.S. mills in terms of flexible lot sizes and minimum order requirements for both coarse- and fine-micron fabrics (table 5-4). Foreign mills that sell fabrics to clothing manufacturers worldwide can split a production lot size among several customers based in different markets, and thereby offer their customers some measure of exclusivity in their home markets. The minimum lot size required varies with the type and style of the garment to be made. Clothing manufacturers are willing to purchase a larger volume of fabric for an article that is made in larger volumes, such as commercial uniforms or solid-color trousers. But sport coats or suits that sell at the top end of the market generally are made in smaller volumes and thus require smaller minimum orders. According to several questionnaire respondents, minimum lot sizes from around the world are generally about 300 linear yards (418 square meters), but can be as low as 50 linear yards (70 square meters) and as high as 700 linear yards (975 square meters). U.S. fabric importers reported minimum lot sizes mostly in the range of 400-500 linear yards. Four clothing manufacturers indicated that they had attempted to purchase worsted wool fabric from domestic suppliers since January 1, 2001, but that the minimum order requirements had been too large.

While the reported lot sizes offered by domestic fabric producers varied (table 5-5), the reported minimum lot sizes were often larger than the reported minimum lot sizes for imports. *** Warren Corp. also said that it will sell fabrics in 3-meter lengths from its stock program for custom tailoring.

Table 5-4
Worsted wool fabrics: Index showing average rating for U.S. versus imported fabrics from certain sources for minimum order requirements, flexible lot sizes, and price

	Minimum order requirements--		Flexible lot sizes--		Price--	
Source	Fine-micron	Coarse-micron	Fine-micron	Coarse-micron	Fine-micron	Coarse-micron
Italy	150	150	150	150	129	125
Korea	100	110	113	110	125	130
India	110	120	120	130	140	140
Mexico	133	125	133	113	150	150
South America	113	100	125	113	125	113
United Kingdom	140	150	125	150	90	63

Note.–Data are based on questionnaire responses. Respondents were asked to rate each foreign supplier for the above characteristics compared with U.S. suppliers. They were asked if the foreign supplier was superior, comparable, or inferior. The ratings were scored giving a "5" for each superior, a "3" for each comparable and a "1" for inferior. The scores were then turned into an index, with 100 being the score for all respondents indicating the foreign supplier was comparable to U.S. suppliers. Greater than 100 indicates that more respondents said that the foreign supplier was superior and less than 100 indicates that the foreign supplier was viewed as inferior for that variable.

Source: Based on data submitted by U.S. tailored clothing manufacturers in response to the Commission purchaser questionnaire.

Table 5-5
Minimum lot sizes by producer and importer and type of order

* * * * * * *

Table 5-4
Worsted wool fabrics: Index showing average rating for U.S. versus imported fabrics from certain sources for minimum order requirements, flexible lot sizes, and price

	Minimum order requirements--		Flexible lot sizes--		Price--	
Source	Fine-micron	Coarse-micron	Fine-micron	Coarse-micron	Fine-micron	Coarse-micron
Italy	150	150	150	150	129	125
Korea	100	110	113	110	125	130
India	110	120	120	130	140	140
Mexico	133	125	133	113	150	150
South America	113	100	125	113	125	113
United Kingdom	140	150	125	150	90	63

Note.–Data are based on questionnaire responses. Respondents were asked to rate each foreign supplier for the above characteristics compared with U.S. suppliers. They were asked if the foreign supplier was superior, comparable, or inferior. The ratings were scored giving a "5" for each superior, a "3" for each comparable and a "1" for inferior. The scores were then turned into an index, with 100 being the score for all respondents indicating the foreign supplier was comparable to U.S. suppliers. Greater than 100 indicates that more respondents said that the foreign supplier was superior and less than 100 indicates that the foreign supplier was viewed as inferior for that variable.

Source: Based on data submitted by U.S. tailored clothing manufacturers in response to the Commission purchaser questionnaire.

Table 5-5
Minimum lot sizes by producer and importer and type of order

* * * * * * *

CHAPTER 6
LOST SALES AND REVENUES

This chapter examines allegations of sales and revenues lost by (1) U.S. producers of worsted wool fabrics to imports of such fabrics benefiting from temporary duty reductions under the tariff-rate quotas (TRQs), and (2) U.S. tailored clothing manufacturers owing to their inability to purchase adequate supplies of such fabric on a cost-competitive basis. Commission questionnaires requested producers and purchasers to report incidents where prices were reduced to avoid lost sales of men's tailored clothing and any actual lost sales they have experienced since January 1, 2001.

Lost Sales and Revenues by U.S. Producers of Worsted Wool Fabrics

None of the four U.S. producers of worsted wool fabrics that responded to the Commission questionnaire gave specific instances of lost sales or revenues due to imports benefiting from the temporary duty reductions under the TRQs for worsted wool fabrics. Burlington Industries reported that ***. Cleyn & Tinker responded that ***. Forstmann Co. responded that ***. Forstmann Co. further stated that ***. Warren Corp. stated that ***.

The president of Forstmann Co. stated that, to his knowledge, sales of men's tailored clothing made from solid and fancy fabrics had declined since 1999, primarily because of the inability of U.S. clothing manufacturers to meet the import price available to customers: "Competition with imports is fierce and profit margins have shrunk as domestic producers of men's and boy's suits, sport coats, and trousers have lost sales due to import competition."[1] Forstmann Co. further stated that raising the TRQ levels can "only hurt the textile industry, and perhaps strengthen the case for bringing in additional fabrics at lower duty rates to supply other categories, such as women's wear."[2]

Lost Sales and Revenues by U.S. Tailored Clothing Manufacturers

The Commission questionnaire for clothing manufacturers requested information on any lost sales and revenues resulting from their inability to purchase adequate supplies of worsted wool fabrics on a cost-competitive basis, including whether they had reduced prices or rolled back announced price increases in order to avoid losing sales. Only 4 of the 21 clothing manufacturers responding to the Commission questionnaire reported that they had lost sales or revenues because of their inability to purchase adequate supplies of worsted wool fabrics on a cost-competitive basis (table 6-1). ***

[1] Neal Grover, President, Forstmann Co., transcript of hearing, p. 13.
[2] Ibid., p. 16.

Table 6-1
Lost sales and revenues allegations of tailored clothing manufacturers

*	*	*	*	*	*	*

CHAPTER 7
U.S. MARKET CONDITIONS FOR WOOL FIBERS AND YARNS

This chapter provides an overview of U.S. market conditions for wool fibers and worsted yarns used in the manufacture of worsted wool fabrics for men's tailored clothing. To process wool fibers into yarns, the fibers are first aligned in a parallel manner, and then wound together (spun) so that the fibers adhere to each other. Wool fibers that undergo carding and combing are spun into "worsted" yarns, while those fibers that undergo carding only are spun into "woolen" yarns.[1] Although both types of wool yarns are used in apparel, only the worsted yarns are covered by this investigation. The fibers used in worsted yarns for apparel usually have an average diameter of 18.5-21 microns, but not more than 25 microns.

Wool Fibers

U.S. wool production decreased for the 12th straight year in 2001 to 10.3 million kilograms (kg) (clean content), down by 7 percent from 2000 (table 7-1). U.S. mill consumption of raw wool declined by 14 percent during the period to 30.1 million kg, the lowest level on record. The decline in mill consumption reflected reduced wool usage by domestic mills making inputs for apparel, which accounted for 80 percent of total mill consumption of raw wool in 2001 (carpet mills accounted for the remainder). Consumption of wool for apparel fell by 15 percent in 2001 to 24.0 million kg. Mill consumption of wool for worsted apparel fell by 10 percent to 12.3 million kg, while consumption of wool for woolen apparel declined by 19 percent to 11.8 million kg. U.S. raw wool imports fell to 16.1 million kg in 2001, or by 21 percent from the 2000 level. About 40 percent of U.S. imports of raw wool in 2001 consisted of fibers having an average diameter of 25 microns or less. Australia supplied most of the raw wool imports in 2001.

Wool Prices

During the Commission's hearing on April 18, 2002, some participants indicated that the price of wool has risen considerably while their selling prices for fabrics have fallen.[2] The U.S. Department of Agriculture reports that the average price paid per pound for all grades of U.S. wool[3]

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[1]Carding serves to disentangle the fibers to prepare them for spinning, and is done by passing the fibers between rollers covered with fine wire teeth. This step produces wool in the form of a loose, untwisted, rope-like "sliver," ready for spinning into woolen yarn. Combing serves to remove the shorter fibers and further align the longer ones to produce "tops," a smoother, more uniform sliver suitable for spinning into worsted yarn. See U.S. Customs Service, "Fibers and Yarns: Construction and Classification Under the HTSUS," *Customs Bulletin and Decisions*, vol. 34, No. 52, Dec. 27, 2000, p. 127.

[2]Transcript of hearing, Neal Grover, President, Forstmann Co., and Pier Luigi Loro Piana, President, Warren Corp., pp. 29 and 37.

[3]Greasy basis, includes marketing charges for commissions, coring, and grading.

Table 7-1
Wool: U.S. production, imports, and mill consumption, by end uses, 2000-2001, January-May 2001, and January-May 2002

(1,000 kilograms, clean content)

Item	2000	2001	January-May-- 2001	January-May-- 2002
Production	11,123	10,302	([1])	([1])
Imports:				
25 microns or less[2]	10,048	6,463	3,635	2,226
All other	10,364	9,672	5,165	2,696
Total imports	20,412	16,134	8,800	4,922
Mill consumption:				
Worsted apparel	13,656	12,273	[3]3,568	[3]2,523
25 microns or less[2]	9,857	([4])	([4])	([4])
All other	3,798	([4])	([4])	([4])
Woolen apparel	14,485	11,753	[3]4,145	[3]2,452
Total apparel	28,141	24,026	[3]7,714	[3]4,975
Carpet	6,879	6,037	[3]1,941	[3]842
Total U.S. wool consumption	35,038	30,064	[3]9,654	[3]5,817

[1] Not available.
[2] Represents wool finer than 58s (equivalent to average fiber diameters of 24.94 microns or less). According to the USDA, imports of such fine wool include all imports under HTS statistical reporting numbers 5101.11.6060, 5101.19.6060, 5101.21.4060, and 5101.29.4060, and 50 percent of those under HTS subheadings 5101.21.70, 5101.29.70, and 5101.30.70; the remaining 50 percent of imports under these subheadings are included in "other."
[3] Data are for January-March of the specified year.
[4] Data on fibers consumed by worsted apparel mills are no longer disclosed by the U.S. Census Bureau because of confidentiality concerns.

Note.–Figures may not add to totals shown because of rounding.

