United States International Trade Commission

U.S. Market Conditions for Certain Wool Articles in 2002-03

Investigation No. 332-449
USITC Publication 3641
September 2003

U.S. International Trade Commission

COMMISSIONERS

Deanna Tanner Okun, Chairman
Jennifer A. Hillman, Vice Chairman
Marcia E. Miller
Stephen Koplan
Charlotte R. Lane

Robert A. Rogowsky
Director of Operations

Vern Simpson
Director of Industries

Project Staff:

Office of Industries
Lisa Ferens, *Project Leader*
lferens@usitc.gov
Jackie Jones and Rose M. Steller

Office of Economics
John Benedetto

Primary Reviewers
Kimberlie Freund, *Office of Industries*
Janis L. Summers, *Office of Tariff Affairs and Trade Agreements*

With supporting assistance from
Lynette Gabourel and Cynthia Payne

Under the direction of
Richard W. Brown
Division Chief

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

Washington, DC 20436
www.usitc.gov

U.S. Market Conditions for Certain Wool Articles in 2002-03

Investigation No. 332-449

Publication 3641

September 2003

ABSTRACT

Following receipt of a request from the United States Trade Representative (USTR) on December 30, 2002, the U.S. International Trade Commission (Commission) instituted investigation No. 332-449, *U.S. Market Conditions for Certain Wool Articles in 2002-04*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) on January 24, 2003. 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 first report under the investigation provides the requested data for 2002 and year-to-date 2002-03.

The results are as follows:

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. In general, the decrease in demand for coarse-micron tailored clothing more than offset the increase in demand for fine-micron clothing. Imports still supplied most of the domestic market for men's tailored clothing.

Many U.S. tailored clothing manufacturers contacted by Commission staff reported that they continued to experience declining sales, import competition, and pressure from retailers to reduce prices. 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. According to the manufacturers, enactment of the Trade Act of 2002 that expanded trade benefits for fine-micron fabrics improved their competitiveness in clothing made from such fabrics, but high U.S. import tariffs on coarse-micron fabrics continue to put them at a competitive disadvantage vis-a-vis their counterparts in Canada and Mexico.

The U.S. market for worsted wool fabrics used in the manufacture of men's tailored clothing in the United States is estimated to have declined from 13.0-14.0 million square meters in 2001 to 12.5 million square meters in 2002. The ongoing decline in demand for coarse-micron fabrics offset the partial recovery in demand for fine-micron fabrics. It is estimated that U.S. production of both fine-micron and coarse-micron fabrics declined in 2002, while imports of fine-micron fabrics rose and those of coarse-micron fabrics fell.

U.S. production capacity for all worsted wool fabrics in 2002 declined from the 2001 level to about 21 million square meters, although this figure may overstate the actual level of capacity that may be 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 is unlikely, since U.S. clothing manufacturers seek access to fabrics from many different mills worldwide. Domestic clothing manufactures seek to minimize their dependence on any one supplier, thereby

spreading financial risk, and to obtain diversity of fabrics, because no one mill in the United States or abroad can design or make the range of fabrics necessary to ensure product differentiation.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS–*Continued*

Page

Appendixes

Tables

TABLE OF CONTENTS–*Continued*

Page

Tables–*Continued*

ITC READER SATISFACTION SURVEY

U.S. Market Conditions for Certain Wool Articles in 2002-03

The U.S. International Trade Commission (USITC) is interested in your voluntary comments (burden less than 10 minutes) to help assess the value and quality of our reports, and to assist in improving future products. Please **return survey by facsimile (202-205-2359) or by mail** to the USITC, or visit the USITC Internet home page (*http://reportweb.usitc.gov/reader_survey/readersurvey.html*) to electronically submit a Web version of the survey.

(Please print; r*esponses below not for attribution):*

Your name and title: ______________________________

Organization (if applicable): ______________________________

Which format is most useful to you? ❑ CD-ROM ❑ Hardcopy ❑ USITC Internet site

Circle your assessment of each factor below: **SA** = strongly agree, **A** = agree, **N** = no opinion, **D** = disagree, or **SD** = strongly disagree.

Value of this report:					
▶ Statistical data are useful	SA	A	N	D	SD
▶ Other non-numerical facts are useful	SA	A	N	D	SD
▶ Analysis augments statistical data/other facts	SA	A	N	D	SD
▶ Relevant topic(s)/subject matter	SA	A	N	D	SD
▶ Primary or leading source of information on this subject	SA	A	N	D	SD
Quality of this report:					
▶ Clearly written	SA	A	N	D	SD
▶ Key issues are addressed	SA	A	N	D	SD
▶ Charts and graphs aid understanding	SA	A	N	D	SD
▶ References cite pertinent sources	SA	A	N	D	SD

Other preferred source of information on this subject: ______________________________

Specify chapters, sections, or topics in report that are most useful: ______________________________

____

____

Identify any type of additional information that should have been included in report: ______________________________

____

____

Suggestions for improving report: ______________________________

____

____

Please update your mailing and electronic addresses below (voluntary)-

Mailing address: ______________________________

City, state, and zip code: ______________________________

E-mail address: ______________________________

OMB No.: 3117–0188

FOLD

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, DC 20436

OFFICIAL BUSINESS
PENALTY FOR PRIVATE, USE $300

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL

FIRST CLASS PERMIT NO. 12840 WASHINGTON, DC

POSTAGE WILL BE PAID BY ADDRESSEE

U.S INTERNATIONAL TRADE COMMISSION
500 E STREET, SW.
WASHINGTON, DC 20277–2840

ATTN:
OFFICE OF INDUSTRIES
U.S. Market Conditions for Certain Wool
Articles in 2002-03

EXECUTIVE SUMMARY

Following receipt of a request from the United States Trade Representative (USTR) on December 30, 2002, the U.S. International Trade Commission (Commission) instituted investigation No. 332-449, *U.S. Market Conditions for Certain Wool Articles in 2002-04*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) on January 24, 2003. The Trade Act of 2002 suspended the tariff rate quota (TRQ) in-quota duty of 6 percent ad valorem on fine-micron fabrics, established under the Trade and Development Act of 2000, making them free of duty retroactive to January 1, 2002, and increased the quantities of fabrics allowed to enter under the TRQ in-quota tariffs by 1 million SME's for 2002 and by the same increment for 2003. 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. This first annual report under this investigation provides the requested data for 2002 and year-to-date 2003. The Commission previously published an interim report and two annual reports on this subject under investigation No. 332-427, *U.S. Market Conditions for Certain Wool Articles.*

Principal Findings

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

- U.S. demand for men's tailored clothing generally declined during the period covered by the report, reflecting the continued popularity of casual dress in the workplace and weak and uncertain economic conditions. Additionally, unseasonably cold and rainy weather in the first quarter of 2003 negatively affected sales of many men's tailored clothing spring lines. Consumption of tailored clothing made from fine-micron fabrics generally increased during the period; however, the decrease in demand for coarse-micron tailored clothing was substantial, resulting in a downward trend overall.

- Information available to the Commission indicates that U.S. production of men's worsted wool suits in 2002 increased by 2 percent over the 2001 level, after declining consistently since 1999 (table ES-1). The rise in production solely reflected an increase in the number of fine-micron suits, which outweighed the decrease in production of coarse-micron suits by volume. U.S. production of men's worsted wool sport coats decreased by 7 percent in 2002 from the 2001 level, as decreasing production of coarse-micron sport coats outpaced gains in fine-micron sport coats. U.S. production of men's worsted wool trousers also declined in 2002, by 8 percent, for the first time since 1999. The decrease in output of coarse-micron trousers more than offset the increase in production of fine-micron trousers. Although production data for January-March 2003 were

Table ES-1
Men's and boys' worsted wool suits, sport coats, and trousers: U.S. production, by micron count, 1999-2002, Jan.-Mar. 2002, and Jan.-Mar. 2003

Item	1999	2000	2001	2002	Jan.-Mar. 2002	Jan.-Mar. 2003
	1,000 units					
Suits	1,523	1,359	1,022	1,044	246	([1])
18.5 microns or less	***	***	***	***	***	([1])
Greater than 18.5 microns	***	***	***	***	***	([1])
Sport coats	1,029	1,181	817	763	138	([1])
18.5 microns or less	***	***	***	***	***	([1])
Greater than 18.5 microns	***	***	***	***	***	([1])
Trousers	1,169	1,174	1,255	1,156	260	([1])
18.5 microns or less	***	***	***	***	***	([1])
Greater than 18.5 microns	***	***	***	***	***	([1])

[1] Production data for Jan.-Mar. 2003 were not available. However, U.S. tailored clothing manufacturers participating in the investigation indicated that production trends in the first quarter of 2003 closely followed those experienced in the full year 2002 compared with 2001.

Note.– Data for 1999 and 2000 were 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 suit production from 1999 to 2001 is somewhat understated, while the increase in trouser production may be slightly overstated. Data on sport coat production in 2001 have been revised to reflect more up-to-date information obtained from one company during the course of this investigation.

Source: Data for 1999-2001 were compiled from data submitted by U.S. tailored clothing manufacturers in response to Commission questionnaires; and data for 2002 were estimated by the Commission based on information obtained in telephone interviews with representatives of U.S. manufacturers representing a majority of domestic production.

not available, industry sources indicated that 2002 production trends generally continued into the 2003 period.

U.S. Worsted Wool Fabric Industry

- The size of the U.S. market for worsted wool fabrics used in the manufacture of men's tailored clothing in the United States (the subject fabrics) declined in 2002, as the ongoing decrease in demand for coarse-micron fabrics offset the partial recovery in demand for fine-micron fabrics. The Commission estimated that the market for the subject fabrics declined from 13.0-14.0 million square meters in 2001 to about 12.5 million square meters in 2002 (table ES-2), reflecting a reduction in U.S. production of men's tailored clothing. Although market data for the subject fabrics are not available for the first quarter of 2003, imports of all worsted wool fabrics, which may provide a good indication of market trends for the subject fabrics, rose by 41 percent in January-April 2003, compared with the corresponding period of 2002.