Source: Data on production and mill consumption derived from statistics of the U.S. Department of Agriculture (USDA), Economic Research Service (ERS), *Cotton and Wool Situation and Outlook Yearbook* (CWS-2001), Nov. 2001, facsimile dated June 4, 2002 updated data on mill consumption, and USDA, National Agricultural Statistics Service, *Sheep and Goats*, Feb. 1, 2002. Import data compiled from official statistics of the U.S. Department of Commerce.

fell from $0.84 in 1997 to $0.33 in 2000, and then increased to $0.36 in 2001. Prices for U.S. and Australian 60s grade and 64s grade wool (apparel-grade wool) also declined during 1997-2001 (table 7-2). Notwithstanding the overall decline in wool prices from 1997 to 2001, U.S. and Australian wool prices rose in 2001 compared with the previous year.

Wool prices are influenced by many factors, such as stock levels, demand in manufacturing and consuming centers, and competition from other fibers, such as cotton and synthetics. Relatively low stocks in Australia and other producing countries, coupled with strong demand for raw wool in

Table 7-2
U.S. and Australian wool prices:[1] Grades 60s and 64s, 1997-2001

(U.S. dollars per pound, clean)

Type	1997	1998	1999	2000	2001
United States:					
Grade 60s	1.78	1.31	0.85	0.75	0.90
Grade 64s	2.38	1.62	1.10	1.08	1.20
Australian:					
Grade 60s	2.06	1.74	1.46	1.47	1.60
Grade 64s	2.57	1.94	1.58	1.60	1.66

[1] Although current data are not available for U.S. production of wool fibers by micron count, wool fibers having an average diameter of 18-19 microns reportedly account for less than 0.5 percent of total U.S. wool production. The 60s grade wool has an average fiber diameter of 23.50-24.94 microns and the 64s grade wool has an average fiber diameter of 20.60-22.04 microns. Prices for these wool grades are reported by USDA and these wools met the criteria for fibers used in the manufacture of fabrics and yarn for the production of men's worsted wool tailored clothing, which are the subject of this investigation.

Source: USDA, ERS, *Cotton and Wool Situation and Outlook*/CWS-2001/November 2001, appendix table 34 (Shorn wool prices: U.S. farm price, Australian offering prices, and graded territory shorn wool prices, 1978-2000), and *Cotton and Wool Situation and Outlook*, monthly issues, 2001-2002.

textile manufacturing centers, such as China and Italy, contributed to the increase in wool prices in 2001.

Industry sources reported that the rise in wool prices in 2001 had little effect on global competition because producers worldwide were subjected to the same increase in the raw material cost. This was the case whether fabric producers purchased yarn or spun their own, as yarn producers passed the additional costs on to their customers. However, the ability to pass on the increase to tailored clothing manufacturers varied according to market segment. Those fabric producers serving the medium to lower priced segments of the market, where price competition is toughest, were more likely to absorb the increase rather than raise their fabric prices commensurate with the rise in the cost of raw wool or yarn. ***

World Production

World wool production in 2001 totaled 1,374 million kg (3.0 billion pounds).[4] Australia is the world's largest wool producer, followed by New Zealand, China, and the Newly Independent States of the former Soviet Union. Although China accounted for 11 percent of world wool production in 2000, it was the largest wool importer with imports of 153.9 million kg (343 million pounds), or 52 percent of its wool consumption.[5]

[4]International Wool Textile Organization, "Wool Statistics," 2000-2001, p. 29.

[5]USDA, ERS, *Cotton and Wool Situation and Outlook*, Nov. 2001, appendix tables 36 and 38.

Worsted Wool Yarns

Apparent U.S. consumption of all worsted wool yarns totaled 15.8 million kg in 2000, the latest year for which data are available (table 7-3). The decline in U.S. consumption and production during 1997-2000 largely reflected weak demand resulting from a decrease in U.S. output of apparel fabrics and an increase in U.S. imports of goods containing worsted wool yarns, namely, worsted wool fabrics and tailored clothing, which often are made from non-U.S. materials. The production decline was also attributable to a switch by some mills to making yarns of acrylic and other fibers.

U.S. imports of all worsted wool yarns in 2001 fell 29 percent from the 2000 level, and they declined by an additional 34 percent during January-May 2002, compared with the corresponding period in 2001 (table 7-3). Fine-micron yarns accounted for 29 percent of the total quantity of worsted wool yarn imports in 2001, but for only 16 percent in January-May 2002. The major suppliers of the imported worsted wool yarns in 2001 were New Zealand, Canada, and Italy.

Table 7-3
Worsted wool yarns: U.S. production, imports for consumption, exports of domestic merchandise, and apparent U.S. consumption, 1997-2001, January-May 2001, and January-May 2002

Year	U.S. production	U.S. imports	U.S. exports	Apparent U.S. consumption	Ratio of imports to consumption
	1,000 kilograms				*Percent*
1997	22,023	4,298	386	25,935	17
1998	19,941	4,454	312	24,083	18
1999	15,936	4,660	172	20,424	23
2000	10,670	5,593	494	15,769	35
2001	(1)	3,970	474	(1)	(1)
Jan.-May:					
2001	(1)	1,957	312	(1)	(1)
2002	(1)	1,300	71	(1)	(1)

[1] Not available.

Note.–Import data are for HTS subheadings 5107.10.00, 5107.10.30, 5107.10.60, 5107.20.00, 5107.20.30 and 5107.20.60; export data are for HTS subheadings 5107.10.00 and 5107.20.00.

Source: Production data compiled from U.S. Census Bureau, *Current Industrial Report: Yarn Production* (MA313F(00)-1), 2000 and prior years; trade data compiled from official statistics of the U.S. Department of Commerce.

Questionnaire data show that U.S. demand for worsted wool yarns for use in fabric for men's tailored clothing continued to decline in 2001 and in the first quarter of 2002.[6] Apparent U.S. consumption of such yarns totaled *** kg in 2001 (table 7-4). U.S. fabric mills' production and

[6]Data on worsted wool yarn production and purchases are not directly comparable for 2000 and 2001, but the trends in the data available and the trends in domestic worsted wool fabric production for which the yarns are used indicate that apparent U.S. consumption of worsted wool yarns declined in 2001 compared with 2000.

purchases of the yarns declined by *** percent and *** percent, respectively, during the first quarter of 2002, as compared with the corresponding period in 2001. Apparent U.S. consumption of the yarns fell by *** percent during the period.

Table 7-4
Worsted wool yarns for internal consumption in men's tailored clothing: U.S. production for internal consumption, purchases of domestic and imported yarns, net change in inventory, and apparent U.S. consumption, 2001, January-March 2001, and January-March 2002

* * * * * * *

The subject yarns are made by the integrated U.S. fabric producers, which make them for captive use, and a few independent yarn spinners, which make mostly coarse-micron yarns for commercial sale. The major independent spinners are believed to be ***. Among the integrated fabric producers, ***. According to questionnaire data, coarse-micron yarns accounted for *** percent of U.S. worsted wool yarns used in men's tailored clothing in 2001 (including yarns produced and purchased by the fabric mills); the remainder consisted of fine-micron yarns. *** Imports accounted for *** of apparent U.S. consumption of fine-micron yarns in 2001. ***[7]

***[8] ***[9]

***[10]

[7] ***
[8] ***
[9] ***
[10] ***

CHAPTER 8
POSITION OF INTERESTED PARTIES

This chapter summarizes the views of interested parties submitted to the Commission in connection with the investigation, either at the hearing or in written statements.[1] The views of representatives of the U.S. tailored clothing industry appear first, followed by those of representatives of the U.S. worsted wool fabric industry. In general, representatives of the tailored clothing industry support an increase in the annual quantities of worsted wool fabrics for use in men's tailored clothing that may be imported at the TRQ in-quota tariff rates, while representatives of the fabric industry oppose any such increase.

Representatives of the U.S. Tailored Clothing Industry

Hickey-Freeman Co., Inc., and the Tailored Clothing Association (TCA)

- The TCA, a trade association whose members include U.S. tailored clothing manufacturers, and Hickey-Freeman Co., Inc.,[2] a manufacturer of men's tailored clothing and a subsidiary of Hartmarx Corp.,[3] submitted a joint statement in which they indicated that competitive and structural imbalances are negatively affecting the domestic tailored clothing industry. They stated that despite relief that was promised to the industry in Title V of the Trade and Development Act of 2000, current factors that negatively affect the domestic industry include reduced domestic capacity to supply an adequate variety of fabric styles; high tariff rates on worsted wool fabric imports; further reductions in Canadian tariffs on similar worsted wool fabrics that benefit Canadian manufacturers of men's tailored clothing; and continued tariff inversion, where the higher duty rates on the fabrics mean that U.S. tailored clothing manufacturers must compete with Canadian firms that import their fabrics from non-NAFTA countries free of duty and export the finished products to the United States free of duty.

- Hickey-Freeman Co. stated that since Congress enacted Title V, Canada has implemented further tariff cuts on certain worsted wool fabrics and eliminated tariffs altogether on high-end fabrics with no quantity limitations, and that the U.S. Department of Commerce's decision not to further reduce tariffs in line with Canada's, as authorized by Title V, undermines congressional efforts to minimize the Canadian tariff advantage. Hickey-Freeman Co. stated that in 2001, U.S. imports of fine-micron fabrics totaled 4 million square meters and coarse-micron fabrics totaled 15 million square meters, thus exceeding the combined 4 million square meters covered under the TRQs.

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[1] See appendix D for a list of witnesses appearing at the public hearing held by the Commission in connection with this investigation on April 18, 2002.

[2] Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., Inc., Rochester, NY, and President, TCA, written submission to the Commission and testimony before the Commission, Apr. 18, 2002.

[3] Hartmarx believes it is the largest U.S. manufacturer and marketer of men's tailored clothing and offers its goods under a number of owned and licensed trademarks (e.g., Hart Schaffner & Marx and Hickey-Freeman). See Form 10-K filed by Hartmarx with the Securities and Exchange Commission (SEC), Feb. 26, 2002. The Form 10-K is available from the SEC website at *www.sec.gov/Archives/edgar/data*.

- According to Hickey-Freeman Co., since May 2001, domestic fabric production has "dramatically declined" because Burlington, the largest domestic manufacturer of worsted wool fabric, filed for Chapter 11 bankruptcy protection and subsequently announced that it would end its role as a meaningful producer of worsted wool fabrics in the United States.

- Hickey-Freeman Co. stated that the Secretary of Commerce is required to consider decreases in the supply of U.S.-made worsted wool fabric and the ability of domestic fabric mills to meet the needs of the tailored clothing industry under Title V. It stated that since May 2001, the U.S. Department of Commerce has rejected requests for increasing the TRQ in-quota quantities and rejected requests for reconsideration in the wake of Burlington's situation. Furthermore, according to Hickey-Freeman Co., the U.S. Department of Commerce has allocated the 2002 TRQs to more apparel companies than in 2001, thus reducing the total allocation for Hartmarx companies.

- Hickey-Freeman Co. also stated that the TRQs have not adversely affected U.S. fabric mills. The company asserted that Warren Corp. claimed a double-digit increase in its fabric business in 2001, during which period Hartmarx reported losses of $895,000.

Hartz & Co., Inc.

- Hartz,[4] a domestic producer of men's tailored clothing for the mid-to-high-end price range, stated that the firm continues to face challenges in obtaining competitively priced worsted wool fabrics of the desired quality and quantity from domestic mills. The company stated that to serve market demand adequately, it must rely on imports for the vast majority of its fabric needs, and that its import levels would remain unchanged even in the event of tariff increases.

- According to Hartz, domestic worsted wool fabric availability has decreased in recent years. The company stated that 2 years ago Burlington ceased working with Hartz to create unique designs and, further, announced plans on January 10, 2002, to scale back its U.S. production. In sourcing from other U.S. mills, Hartz stated, it increased purchases from Warren Corp., which has expanded its offerings below the highest price points, but has not made any purchases from Forstmann because it does not offer suiting fabrics and its minimum order requirements have been too large in the past.

- Hartz stated that Canadian manufacturers of men's tailored clothing are able to acquire high-quality fabrics at prices lower than those available in the United States. Hartz stated that it has the capacity to significantly increase its production of men's tailored clothing but needs the Government to increase access to reasonably priced fabrics in order to compete with manufacturers in Canada, Mexico, Central America, the Caribbean Basin, and Europe.

[4] Keith Melrose, Senior Vice President and Director of Merchandising, Hartz & Co., Inc., New York, NY, testimony before the Commission, Apr. 18, 2002.

American Apparel & Footwear Association (AAFA)

- AAFA,[5] a national association whose members include U.S. producers of men's tailored clothing, stated that its members continue to report difficulties in purchasing U.S.-produced worsted wool fabric for use in domestic or offshore production, encountering problems locating the varieties and styles of domestic worsted wool fabric needed for their apparel production. AAFA stated that U.S. textile manufacturers' plans to further reduce U.S. fabric production capabilities or exit the worsted wool fabric business altogether are exacerbating this problem.

- AAFA stated that the declining availability of domestically produced fabric is exacerbated by the U.S. Commerce Department's denial of two petitions to increase the TRQs for worsted wool fabrics and its decision not to recommend in a timely manner the reduction of U.S. tariffs to match Canadian rates as required by law. AAFA also stated that its members that produce men's tailored clothing offshore under U.S. trade agreements that provide preferential treatment for garments made from U.S. fabrics, such as the United States-Caribbean Basin Trade Partnership Act, increasingly are unable to benefit from such agreements owing to decreasing availability of U.S.-manufactured worsted wool fabric. AAFA further stated that continuing the high tariff rates on U.S. imports of worsted wool fabric perpetuates a duty inversion that harms U.S. men's tailored apparel manufacturers.

Representatives of the U.S. Worsted Wool Fabric Industry

Northern Textile Association (NTA)

- NTA,[6] representing U.S. producers of wool yarn and fabric, stated that the temporary duty reductions under the TRQs for worsted wool fabrics have already "damaged" U.S. producers of such fabrics, and that an increase in the TRQ in-quota quantities would "severely harm" U.S. producers of worsted wool fabrics and yarns. NTA noted that many of these yarn and fabric producers are small-to-medium-sized firms that have made investment and production plans with the understanding that the tariff reductions agreed to in the Uruguay Round would be a stable base on which they could plan. NTA said that the TRQs have introduced an element of uncertainty and upset investment and production decisions in the industry.

- NTA stated that the U.S. textile industry currently is meeting a substantial portion of domestic demand for the subject fabrics and that it has substantial unused capacity to supply current and even increased future demand. It indicated that all U.S. producers of the subject fabrics are operating substantially below capacity, and that the overall industry is operating at less than 50 percent of production capacity, which it estimates is 13 million linear yards for coarse-micron fabrics and 1.5 million linear yards for fine-micron fabrics.

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[5] Stephen Lamar, Senior Vice President, AAFA, Arlington, VA, written submission to the Commission, Apr. 29, 2002.

[6] David Trumbull, Member Services, NTA, Boston, MA, testimony before the Commission, Apr. 18, 2002, and written submission to the Commission, Apr. 26, 2002.

- NTA stated that the U.S. textile industry can produce the subject fabrics in a wide variety of solids and fancies in many colors, weights, and weaves. NTA claimed that domestic fabrics are cost competitive with imported fabrics from major foreign competitors that are able to approach the U.S. industry's range of styles and quality. However, it said that the strength of the U.S. dollar relative to foreign currencies that have lost more than one-third of their value has led to a "de facto cancelling out" of tariff protection available to U.S. wool fabric producers.

- NTA stated that Canadian and Mexican production of the subject fabrics, which are eligible to enter the United States duty free under NAFTA, should also be considered before deciding to increase the TRQ levels. NTA reported that producers in these countries are not operating at full capacity, which it estimates is 33.4 million meters of fine-micron and coarse-micron fabrics (about 4 million of which is fine-micron fabrics).

Forstmann Co.

- Forstmann Co.,[7] a U.S. producer of wool fabrics, stated that it opposes any increase in TRQ levels, noting that its profits have already fallen as a result of increased access to foreign fabrics under the TRQs, and as a result of imports of duty-free and quota-free fabrics from Canada and Mexico under NAFTA. The firm indicated that competition is fierce in the domestic markets for the subject fabrics and for wool tailored clothing, and that margins are shrinking. Forstmann Co. expressed concern about the rising cost of wool in such a price-conscious environment.

- Forstmann Co. stated that its sales of the subject fabrics for men's tailored clothing fell "drastically" from 1999 to 2000 because it was unable to meet the price points that its customers were able to obtain on imports of the subject fabrics or clothing made of such fabrics. The firm stated that it would have lost even more sales than it did in 2001 were it not for the preferential treatment granted under the Caribbean Basin Initiative and NAFTA to imports of apparel made from U.S. materials, as well as the protection afforded by U.S. quotas and tariffs on imports of fabrics and clothing. The firm said that it ships almost all of its fabrics to the Caribbean Basin and Mexico, where its customers cut and sew the fabrics into finished clothing articles for reexport to the United States.

- Forstmann Co. said its product lines are "highly diverse" and, at the same time, targeted to meet its customers' needs. The firm said its customers are mainly medium-to-large-sized U.S. branded apparel manufacturers and private-label companies, which, in turn, supply many of the major retailers, such as Talbots, Nordstrom, J.C. Penney, and L.L. Bean. Forstmann said it offers 20-25 fabric styles in its "open line" for men's clothing, while its "targeted line" has more than 200 colors for the upcoming season. Forstmann stated that it is "always willing to work" with customers on custom product development, and that it can work with customers on minimum orders and understands the need to supply fabrics in increasingly shorter lead times.

[7] Neal Grover, President, Forstmann Co., Dublin, GA, testimony before the Commission, Apr. 18, 2002.

Warren Corp.

- Warren Corp.,[8] a U.S. producer of wool fabrics and an affiliate of Loro Piana & C.s.p.a. of Italy, stated that it opposes any increase in the TRQ levels. According to Warren Corp., which currently operates at 50 percent of capacity, the U.S. market for its worsted wool fabrics is small, on the decline, and "extremely sensitive." As such, and because of its sizable investment in the United States, the firm stated that even a small increase in the TRQ levels will have a great negative impact on its business.

- Warren Corp. stated that its production, sales, and orders for the subject fabrics have declined, and that it has been trying to maintain sales through an "aggressive pricing structure, that takes into account the TRQs." Warren Corp. said that it offers more than 800 separately designed fine-micron worsted wool fabrics that may be styled in thousands of different color combinations. Warren Corp. noted that the flexibility of its operation allows it to work with customers and meet their needs for specific types of fabrics.

- Warren Corp. stated that about 12 million square yards, or 60 percent of the 20 million square yards of fine-micron and coarse-micron worsted wool fabrics imported into the United States during 2001, entered either duty free under NAFTA or the United States-Israel Free Trade Agreement or at reduced duties under the TRQs. Warren Corp. asserted that the TRQ for fine-micron fabrics of 1.5 million SMEs already covers a large part of the import market for these fabrics and that an additional 1 million SMEs of imported fine-micron fabrics enter duty free under the free-trade agreements.

- Warren Corp. stated that imports of the subject fabrics from Europe have a considerable advantage in the U.S. market, because the strong dollar effectively lowers the price of the European fabrics by about 30 percent, thereby negating the 27.2 percent ad valorem U.S. tariff on the fabrics. The firm stated that any increase in the TRQ levels will grant the imported fabrics another and "unnecessary" advantage in the U.S. market.

- Warren Corp. said that the TRQs grant U.S. tailored clothing manufacturers a significant incentive to buy foreign fabrics rather than domestic fabrics. It noted that the clothing manufacturers receive relief not only in the form of temporary duty reductions under the TRQs for the subject fabrics, but also as a partial refund of duties paid on imports of such fabrics.[9] Warren Corp. stated that the TRQs and duty refunds were intended to be a combined solution for the clothing manufacturers and that the TRQs were not intended to be the only form of relief.

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[8] Pier Luigi Loro Piana, President, Warren Corp., Stafford Springs, CT, testimony before the Commission, Apr. 18, 2002.

[9] Title V of the Trade and Development Act of 2000 authorized a partial refund of duties paid by U.S. firms in each of calendar years 2000-2002, limited to an amount not to exceed one-third of duties actually paid on the inputs imported in calendar year 1999.

Burlington Industries, Inc.

- Burlington,[10] a U.S. producer of wool fabrics and other textiles that filed voluntary petitions for reorganization under Chapter 11 in November 2001, stated that it opposes any increase in the TRQ levels for worsted wool fabrics because (1) the fabrics are made domestically, (2) U.S. tariffs on the fabrics are being reduced as a result of World Trade Organization commitments, (3) the majority of the imported fabrics already enter at preferential tariffs under either free-trade agreements or the TRQs, (4) the U.S. market for wool tailored clothing is small and declining, (5) the TRQs were not intended to resolve all the concerns of the U.S. tailored clothing industry, and (6) the U.S. wool fabric market is greatly affected by changes in exchange rates.