- The Commission estimated that demand for coarse-micron fabrics fell from *** million square meters in 2001 to about *** million square meters in 2002, while

Table ES-2
Worsted wool fabrics for use in men's and boys' tailored clothing (the subject fabrics): Estimated size of U.S. market, domestic production, and imports, 2001-02[1]

Item and year	Production[2]	Imports[3]	U.S. market[4]
	Million square meters		
Total:			
2001	***	***	13.0-14.0
2002	***	***	12.5
18.5 microns or less:			
2001	***	***	***
2002	***	***	***
Greater than 18.5 microns:			
2001	***	***	***
2002	***	***	***

[1] Includes only that fabric for use in the domestic production of men's and boys' tailored clothing.
[2] Estimated production is based on domestic production of worsted wool fabrics for use in U.S. production of men's and boys' tailored clothing, minus direct exports by domestic fabric producers. The production estimate for 2002 is somewhat overstated because an unknown, but believed to be small, portion of the fabrics are used 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.
[4] U.S. market data for 2002 were estimated by the Commission based on information obtained from U.S. tailored clothing manufacturers in telephone interviews.

Source: Data for 2001 were estimated by the Commission based on questionnaire responses and telephone interviews of industry representatives conducted during 2001-02, and U.S. Customs data. Data for 2002 were estimated by the Commission based on telephone interviews and e-mail correspondence with industry representatives conducted primarily during 2003.

estimated demand for fine-micron fabrics rose from *** million to about *** million square meters. The increase in demand for fine-micron fabrics largely reflected consumer preferences for quality clothing at competitive prices, as well as efforts of U.S. tailored clothing manufacturers to increase their use of fine-micron fabrics following enactment of the Trade Act of 2002 that expanded trade benefits for such fabrics.

- The Commission estimated that U.S. production of the subject fabrics fell by *** percent from *** million square meters in 2001 to *** million square meters in 2002. Imports are assumed to represent the residual (the difference between the market estimate and the domestic production estimate) of *** million square meters for 2001 and *** million square meters for 2002. It is estimated that U.S. production of both fine-micron and coarse-micron fabrics declined in 2002, while imports of fine-micron fabrics rose and those of coarse-micron fabrics fell.
- The U.S. worsted wool fabric industry has undergone significant changes since 2001, when domestic production of the subject fabrics was accounted for almost entirely by four firms: Burlington Industries, Inc., Greensboro, NC; Cleyn & Tinker International Inc., Malone, NY; The Forstmann Co., Dublin, GA; and Warren Corp., Stafford Springs, CT. As part of its reorganization plan filed

under Chapter 11 of the U.S. Bankruptcy Code in November 2001, Burlington Industries has reduced its U.S. production capacity for worsted wool fabrics. ***. A fifth firm, Stillwater Inc., Goshen, VA, which produced *** the subject fabrics in 2001, went out of business in 2003. The Commission estimated that U.S. production capacity for all worsted wool fabrics, ***, declined by *** from *** million square meters in 2001 to 21 million square meters in 2002.

Fabric Prices

- Official U.S. import data for the period from January 2002 to March 2003 showed that import prices declined 4.2 percent for coarse-micron fabrics and 10.5 percent for fine-micron fabrics. The exchange rates of several major exporting countries fluctuated between January 2002 and March 2003, when the Euro and the British pound, among others, appreciated substantially against the dollar, and nominal currencies of other major countries exporting wool fabrics to the United States weakened modestly against the dollar. ***.

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

- The ability of U.S. producers of the subject fabrics to meet the needs of U.S. tailored clothing manufacturers continued to decline in terms of quantity in 2002 and the first quarter of 2003. The Commission estimated that the domestic market for the subject fabrics in 2002 totaled 12.5 million square meters, most of which was supplied by imports. U.S. production of the subject fabrics in 2002 totaled an estimated *** million square meters, down from *** million square meters in 2001. The decline in domestic production reflected several factors: ***.

- A significant increase in purchases of domestic fabrics for the manufacture of men's tailored clothing in the United States is unlikely, since U.S. clothing manufacturers seek access to fabrics from many different mills worldwide. Domestic clothing manufactures seek to minimize their dependence on any one supplier, thereby spreading financial risk, and to obtain diversity of fabrics, because no one mill in the United States or abroad can design or make the range of fabrics necessary to ensure product differentiation.

Lost Sales and Revenues

- ***.

- The Commission queried U.S. tailored clothing manufacturers accounting for a majority of domestic production of men's worsted wool tailored clothing regarding the loss of sales or revenues resulting from their inability to purchase adequate supplies of the subject fabrics on a cost-competitive basis, including whether they had reduced prices or rolled back announced price increases in order to avoid losing sales. Although none of the firms provided specific examples of losses, one firm said it lost sales to foreign competitors because of insufficient access to competitively priced fabrics. The firm further stated that it lowered its selling prices in an effort to compete with imported tailored clothing of comparable quality.

U.S. Market Conditions for Wool Fibers and Yarns

- U.S. wool production decreased for the 13th straight year in 2002 to 9.9 million kilograms (kg) (clean content), down by 4 percent from 2001. U.S. mill consumption of raw wool declined by 37 percent during the period to an estimated 18.8 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 83 percent of total mill consumption of raw wool in 2002, as well as reduced consumption by carpet mills. Consumption of wool for apparel fell by an estimated 35 percent in 2002 from 2001 to about 15.7 million kg, with mill consumption of wool for worsted apparel falling by an estimated 39 percent to about 7.5 million kg.

- U.S. consumption of worsted wool yarns used in fabrics for men's tailored clothing fell in 2002 but is up in the first quarter of 2003. The Commission estimated that consumption of such yarns by U.S. producers of the worsted wool fabrics in 2002 declined by *** percent from the 2001 level, to slightly less than *** million kg, and is up *** percent in the first quarter of 2003, compared with the corresponding period of 2002. The consumption increase in the 2003 period reflected significant increases in purchases of imported yarns by the U.S. fabric producers. It is estimated that imports of fine-micron and coarse-micron yarns in the first quarter of 2003 rose by *** percent and *** percent, respectively, over the corresponding levels of 2002.

CHAPTER 1
INTRODUCTION

Purpose and Scope

Following receipt of a request from the United States Trade Representative (USTR) on December 30, 2002, the U.S. International Trade Commission (Commission) instituted investigation No. 332-449, *U.S. Market Conditions for Certain Wool Articles in 2002-04*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) on January 24, 2003.[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 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 will submit two reports under this investigation. As stated in the USTR request letter, given resource constraints of the Commission, this first report provides, to the extent information is publicly available or is available from discussions with representatives of trade and industry, an update of U.S. market conditions for the subject wool articles and a summary of any major

[1] Copies of the USTR request letter and deadline contraction are in appendix A of this report. A copy of the Commission's notice of institution, which was published in the *Federal Register* (68 F.R. 5652) on Feb. 4, 2003, is in appendix B.

changes with respect to the above factors, for the year 2002 and year-to-date 2002-03.[2] The USTR requested that the second and final report under this investigation, providing data for 2003 and year-to-date 2003-04, be submitted by September 15, 2004.

Legislative Background

Title V of the Trade and Development Act of 2000 (TDA 2000) reduced tariffs on limited quantities of imported worsted wool fabrics used by U.S. manufacturers of men's and boys' tailored clothing and suspended tariffs on imports of fine-micron wool yarns, fibers, and tops used by U.S. producers of worsted wool fabrics and yarns for 3 years beginning on January 1, 2001.[3] The Trade Act of 2002,[4] enacted on August 6, 2002, amended Title V to extend the tariff measures for two more years, through December 31, 2005, and to grant additional tariff relief on the fabrics.

Title V established two tariff-rate quotas (TRQs) to implement the temporary duty reductions 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 and boys' suits, suit-type jackets, and trousers.[5] HTS headings 9902.51.11 and 9902.51.12 cover worsted wool fabrics having an average fiber diameter greater than 18.5 microns (coarse-micron fabrics) and those having an average fiber diameter of 18.5 microns or less (fine-micron fabrics), respectively. As originally enacted, the TRQ for coarse-micron fabrics permitted 2.5 million square meter equivalents (SMEs) to enter each year at the same duty rate that is assessed on imports of men's and boys' wool suit-type jackets, thereby temporarily removing a "tariff inversion" in which the duty had been higher on the fabric than on clothing made from such fabric.[6] The TRQ for fine-micron fabrics allowed 1.5 million SMEs to enter each year at 6 percent ad valorem, the same rate previously applied by Canada on its imports of finer worsted wool fabrics, thereby allowing U.S. tailored clothing manufacturers to obtain

[2] At the request of the USTR, on Feb. 12, 2001, the Commission initiated investigation No. 332-427, *U.S. Market Conditions for Certain Wool Articles*, to provide similar information on certain wool articles for 1999-2001 (66 F.R. 11315). Under this investigation, the Commission issued the following reports: *Certain Wool Articles: Interim Report on U.S. Market Conditions*, publication 3422, May 2001; *Certain Wool Articles: First Annual Report on U.S. Market Conditions*, publication 3454, Sept. 2001; and *Certain Wool Articles: Second Annual Report on U.S. Market Conditions*, publication 3544, Sept. 2002.

[3] Title V was enacted on May 18, 2000, and implemented by Presidential Proclamation 7383 of Dec. 1, 2000. The proclamation was published in the *Federal Register* on Dec. 6, 2000 (65 F.R. 76551).

[4] Public Law 107-210, Aug. 6, 2002, 116 Stat. 933, wool provisions at Sec. 5101 *et seq*.

[5] Under a TRQ, the United States usually 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 any imports in excess of that amount.

[6] The duty rate for such fabrics is subject to the same staged reductions as the United States provides under the Uruguay Round Agreements Act for men's and boys' wool suit-type jackets (HTS subheading 6203.31.00). That rate is 18 percent ad valorem in 2003 and 17.5 percent (the final scheduled staged duty rate) in 2004.

some fabrics with the same duty costs.[7] Imports in excess of the TRQ in-quota quantities are subject to the normal trade relations (NTR) duty rate (26.1 percent ad valorem in 2003).

Section 5102 of the Trade Act of 2002 amended Title V to suspend the TRQ in-quota tariff of 6 percent ad valorem on fine-micron fabrics, making them free of duty retroactive to January 1, 2002, and to increase the quantities of fabrics allowed to enter under the TRQ in-quota tariffs by 1 million SMEs for 2002 and by the same increment for 2003 (table 1-1).[8] The 2003 TRQ in-quota quantities are 4.5 million and 3.5 million SMEs for the coarse-micron and fine-micron fabrics, respectively.[9] These quantities will apply for 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 TDA 2000.