- Burlington stated that a TRQ increase will jeopardize hundreds of jobs in the U.S. wool fabric industry, which is "extremely depressed" at this time. Burlington noted that, because of a shrinking U.S. wool fabric market, it has laid off more than 2,500 workers in its wool fabric division during the past 2 years. The firm indicated that the temporary duty reductions under the TRQs have exacerbated the poor market conditions that have led to the loss of thousands of jobs in the wool fabric industry.

- Burlington indicated that the TRQ program provided significant tariff reductions beyond those envisioned in the Uruguay Round, whereby the United States agreed to reduce tariffs on the subject fabrics by 31 percent over 10 years, from 36.1 percent to 25 percent ad valorem in 2004. According to Burlington, U.S. yarn and fabric producers have made significant investments in new plants and equipment in recent years on the basis of the Uruguay Round agreement. However, Burlington asserted that the TRQ program has "substantially eroded" these investments and that an increase in TRQ levels for 2003 will further undermine the investment and long-range plans of U.S. producers.

- Burlington stated that more than one-half of the subject fabrics imported into the United States during 2001 benefited from preferential tariffs and that importers of these fabrics do not need additional tariff breaks. Of the approximately 20 million square meters of the subject fabrics imported in 2001, Burlington stated that about 8 million square meters entered free of duty under NAFTA and the United States-Israel Free Trade Agreement, and that an additional 4 million entered at reduced duty rates under the TRQs.

- Burlington stated that the U.S. market for worsted wool tailored clothing is small and shrinking, and that even a small increase in the TRQ levels could have a negative impact on its business. In addition, it indicated that the TRQs were never designed to address all the concerns of the U.S. tailored clothing industry, but were only a part of a larger package of import relief. The firm said the refund of duties paid on imports of the subject fabrics was an "enormous" benefit to users of the imported fabrics.

- Burlington said that the appreciation of the U.S. dollar against most major currencies for an extended period of time has effectively lowered the price of the subject fabrics from Italy and other European countries by about 30 percent, thereby negating the U.S. tariff of 27.2 percent ad

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[10] John D. Englar, Senior Vice President, Corporate Development and Law, Burlington Industries, Inc., Greensboro, NC, written submission to the Commission, Apr. 26, 2002.

valorem on the fabrics. Burlington asked the U.S. Government to not increase the TRQs until the currencies of the European Union and the United States are more in balance.

- According to Burlington, its domestic production of worsted wool fabrics was likely to decline from 32 million SMEs in its fiscal year 2001 (October 2000-September 2001) to 25 million SMEs in fiscal year 2002 because of a decline in orders. The firm said that it had the capacity to make more than 50 million SMEs of wool fabrics domestically, but that 50 percent of this capacity was idle. Burlington stated that, in January 2002, it announced a comprehensive reorganization of its apparel fabrics group in order to, among other things, eliminate idle capacity, while committing to its customers that no existing order will go unmet. The firm also indicated that it has introduced new fabrics to provide customers with an even wider selection, such as the new line of worsted wool fabrics, using fibers having an average diameter of 19.3 microns, developed in mid-2001 and now in production. Burlington stated that it will have more than 1,000 new styles for this new fabric line and that it has more than 1,100 styles in its current line of worsted fabrics for tailored clothing.

- Burlington noted that it has attempted to maintain a stable production pattern for the subject fabrics through an aggressive pricing strategy. However, the firm stated that its production and sales have "severely contracted" in recent years owing to declining orders and that the existence of the TRQs has only exacerbated this problem.

Appendix A
Request Letter From the United States Trade Representative

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

The Honorable Stephen Koplan
Chairman
United States International Trade Commission
500 E Street, SW
Washington, D.C. 20436

Dear Chairman Koplan:

On May 18, 2000, the President signed the Trade and Development Act of 2000 (the Act). Title V of the Act temporarily reduces tariffs and establishes tariff-rate quotas (TRQs) for imports of certain worsted wool fabric, described in headings 9902.51.11 and 9902.51.12 of the Harmonized Tariff Schedule of the United States (HTS), certified by the importer as suitable for use in men's or boys' suits, suit-type jackets, and trousers. The TRQs will be in effect for three years starting January 1, 2001. The President may modify the TRQ limits provided for in HTS headings 9902.51.11 and 9902.51.12, subject to his consideration of certain market conditions. Section 504 of the Act specifies that the President shall monitor U.S. market conditions, including domestic demand, domestic supply, and increases in domestic production for men's and boys' worsted wool suits, suit-type jackets, and trousers; worsted wool fabric and yarn used in the manufacture of such clothing; and wool fibers used in the manufacture of such fabrics and yarn. In Proclamation 7383 (Dec. 1, 2000), the President delegated to the United States Trade Representative (USTR) the authority to monitor these market conditions.

Under authority delegated by the President, I request that the United States International Trade Commission (the Commission) initiate an investigation under section 332(g) of the Tariff Act of 1930, as amended (19 U.S.C. 1332(g)), for the purpose of monitoring U.S. market conditions for the subject wool products. In addition to the data identified above, I would like the Commission to provide, to the extent possible, data on:

(1) increases or decreases in sales and production of the subject domestically-produced worsted wool fabrics;
(2) increases or decreases in domestic production and consumption of the subject apparel items;
(3) the ability of domestic producers of the subject worsted wool fabrics to meet the needs of domestic manufacturers of the subject apparel items in terms of quantity and ability to meet market demands for the apparel items;
(4) sales of the subject worsted wool fabrics lost by domestic manufacturers to imports benefitting from the temporary duty reductions on certain worsted wool fabrics under HTS headings 9902.51.11 and 9902.51.12;

(5) loss of sales by domestic manufacturers of the subject apparel items related to the inability to purchase adequate supplies of the subject worsted wool fabrics on a cost competitive basis; and

(6) the price per square meter of imports and domestic sales of the subject worsted wool fabrics.

I appreciate that quantitative data on all of the above factors may not be readily available and request that in such instances the information be in qualitative form.

The Commission should submit two reports to the USTR under this investigation. The first report, providing data for the years 1999, 2000, year-to-date 2001 and comparable year-to-date 2000, and the second report, providing data for the year 2001, year-to-date 2002 and comparable year-to-date 2001, should be submitted by September 17, 2001 and September 16, 2002, respectively. In the interim, we request that the Commission provide by letter the most comprehensive information available on the factors described above and covering the period January 1, 1999 through the present. This letter should be provided to the USTR within 45 days after the U.S. Department of Commerce publishes a notice in the Federal Register soliciting requests from U.S. manufacturers of worsted wool suits, worsted wool suit-type jackets, and worsted wool trousers to modify the limitations on the quantity of imports of fabrics of worsted wool under the TRQs provided for in HTS headings 9902.51.11 and 9902.51.12.

The Commission should issue, as soon as possible thereafter, public versions of the letter and reports with any business confidential information deleted.

The Commission's assistance in this matter is greatly appreciated.

Sincerely,

Charlene Barshefsky

Appendix B
Federal Register Notice

the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

Background

The Commission instituted these investigations effective December 28, 2000, following receipt of a petition filed with the Commission and the Department of Commerce by Carpenter Technology Corp. (Wyomissing, PA); Crucible Specialty Metals (Syracuse, NY); Electralloy Corp. (Oil City, PA); Empire Specialty Steel, Inc. (Dunkirk, NY); Slater Steels Corp., Specialty Alloys Division (Fort Wayne, IN); and the United Steelworkers of America, AFL–CIO/CLC (Pittsburgh, PA), alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports of stainless steel bar from France, Germany, Italy, Korea, Taiwan, and the United Kingdom, that are alleged to be sold in the United States at LTFV, and by reason of imports of stainless steel bar from Italy that are alleged to be subsidized by the Government of Italy. Accordingly, effective December 28, 2000, the Commission instituted countervailing duty investigation No. 701–TA–413 (Preliminary) and antidumping investigations Nos. 731–TA–913–918 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the **Federal Register** of January 4, 2001 (66 FR 807). The conference was held in Washington, DC, on January 18, 2001, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its determinations in these investigations to the Secretary of Commerce on February 12, 2001. The views of the Commission are contained in USITC Publication 3395 (February 2001), entitled Stainless Steel Bar From France, Germany, Italy, Korea, Taiwan, and the United Kingdom: Investigations Nos. 701–TA 413 and 731–TA–913–918 (Preliminary).

Issued: February 13, 2001.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 01–4435 Filed 2–22–01; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–427]

U.S. Market Conditions for Certain Wool Articles

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation, scheduling of public hearing, and request for public comments.

EFFECTIVE DATE: February 12, 2001.

SUMMARY: Following receipt of a request from the United States Trade Representative (USTR) on January 22, 2001, the Commission instituted Investigation No. 332–427, U.S. Market Conditions for Certain Wool Articles, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to monitor U.S. market conditions for certain wool articles.

FOR FURTHER INFORMATION CONTACT: For general information, contact Kim Freund (202–708–5402; freund@usitc.gov) of the Office of Industries; for information on legal aspects, contact William Gearhart (202–205–3091; wgearhart@usitc.gov) of the Office of the General Counsel. The media should contact Margaret O'Laughlin, Public Affairs Officer (202–205–1819). Hearing impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information about the Commission may be obtained by accessing its Internet server (http://www.usitc.gov).

Background

As requested by the USTR, the Commission will provide information on U.S. market conditions, including domestic demand, domestic supply, and domestic production for men's and boys' worsted wool suits, suit-type jackets, and trousers; worsted wool fabric and yarn used in the manufacture of such clothing; and wool fibers used in the manufacture of such fabrics and yarn. Also as requested by the USTR, the Commission will provide, to the extent possible, data on:

(1) Increases or decreases in sales and production of the subject domestically-produced worsted wool fabrics;

(2) Increases or decreases in domestic production and consumption of the subject apparel items;

(3) The ability of domestic producers of the subject worsted wool fabrics to meet the needs of domestic manufacturers of the subject apparel items in terms of quantity and ability to meet market demands for the apparel items;

(4) Sales of the subject worsted wool fabrics lost by domestic manufacturers to imports benefiting from the temporary duty reductions on certain worsted wool fabrics under the tariff-rate quotas (TRQs) provided for in headings 9902.51.11 and 9902.51.12 of the Harmonized Tariff Schedule of the United States (HTS);

(5) Loss of sales by domestic manufacturers of the subject apparel items related to the inability to purchase adequate supplies of the subject worsted wool fabrics on a cost competitive basis; and

(6) The price per square meter of imports and domestic sales of the subject worsted wool fabrics.