Information Sources

The data and analysis presented in this report for 2002 and year-to-date 2003 draw mainly on information collected by Commission staff in telephone interviews and e-mail correspondence with representatives of U.S. manufacturers and retailers of men's and boys' tailored clothing and U.S. producers of worsted wool fabrics and yarns. Information presented for prior periods was compiled from many different sources. The Commission obtained information at a public hearing in April 2002, from written statements of industry representatives, and from responses to its questionnaires by U.S. manufacturers of men's and boys' worsted wool tailored clothing and U.S. producers and importers of worsted wool fabrics and yarns. In addition, Commission staff obtained information from a review of the literature and from 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 and boys' worsted wool tailored clothing.

---

[7] Title V authorizes the President to (1) reduce the applicable tariffs on covered fabrics to take into account any staged reductions in the U.S. tariff rate on men's and boys' wool suit-type jackets and the Canadian tariff rate on fine-micron worsted wool fabric that serve as benchmark rates and (2) modify the TRQ in-quota quantities, subject to a review of U.S. market conditions, but by not more than 1.0 million SMEs in any of the three years. Although Canada eliminated its most-favored-nation duty rate on selected fine-micron fabrics used in tailored clothing in 2001 (see U.S. Department of Commerce, "Notice of Reduction of Canadian . . . Duty for Certain Worsted Wool Fabrics," *Federal Register* (67 F.R. 18863), Apr. 17, 2002), the United States had not matched Canada's reduction in duties and had not made any changes to the annual TRQ in-quota quantities prior to Aug. 6, 2002 (the date of enactment of the Trade Act of 2002).

[8] Appendix C contains a copy of relevant pages of HTS chapter 99 providing for headings 9902.51.11 and 9902.51.12 (the TRQs for worsted wool fabrics), as well as the temporary duty suspensions for imports of fine-micron wool yarns, fibers, and tops used by U.S. producers of worsted wool fabrics and yarns.

[9] According to U.S. Customs Service data, the 2002 TRQ for coarse-micron fabrics of 3.5 million SMEs was 77 percent filled and the 2002 TRQ for fine-micron fabrics of 2.5 million SMEs was 84 percent filled.

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, 2003

Item	In-quota ad valorem rate	NTR ad valorem rate	NAFTA rate[1]
	Percent		
Worsted wool fabrics having an average fiber diameter–			
18.5 microns or less[2]	Free	26.1	Free
Greater than 18.5 microns[3]	[4]18	26.1	Free
Men's and boys' worsted wool sport coats	([5])	18	Free for Canada Free for Mexico

[1] Rates apply on proper importer claim as to originating goods under HTS general note 12.
[2] Covers fabrics classified in HTS subheadings 5112.11.30 and 5112.19.60.
[3] Covers fabrics classified in HTS subheadings 5112.11.60 and 5112.19.95.
[4] The 18 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.
[5] Not applicable.

Source: Harmonized Tariff Schedule of the United States (2003).

Product Coverage and Organization of Report

The fabrics covered by 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.[10] For purposes of this report, the 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 term "men's tailored clothing" includes worsted wool suits, sport coats, and trousers for men as well as boys (consistent with the coverage of pertinent provisions of the HTS). The term "sport coats" refers to suit-type jackets (the term used in the legislation). Men's and boys' commercial uniforms manufactured domestically using the subject fabrics are also covered in this investigation.

Chapters 2 through 5 of this report provide the information requested, to the extent possible, on U.S. market conditions for men's worsted wool tailored clothing, including allegations of sales and revenues lost by domestic clothing manufacturers owing to their inability to purchase adequate supplies of worsted wool fabrics on a cost-competitive basis (chapter 2); on U.S. market conditions for worsted wool fabrics, including prices of domestic and imported worsted wool fabrics, and allegations of sales and revenues lost by domestic producers of worsted wool fabrics to imports of such fabrics benefiting from temporary duty reductions under the TRQs

[10] 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 3); on the ability of domestic fabric producers to meet the needs of domestic clothing manufacturers (chapter 4); and on U.S. market conditions for certain wool yarns and fibers (chapter 5).

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 2002 and the first quarter of 2003, 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, the third section discusses recent trends in imports of the subject clothing, and the final section discusses lost sales and revenues.

Market Overview

U.S. demand for men's tailored clothing declined slightly during the period covered by the report, reflecting the continued popularity of casual dress in the workplace and weak and uncertain economic conditions. Additionally, unseasonably cold and rainy weather in the first quarter of 2003 negatively affected sales of many men's tailored clothing spring lines.[2] One industry source stated that the apparel market is cyclical, with the level of consumer spending on apparel often decreasing during recessionary periods when disposable income declines.[3] Consumption of apparel made from fine-micron fabrics generally increased during the period; however, the decrease in demand for coarse-micron clothing was substantial, resulting in a downward trend overall. According to industry sources, customers purchasing worsted wool clothing are increasingly seeking finer quality fabrics.