The USTR requested that the Commission submit two "annual reports" and an "interim letter" under this investigation. The first annual report, providing data for 1999, 2000, and year-to-date 2000–01, was requested by September 17, 2001, and the second annual report, providing data for 2001 and year-to-date 2001–02, was requested by September 16, 2002. In the interim, the USTR requested that the Commission provide by letter (interim letter) the most comprehensive information available on the factors described above for the period from January 1, 1999, to the present. The Commission was requested to submit this interim letter to USTR within 45 days after the U.S. Department of Commerce publishes a notice in the **Federal Register** soliciting requests from U.S. manufacturers of men's and boys' worsted wool suits, suit-type jackets, and trousers to modify the limitations on the quantity of imports of worsted wool fabrics under the TRQs provided for in HTS headings 9902.51.11 and 9902.51.12. USTR requested that the Commission issue public versions of the interim letter and the two annual reports, as soon as possible thereafter, with any business confidential information deleted.

In the request letter, the USTR referred to Title V of the Trade and Development Act of 2000 (the Act),

which was enacted on May 18, 2000, and implemented by Presidential Proclamation 7383 of December 1, 2000. Title V of the Act temporarily reduces tariffs and establishes TRQs on imports of certain worsted wool fabrics. The fabrics concerned are described in HTS headings 9902.51.11 and 9902.51.12—namely, worsted wool fabrics certified by the importer as suitable for use in men's or boys' suits, suit-type jackets, and trousers. The Act authorizes the President to modify the TRQ limits provided for in HTS headings 9902.51.11 and 9902.51.12, which will be in effect for 3 years beginning on January 1, 2001, subject to his consideration of certain U.S. market conditions. In the request letter, the USTR noted that, under section 504 of the Act, the President is required to monitor U.S. market conditions, including domestic demand, domestic supply, and increases in domestic production for men's and boys' worsted wool suits, suit-type jackets, and trousers; worsted wool fabric and yarn used in the manufacture of such clothing; and wool fibers used in the manufacture of such fabrics and yarn. In Proclamation 7383, the President delegated the authority to modify the TRQ limits to the Secretary of Commerce, and delegated to USTR the authority to monitor these market conditions.

Public Hearing

A public hearing in connection with preparation of the first annual report, as identified above, will be held at the U.S. International Trade Commission Building, 500 E Street SW, Washington, DC, beginning at 9:30 a.m. on May 31, 2001. The Commission has not scheduled any other public hearing in connection with this investigation at this time. All persons shall have the right to appear, by counsel or in person, to present information and to be heard. Requests to appear at the public hearing should be filed with the Secretary, United States International Trade Commission, 500 E Street SW, Washington, DC 20436, no later than 5:15 p.m., May 17, 2001. Any prehearing briefs (original and 14 copies) should be filed not later than 5:15 p.m., May 21, 2001. The deadline for filing post-hearing briefs or statements is 5:15 p.m., June 7, 2001. In the event that, as of the close of business on May 17, 2001, no witnesses are scheduled to appear at the hearing, the hearing will be canceled. Any person interested in attending the hearing as an observer or non-participant may call the Secretary of the Commission (202–205–1806) after May 17, 2001, to determine whether the hearing will be held.

Written Submissions

In connection with preparation of the interim letter for USTR, interested parties are invited to submit written statements (original and 14 copies) concerning the matters to be addressed by the Commission. To be assured of consideration by the Commission, written statements in connection with the interim letter should be submitted to the Commission at the earliest practical date and should be received no later than the close of business on March 7, 2001. Regarding the first annual report, in lieu of or in addition to participating in the above-referenced hearing, interested parties are invited to submit written statements (original and 14 copies) concerning the matters to be addressed by the Commission by no later than the close of business on June 7, 2001.

Commercial or financial information that a person desires the Commission to treat as confidential must be submitted on separate sheets of paper, each marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). The Commission's Rules do not authorize filing of submissions with the Secretary by facsimile or electronic means. All written submissions, except for confidential business information, will be made available in the Office of the Secretary of the Commission for inspection by interested parties. The Commission may include confidential business information submitted in the course of this investigation in its reports to the USTR. In the public version of these reports, however, the Commission will not publish confidential business information in a manner that would reveal the individual operations of the firm supplying the information. All submissions should be addressed to the Secretary, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436.

List of Subjects

Tariffs, imports, wool, fabric, and suits.

By order of the Commission.

Issued: February 13, 2001.

Donna R. Koehnke,

Secretary.

[FR Doc. 01–4433 Filed 2–22–01; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF JUSTICE

Notice of Lodging of Consent Decree Under the Clean Air Act

Notice is hereby given that on February 8, 2001, a proposed consent decree in *United States* v. *Forsch Polymer Corporation*, Civil Action No. 00–N–919, was lodged with the United States District Court for the District of Colorado.

In this action, the United States sought injunctive relief and the payment of civil penalties for Forsch Polymer's alleged violations of the Stratospheric Ozone Protection Requirements set forth at Subchapter VI of the Clean Air Act, and EPA's implementing regulations. Under the proposed decree, the defendant Forsch Polymer Corporation will pay the sum of $32,000 over a one year period. The settlement sum is based upon the financial inability of Forsch Polymer Corporation to pay more. The proposed decree does not require that Forsch Polymer Corporation take any injunctive measures because Forsch Polymer Corporation has certified that it no longer uses the ozone depleting substance that formed the basis of the United States' action.

The Department of Justice will receive for a period of thirty [30] days from the date of this publication comments relating to the proposed consent decree. Comments should be addressed to the Assistant Attorney General of the Environment and Natural Resources Division, Department of Justice, Washington, DC 20530, and should refer to *United States* v. *Forsch Polymer Corporation*, D.J. Ref. 90–5–2–1–06428.

The proposed consent decree may be examined at the Office of the United States Attorney, 1225 17th Street, Suite 700, Denver, CO 80202; and at U.S. EPA Region VIII, 999 18th Street, Denver, Colorado 80202. A copy of the proposed consent decree may be obtained by mail from the Consent Decree Library, P.O. Box 7611, Washington, DC 20044. In requesting a copy, please enclose a check in the amount of $3.25 (25 cents per page reproduction cost) payable to the Consent Decree Library.

Robert D. Brook,

Assistant Chief, Environmental Enforcement Section, Environment and Natural Resources Division.

[FR Doc. 01–4515 Filed 2–22–01; 8:45 am]

BILLING CODE 4410–15–M

Appendix C
Relevant Headings From the Harmonized Tariff Schedule of the United States

CHAPTER 99

TEMPORARY LEGISLATION; TEMPORARY MODIFICATIONS ESTABLISHED PURSUANT TO TRADE LEGISLATION; ADDITIONAL IMPORT RESTRICTIONS ESTABLISHED PURSUANT TO SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT, AS AMENDED

U.S. Notes

1. The provisions of this chapter relate to legislation and to executive and administrative actions pursuant to duly constituted authority, under which:

   (a) One or more of the provisions in chapters 1 through 98 are temporarily amended or modified; or

   (b) Additional duties or other import restrictions are imposed by, or pursuant to, collateral legislation.

2. Unless the context requires otherwise, the general notes and rules of interpretation, the section notes, and the notes in chapters 1 through 98 apply to the provisions of this chapter.

Statistical Notes

1. For statistical reporting of merchandise provided for herein:

   (a) Unless more specific instructions appear in the subchapters of this chapter, report the 8-digit heading or subheading number (or 10-digit statistical reporting number, if any) found in this chapter in addition to the 10-digit statistical reporting number appearing in chapters 1 through 97 which would be applicable but for the provisions of this chapter; and

   (b) The quantities reported should be in the units provided in chapters 1 through 97.

2. For those headings and subheadings herein for which no rate of duty appears (i.e., those headings and subheadings for which an absolute quota is prescribed), report the 8-digit heading or subheading number herein followed by the appropriate 10-digit statistical reporting number from chapters 1 through 97. The quantities reported should be in the units provided in chapters 1 through 97.

NOTICE TO EXPORTERS

The statistical reporting numbers contained in this chapter apply only to imports and may not be reported on Shipper's Export Declarations. See Notice to Exporters preceding chapter 1.

Heading/ Subheading	Stat. Suf-fix	Article Description	Unit of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2	Effective Period
9902.39.08	1/	Micro-porous, ultrafine, spherical forms of polyamide-6, polyamide-12, and polyamide-6,12 powders (CAS No. 25038–54–4, 25038–74–8, and 25191–04–1) (provided for in subheading 3908.10.00)	1/	Free	No change	No change	On or before 12/31/2003
9902.39.12	1/	Dodecanedioic acid, polymer with 4,4'-methylenebis (2-methylcyclohexanamine) (CAS No. 163800–66–6) (provided for in subheading 3908.90.70)	1/	Free	No change	No change	On or before 12/31/2001
9902.39.15	1/	Aqueous dispersions of poly(3,4-ethylenedioxythiophene) poly(styrenesulfonate) (cationic) (CAS No. 155090–83–8) (provided for in subheading 3911.90.25)	1/	Free	No change	No change	On or before 12/31/2003
9902.39.30	1/	Ion-exchange resin, comprising a copolymer of 2-propenenitrile with diethenylbenzene, ethenylethylbenzene and 1,7-octadiene, hydrolyzed (CAS No. 130353–60–5) (provided for in subheading 3914.00.60)	1/	Free	No change	No change	On or before 12/31/2003
9902.39.31	1/	Ion-exchange resin, comprising a copolymer of 2-propenenitrile with 1,2,4-triethylenylcyclohexane, hydrolyzed (CAS No. 109961–42–4) (provided for in subheading 3914.00.60)	1/	Free	No change	No change	On or before 12/31/2003
9902.39.32	1/	Ion-exchange resin, comprising a copolymer of 2-propenenitrile with diethenylbenzene, hydrolyzed (CAS No. 135832–76–7) (provided for in subheading 3914.00.60)	1/	Free	No change	No change	On or before 12/31/2003
9902.51.11	1/	Fabrics, of worsted wool, with average fiber diameters greater than 18.5 micron, all the foregoing certified by the importer as suitable for use in making suits, suit-type jackets, or trousers (provided for in subheading 5111.11.70, 5111.19.60, 5112.11.60, or 5112.19.95)	1/	18.4% 2/	No change	No change	On or before 12/31/2003
9902.51.12	1/	Fabrics, of worsted wool, with average fiber diameters of 18.5 micron or less, all the foregoing certified by the importer as suitable for use in making suits, suit-type jackets, or trousers (provided for in subheading 5111.11.70, 5111.19.60, 5112.11.30, or 5112.19.60)	1/	6%	No change	No change	On or before 12/31/2003
9902.51.13	1/	Yarn, of combed wool, not put up for retail sale, containing 85 percent or more by weight of wool, formed with wool fibers having diameters of 18.5 micron or less (provided for in subheading 5107.10.30)	1/	Free	No change	No change	On or before 12/31/2003
9902.51.14	1/	Wool fiber, waste, garnetted stock, combed wool, or wool top, having average fiber diameters of 18.5 micron or less (provided for in subheading 5101.11, 5101.19, 5101.21, 5101.29, 5101.30, 5103.10, 5103.20, 5104.00, 5105.21, or 5105.29)	1/	Free	No change	No change	On or before 12/31/2003

1/ See chapter 99 statistical note 1.
2/ Any staged rate reduction proclaimed for subheading 6203.31.00 shall also apply to subheading 9902.51.11. See Pub. L. 106-200. (18% for 1/1/2003 and 17.5% for 1/1/2004)

Appendix D
Calendar of Public Hearing

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: U.S. Market Conditions for Certain Wool Articles

Inv. No.: 332-427

Date and Time: April 18, 2002 - 9:30 a.m.

Sessions were held in connection with the investigation in the Main Hearing Room, 500 E Street, S.W., Washington, D.C.

ORGANIZATION AND WITNESS:

PANEL 1:

Northern Textile Association

David Trumbull, Member Services, Northern Textile Association

Neal Grover, President, The Forstmann Company

Pier Luigi Loro Piana, Vice Chairman and CEO, Warren Corporation

PANEL 2:

Williams & Jensen
Washington, D.C.
on behalf of

Tailored Clothing Association (TCA)

Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Company

Keith Melrose, Senior Vice President and Director of Merchandising, Hartz & Company

David A. Starr) – OF COUNSEL

- END -

Appendix E
Questionnaire Data on Prices

Table E-1
Fancy worsted wool fabric having an average fiber diameter of 18.5 microns or less, 85 percent or more wool: Weighted-average f.o.b. purchase prices and quantities of domestic and imported products, by quarters, January 1999-March 2002

* * * * * * *

Table E-2
Solid-color worsted wool fabric having an average fiber diameter of 18.5 microns or less, 85-percent or more wool: Weighted-average f.o.b. purchase prices and quantities of domestic and imported products by quarters, January 1999-March 2002

* * * * * * *

Table E-3
Fancy worsted wool fabric having an average fiber diameter greater than 18.5 microns, 85-percent or more wool: Weighted-average f.o.b. purchase prices and quantities of domestic and imported products, by quarters, January 1999-March 2002

* * * * * * *

Table E-4
Solid-color worsted wool fabric having an average fiber diameter greater than 18.5 microns, 85-percent or more wool: Weighted-average f.o.b. purchase prices and quantities of domestic and imported products, by quarters, January 1999-March 2002

* * * * * * *

Table E-5
Fancy worsted wool fabric having an average fiber diameter of 18.5 microns or less, 85 percent or more wool: Weighted-average f.o.b. selling prices and quantities of domestic and imported products, by quarters, January 1999-March 2002

* * * * * * *

Table E-6
Solid-color worsted wool fabric having an average fiber diameter of 18.5 microns or less, 85-percent or more wool: Weighted-average f.o.b. selling prices and quantities of domestic and imported products by quarters, January 1999-March 2002

* * * * * * *

Table E-7
Fancy worsted wool fabric having an average fiber diameter greater than 18.5 microns, 85-percent or more wool: Weighted-average f.o.b. selling prices and quantities of domestic and imported products, by quarters, January 1999-March 2002

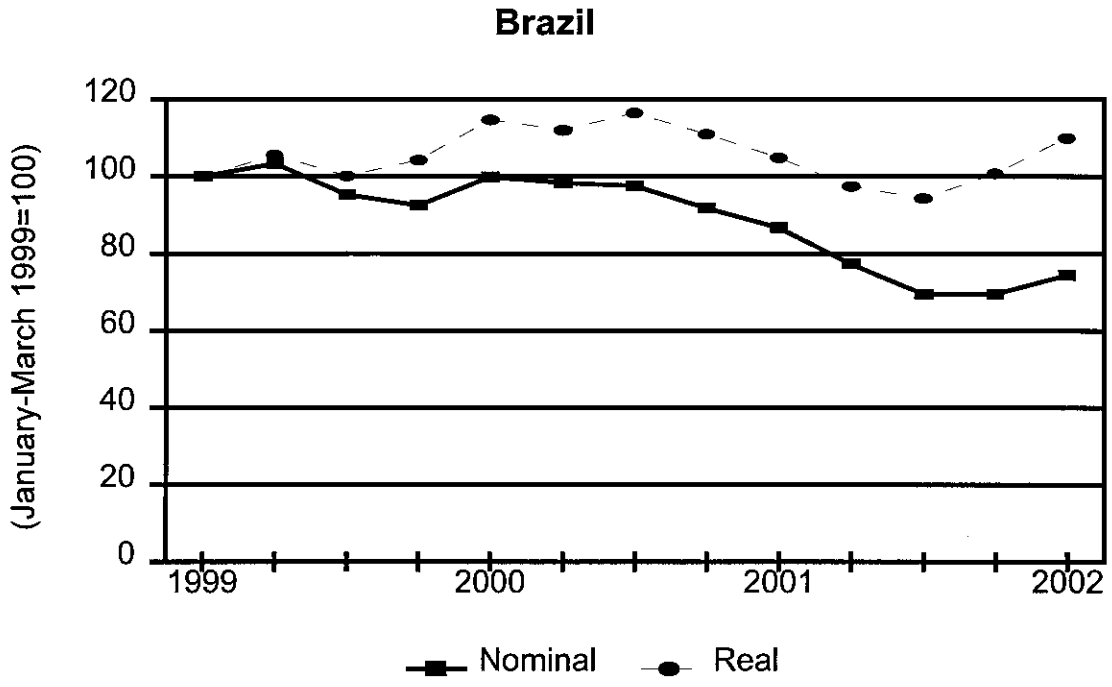
* * * * * * *

Table E-8
Solid-color worsted wool fabric having an average fiber diameter greater than 18.5 microns, 85-percent or more wool: Weighted-average f.o.b. selling prices and quantities of domestic and imported products, by quarters, January 1999-March 2002

* * * * * * *

Appendix F
Exchange Rate Trends for Selected Countries

Figure F-1
Real and nominal exchange rates from selected wool-importing countries, value of foreign currency relative to U.S. dollar, January 1999-March 2002



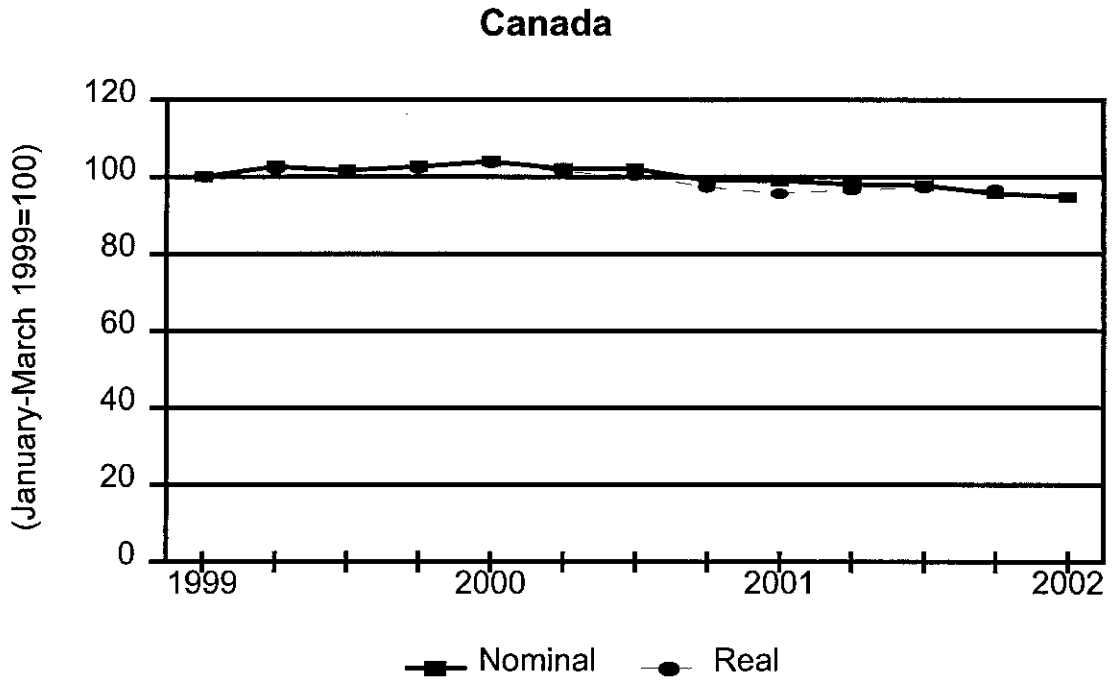


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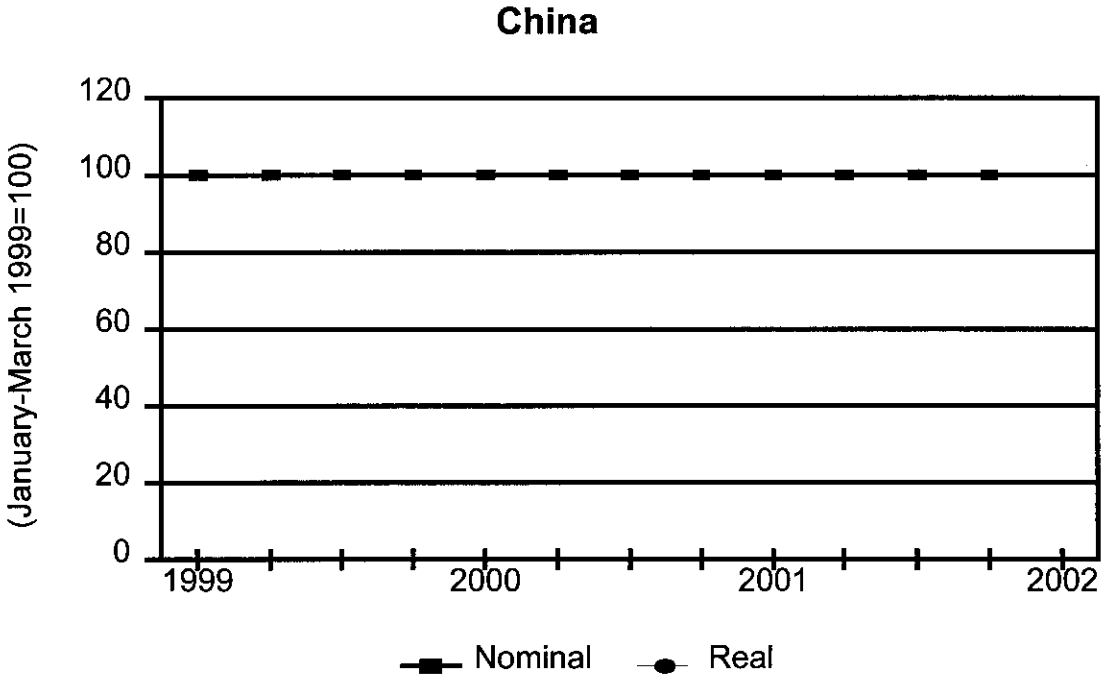
Figure F-1 – *cont.*
Real and nominal exchange rates from selected wool-importing countries, value of foreign currency relative to U.S. dollar, January 1999-March 2002