Tailored clothing manufacturers indicated that consumer demand for men's worsted wool tailored clothing rose briefly in early 2002 but quickly leveled out. The increase was likely a result of the return to classic suiting by some companies; however, the trend has not become widespread.[4]

---

[1] This chapter draws on information obtained by Commission staff in telephone interviews with officials of Hartz & Co., Hartmarx Corp., J.A. Apparel Corp., and The Tom James Co., May-July 2003; and from questionnaires used in the preparation of USITC's *Certain Wool Articles: Second Annual Report on U.S. Market Conditions* (Investigation No. 332-427), USITC publication 3544, Sept. 2002.

[2] Keith Melrose, senior vice president and director of merchandising, Hartz & Co., telephone interview by Commission staff, June 19, 2003.

[3] Hartmarx Corp., Form 10-K filed with the U.S. Securities and Exchange Commission, Mar. 14, 2003.

[4] ***.

Following depletion of inventories in 2001, retailers increased production orders in 2002 as they sought to replenish stocks. However, most retailers are holding down inventory levels by purchasing smaller lots than usual and placing reorders on an as-needed basis. It is also reported that large retailers are continuing to place downward price pressure on tailored clothing manufacturers, forcing them to lower prices and minimize profit margins. Industry sources maintain the belief that the overall decrease in production may begin to slow if the business climate for men's tailored clothing experiences a more substantial rebound, and if in-quota tariff rates on coarse-micron fabrics are either lowered or eliminated.[5]

Consumption

Table 2-1 shows apparent U.S. consumption of men's wool tailored clothing (production plus imports minus exports), which is 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 (TDA 2000) and, therefore, should be used only as a guide for assessing market trends.[6] Apparent consumption of men's wool suits and sport coats continued to decline in 2002, but at a slower rate than in 2001, while the growth in consumption of men's wool trousers accelerated. In 2002, the 3-percent decline in wool suit consumption reflected a drop in domestic production and an increase in imports, while the 4-percent decline in consumption of wool sport coats resulted almost entirely from falling output. The 8-percent increase in wool trouser consumption reflected gains in both U.S. production and imports. As such, the import share of the U.S. tailored clothing market rose by 8 percentage points for suits, to 83 percent, and by 3 percentage points for sport coats, to 88 percent, but remained at 69 percent for trousers.

Data for the first quarter of 2003 show that apparent U.S. consumption of men's wool suits, sport coats, and trousers all increased from the corresponding period of 2002. The increase in consumption of wool suits and sport coats was accounted for largely by imports, while the increase in consumption of wool trousers reflected significant gains in both domestic production and imports.

---

[5] ***.

[6] 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.

Table 2-1
Men's and boys' wool suits, sport coats, and trousers: U.S. production,[1] imports for consumption, exports of domestic merchandise, and apparent consumption, 1998-2002, Jan.-Mar. 2002, and Jan.-Mar. 2003

Item and year	U.S. production	U.S. imports[2]	U.S. exports[3]	Apparent U.S. consumption	Ratio of imports to consumption
	1,000 units				*Percent*
Suits:					
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	1,731	5,123	26	6,828	75
2002	1,123	5,513	7	6,629	83
Jan.-Mar.:					
2002	289	1,369	1	1,657	83
2003	339	1,797	2	2,134	84
Sport coats:					
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	1,682	5,416	708	6,390	85
2002	1,041	5,411	326	6,126	88
Jan.-Mar.:					
2002	276	1,053	112	1,217	87
2003	249	1,298	9	1,538	84
Trousers:					
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	5,276	11,191	302	16,165	69
2002	5,776	12,123	395	17,504	69
Jan.-Mar.:					
2002	1,139	2,433	84	3,488	70
2003	1,862	2,931	77	4,716	62

[1] Production data for 2001 and Jan.-Mar. 2002 revised by the U.S. Department of Commerce, Census Bureau, from previously published data.

[2] 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").

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

Note.- Official statistics of the U.S. Department of Commerce, which were used to develop the data on apparent U.S. consumption (production plus imports minus exports), overstate the total size of the domestic 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 garment parts cut in the United States, exported for sewing, and imported as finished apparel. Second, import and export data include garments not covered by the Act (e.g., those comprising 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.

U.S. Industry

Restructuring and Consolidation

The U.S. tailored clothing industry continued to decline in size during 2001-2002. Although U.S. Census Bureau data show that the number of establishments in the industry in 2001 rose by 2 percent over the 2000 level to 186, firms with fewer than 20 employees accounted for the gain, while the number of larger establishments decreased substantially.[7] U.S. Bureau of Labor Statistics data show that industry employment in 2002 declined by 13 percent from the 2001 level to 15,200 persons.[8]

A number of clothing manufacturers and retailers expanded their global sourcing of finished clothing in 2002, including the use of production-sharing arrangements in Mexico, Colombia, and Caribbean Basin countries (see the "Imports" section later in this chapter for more information on production-sharing trade). However, it is reported that at least one major manufacturer is resuming domestic production of apparel that was previously sourced offshore. ***. This relocation reportedly was motivated by the increase in TRQ in-quota quantities and the suspension of the TRQ in-quota tariff of 6 percent ad valorem on fine-micron fabrics.[9]

Production[10]

The largest U.S. manufacturer of men's tailored clothing is the Hartmarx Corp., whose share of domestic production by quantity in 2002 was estimated at *** percent for worsted wool suits and sport coats, and *** percent for worsted wool trousers. Hartmarx is also the largest purchaser of worsted wool fabrics for use in men's tailored clothing, accounting for an estimated *** percent of total purchases of domestic and imported fabrics by quantity in 2002.[11]

Information available to the Commission indicates that U.S. production of men's worsted wool suits, sport coats, and trousers together declined by approximately 3 percent from an estimated 11.2 million square meter equivalents (SMEs) in 2001 to

---

[7] U.S. Census Bureau, *County Business Patterns*. In 2001, the number of establishments with 20-99 employees decreased 17 percent to 44, those with 100-499 employees decreased 3 percent to 35, and those with greater than 499 employees declined 33 percent to 4.