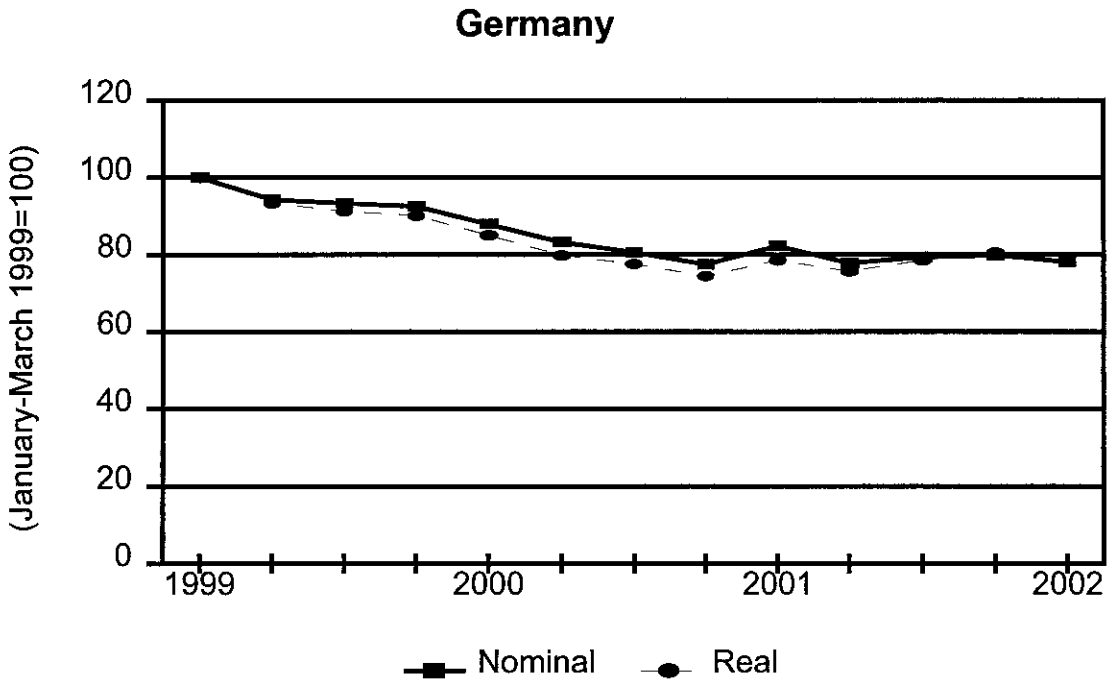


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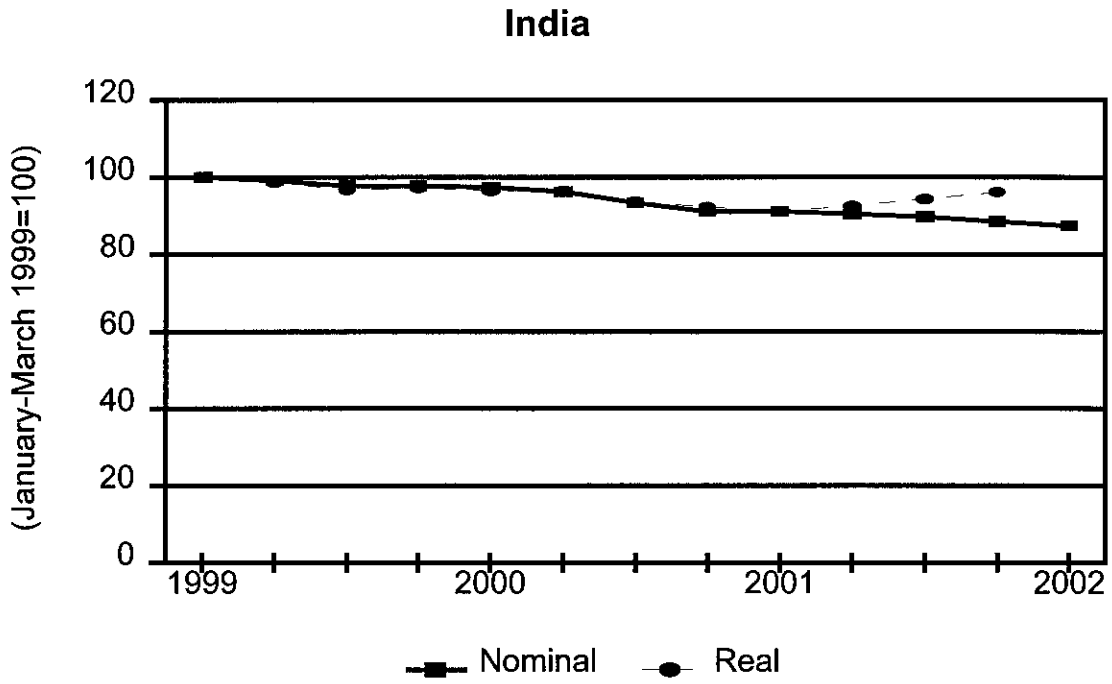
Figure F-1 – *cont.*
Real and nominal exchange rates from selected wool-importing countries, value of foreign currency relative to U.S. dollar, January 1999-March 2002



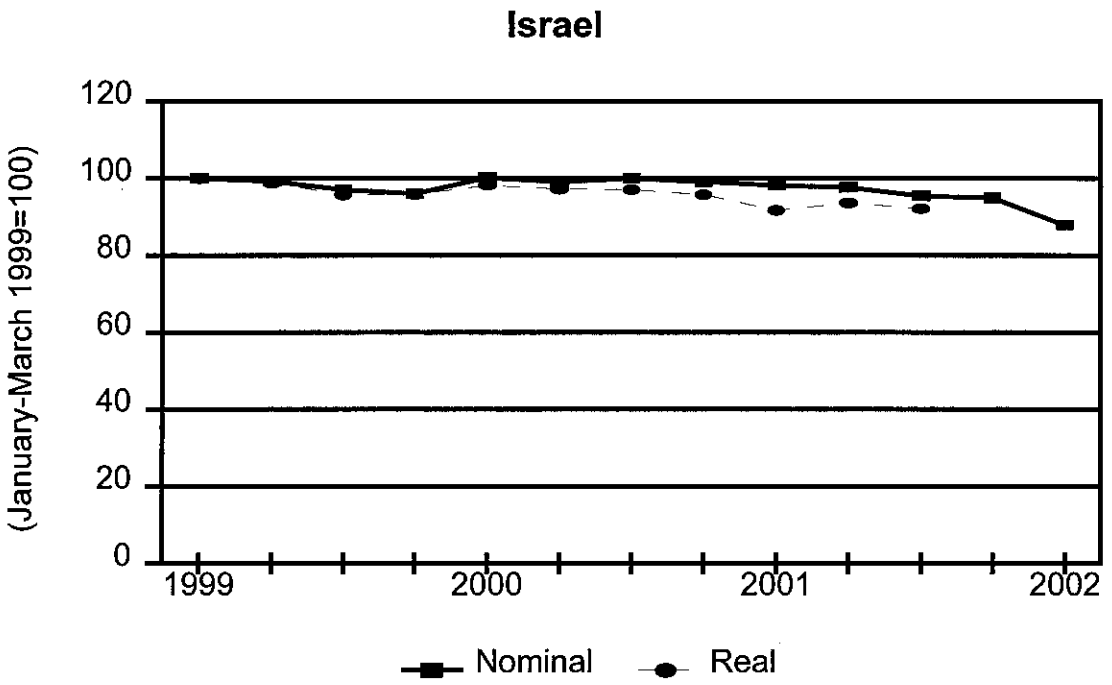


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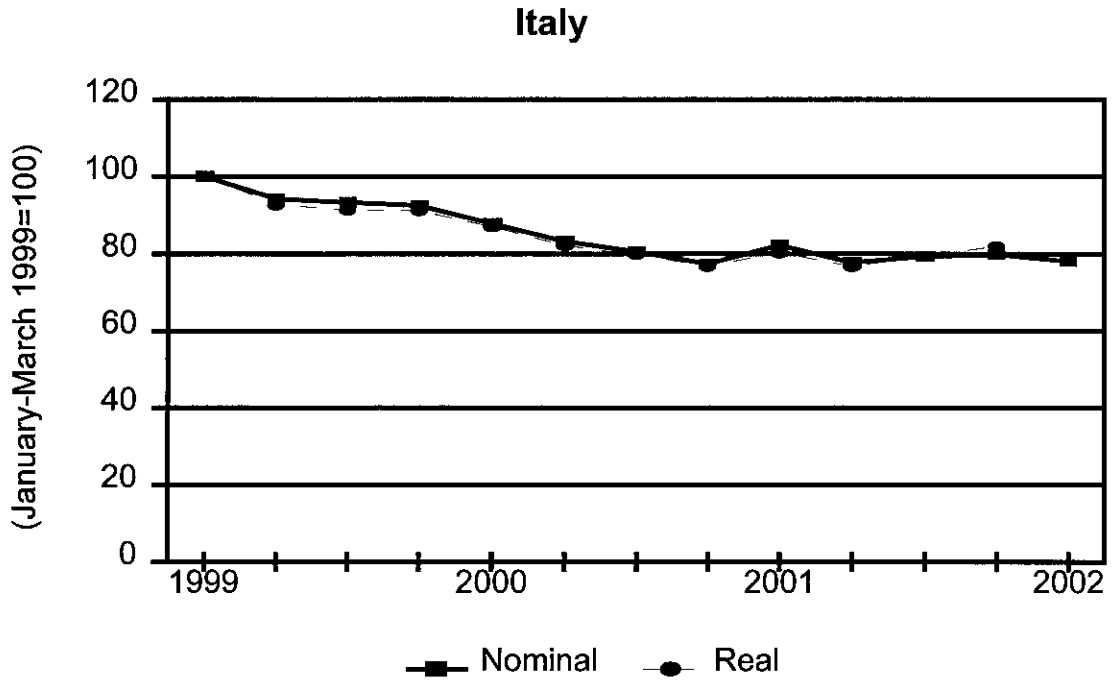
Figure F-1 – *cont.*
Real and nominal exchange rates from selected wool-importing countries, value of foreign currency relative to U.S. dollar, January 1999-March 2002