[8] Official statistics of the U.S. Bureau of Labor Statistics, "National Employment, Hours, and Earnings," found at *http://www.bls.gov*, retrieved June 27, 2003.

[9] ***. For further information on TRQ changes, see the "legislative background" in chapter 1 of this report.

[10] Data on U.S. production of men's worsted wool tailored clothing for 2002 were estimated by the Commission based on information obtained in telephone interviews with representatives of U.S. tailored clothing manufacturers that account for a majority of domestic production of such goods. Data for 1999-2001 were compiled from data submitted by U.S. tailored clothing manufacturers in response to Commission questionnaires.

[11] 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 for 2002 and the first quarter of 2003 that were obtained in telephone interviews with representatives of Hartmarx and other clothing manufacturers are confidential.

10.9 million SMEs in 2002.[12] The decline in production occurred entirely in coarse-micron clothing; production of fine-micron suits, sport coats, and trousers rose in 2002. In terms of units, wool suits registered an overall increase of 2 percent in 2002 from the previous year, after declining consistently since 1999 (table 2-2). The rise in production solely reflected an increase in the number of fine-micron suits, which outweighed the decrease in production of coarse-micron suits by volume. U.S. production of men's worsted wool sport coats decreased by 7 percent in 2002 from the 2001 level, as decreasing production of coarse-micron sport coats outpaced gains in fine-micron sport coats. U.S. production of men's worsted wool trousers also declined in 2002, by 8 percent, for the first time since 1999. The decrease in output of coarse-micron trousers more than offset the increase in production of fine-micron trousers. Although production data for January-March 2003 were not available, industry sources indicated that 2002 production trends generally continued into the 2003 period.

According to U.S. clothing manufacturers, the decline in production of coarse-micron tailored clothing in 2002 and the first quarter of 2003 partly reflected their continued insufficient access to the quantities and varieties of cost-competitive fabrics available to their competitors in Canada and Mexico. The U.S. clothing manufacturers attributed the growth in production of fine-micron tailored clothing during the period to an increase in duty-free access to fine-micron fabrics under the TRQ program and an increase in consumer demand for clothing made from finer materials.[13] The manufacturers stated that while the expansion of the TRQ in-quota quantities and suspension of the in-quota tariff on fine-micron fabrics under the Trade Act of 2002 have helped the industry maintain a competitive footing, suspension of the in-quota tariff on coarse-micron fabrics would help to eliminate their competitive disadvantage vis-a-vis their counterparts in Canada and Mexico.[14] One manufacturer indicated it is unlikely that any domestic producer is acquiring more than 50 percent of its imported fabric needs through the TRQ program.[15]

Imports

U.S. imports of men's wool suits, sport coats, and trousers together totaled 77.5 million SMEs in 2002, representing an increase of 6 percent, or 4.5 million SMEs,

[12] In order to derive a single production number for all men's and boys' worsted wool tailored clothing, the production data presented in table 2-2 were converted from units into SMEs based on data submitted by U.S. clothing manufacturers in response to Commission questionnaires, as follows: one suit equals 5.3 SMEs, one sport coat equals 3.1 SMEs, and one pair of trousers equals 2.6 SMEs.

[13] The Trade Act of 2002 amended Title V of the Trade and Development Act of 2000 to suspend the duty rate of 6 percent ad valorem on imports of fine-micron worsted wool fabrics covered by the TRQ program and to increase the TRQ in-quota quantity for such fabrics by 1 million SMEs to 2.5 million SMEs for 2002 and 3.5 million SMEs for the years 2003-05.

[14] ***.

[15] ***.

Table 2-2
Men's and boys' worsted wool suits, sport coats, and trousers: U.S. production, by micron count, 1999-2002, Jan.-Mar. 2002, and Jan.-Mar. 2003

Item	1999	2000	2001	2002	Jan.-Mar. 2002	Jan.-Mar. 2003
	1,000 units					
Suits	1,523	1,359	1,022	1,044	246	([1])
18.5 microns or less	***	***	***	***	***	([1])
Greater than 18.5 microns	***	***	***	***	***	([1])
Sport coats	1,029	1,181	817	763	138	([1])
18.5 microns or less	***	***	***	***	***	([1])
Greater than 18.5 microns	***	***	***	***	***	([1])
Trousers	1,169	1,174	1,255	1,156	260	([1])
18.5 microns or less	***	***	***	***	***	([1])
Greater than 18.5 microns	***	***	***	***	***	([1])

[1] Production data for Jan.-Mar. 2003 were not available. However, U.S. tailored clothing manufacturers participating in the investigation indicated that production trends in the first quarter of 2003 closely followed those experienced in the full year 2002 compared with 2001.