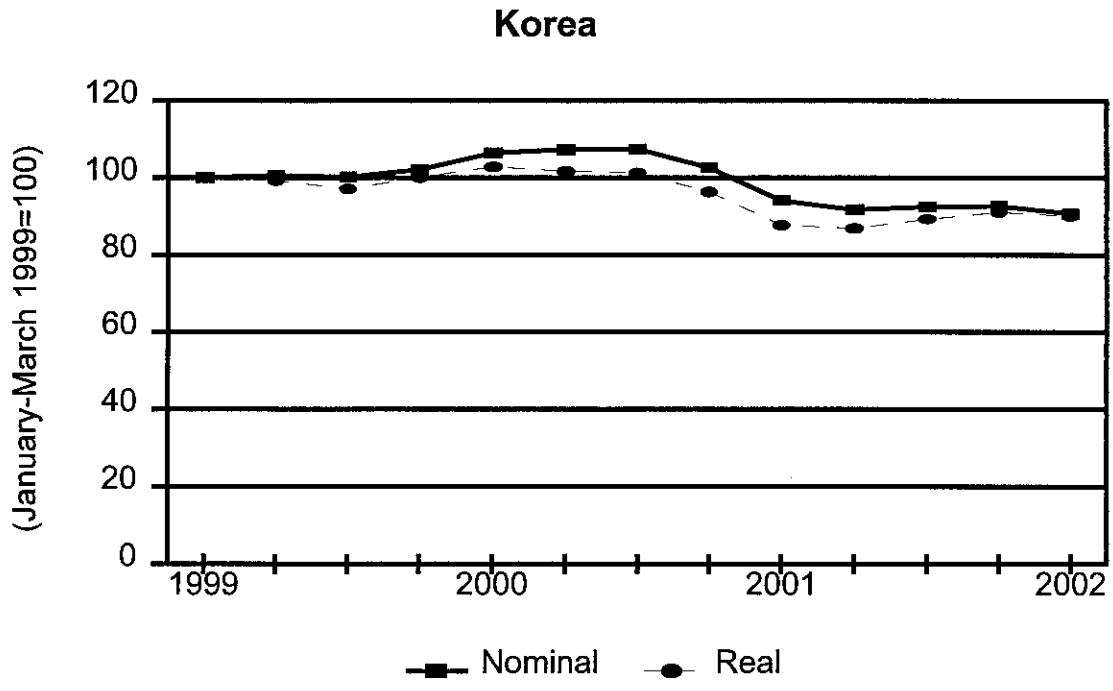
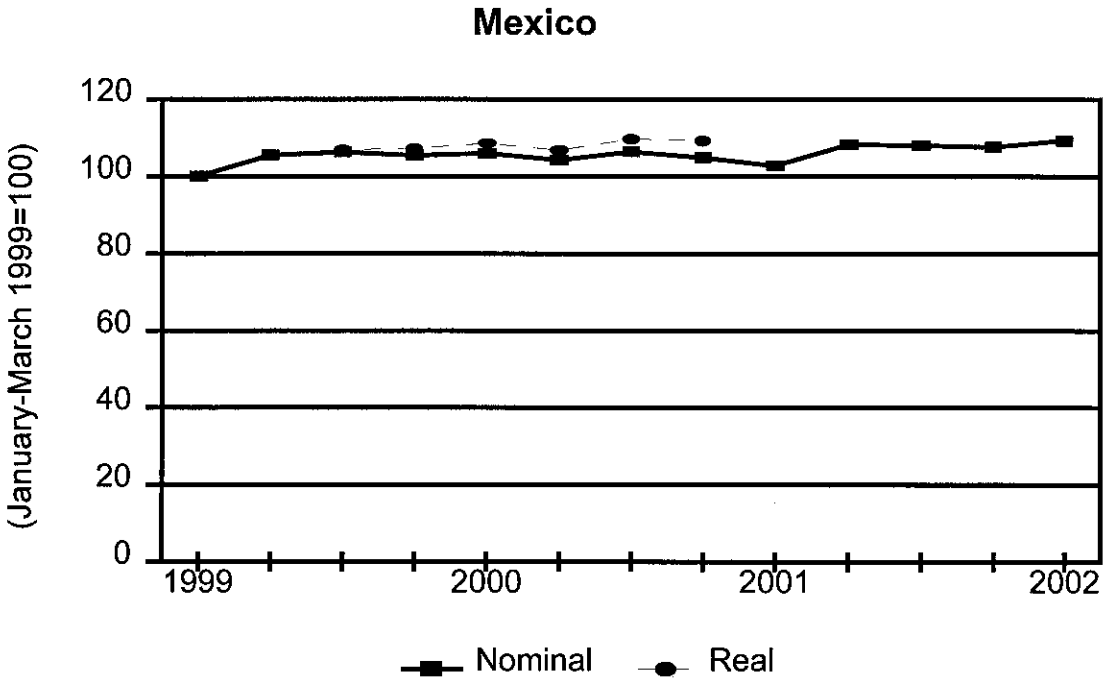


Figure continued on next page.

Figure F-1 – *cont.*
Real and nominal exchange rates from selected wool-importing countries, value of foreign currency relative to U.S. dollar, January 1999-March 2002



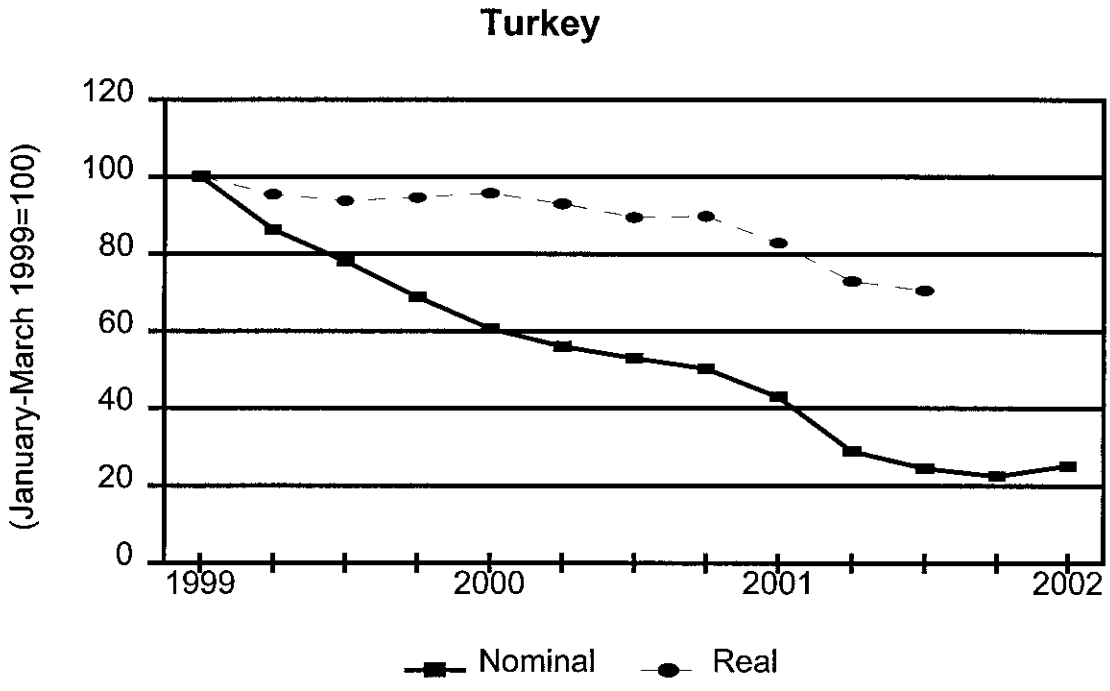


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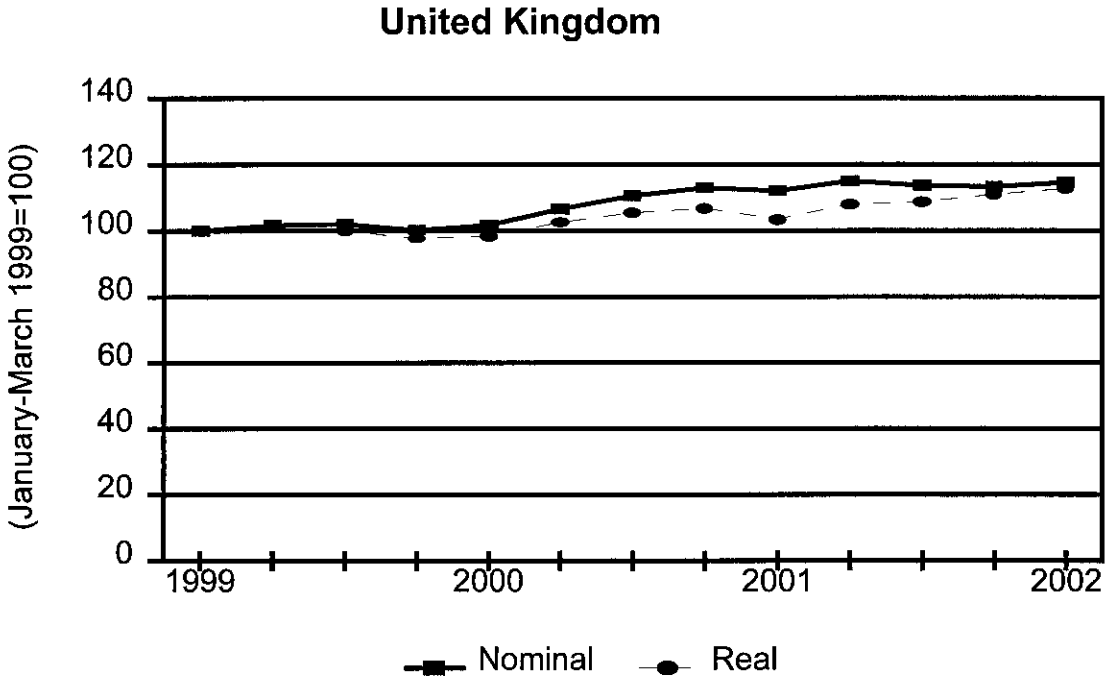
Figure F-1 -- *cont.*
Real and nominal exchange rates from selected wool-importing countries, value of foreign currency relative to U.S. dollar, January 1999-March 2002



Source: International Monetary Fund, *International Financial Statistics*, June 2002.