Note.– Data for 1999 and 2000 were 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 suit production from 1999 to 2001 is somewhat understated, while the increase in trouser production may be slightly overstated. Data on sport coat production in 2001 have been revised to reflect more up-to-date information obtained from one company during the course of this investigation.

Source: Data for 1999-2001 were compiled from data submitted by U.S. tailored clothing manufacturers in response to Commission questionnaires; and data for 2002 were estimated by the Commission based on information obtained in telephone interviews with representatives of U.S. manufacturers representing a majority of domestic production.

from the 2001 level (table 2-3).[16] During January-April 2003, imports grew by 26 percent (or 5.5 million SMEs) from the year-ago level for that period. The increase since 2001 has been concentrated in imports of suits and trousers following a decline in 2001, when total imports of men's tailored clothing fell by 8 percent.

The principal foreign suppliers of men's wool tailored clothing by SMEs in 2002 were Italy, Mexico, and Canada, which together accounted for 50 percent of total imports. Imports of qualifying goods from Mexico and Canada benefit from NAFTA preferences. An additional 8 percent of the imports came from Caribbean Basin beneficiary countries that are eligible for trade preferences under the United

[16] The import data presented in table 2-3 were converted from units to SMEs based on data submitted by U.S. clothing manufacturers in response to Commission questionnaires, as follows: one suit equals 5.3 SMEs, one sport coat equals 3.1 SMEs, and one pair of trousers equals 2.6 SMEs.

Table 2-3
Men's and boys' wool suits, sport coats, and trousers: U.S. imports for consumption, by principal sources, 1998-2002, Jan.-Apr. 2002, and Jan.-Apr. 2003

(*1,000 units*)

Item and source	1998	1999	2000	2001	2002	Jan.-Apr. 2002	Jan.-Apr. 2003
Suits:							
Italy	1,213	1,187	1,200	1125	1,112	381	424
Mexico	996	1,195	1,293	989	1,075	316	438
Canada	1,282	1,307	1,024	883	936	265	451
Korea	319	306	344	184	288	75	187
India	108	146	170	168	231	56	123
Poland	218	190	169	138	211	52	84
Colombia	135	99	111	138	157	41	63
China	163	123	125	104	151	60	66
Jordan	2	10	57	57	129	29	32
All other	1,690	1,622	1,729	1,337	1,222	420	397
Total	6,127	6,185	6,221	5,123	5,513	1,694	2,264
Sport coats:							
Mexico	435	446	532	826	871	237	269
Canada	535	563	732	681	748	208	219
Colombia	575	598	737	594	497	147	200
Italy	573	552	553	562	458	149	132
Dominican Republic	635	452	441	439	367	54	60
South Africa	29	54	70	127	300	50	36
China	214	221	231	152	240	69	89
Poland	121	134	107	156	174	23	72
Honduras	2	5	59	110	151	37	37
All other	1,870	1,785	2,185	1,770	1,605	363	547
Total	4,989	4,810	5,646	5,416	5,411	1,335	1,662
Trousers:							
Italy	1,465	1,586	1,869	2,056	2,128	631	707
Mexico	1,308	1,320	1,652	1,992	1,952	544	809
Canada	1,238	1,285	1,698	1,589	1,928	583	506
China	900	821	825	561	826	248	294
India	108	145	436	886	761	270	161
Colombia	454	492	551	456	668	250	289
Dominican Republic	574	585	826	900	600	113	115
South Africa	[1] 14	44	9	98	395	54	91
Korea	237	332	422	323	362	67	92
All other	1,315	1,409	2,852	2,329	2,502	420	676
Total	7,613	8,018	11,139	11,191	12,123	3,181	3,739

[1] Because of a discrepancy in official U.S. trade statistics, imports from South Africa for 1998 were partly estimated by the Commission.

Note.–Import data are based on trade reported under 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) to HTS chapter 62 for a complete definition of "suits").

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

States-Caribbean Basin Trade Partnership Act (CBTPA).[17] The CBTPA preferences, coupled with the Caribbean Basin's competitively priced labor and proximity to the U.S. market, have reportedly spurred several U.S. tailored clothing manufacturers to move a growing share of their production of tailored clothing articles, particularly those of coarse-micron fabrics, to CBTPA countries. As such, the decline in domestic production of coarse-micron tailored clothing is expected to continue.

In 2002, fine-micron and coarse-micron garments accounted for 13 percent (10 million SMEs) and 87 percent (68 million SMEs), respectively, of total imports of men's wool tailored clothing, a slight change from 14 and 86 percent in 2001. In January-April 2003, their respective shares remained unchanged from the same period in 2002. The major foreign suppliers of fine-micron clothing by SMEs in 2002 were Mexico (2.9 million SMEs), Canada (1.5 million SMEs), and Italy (1.1 million SMEs). Italy, Mexico, and Canada were also the leading suppliers of coarse-micron clothing with 13.1, 10.4, and 9.7 million SMEs, respectively.

Mexico was the largest foreign supplier of fine-micron suits in 2002, followed by Canada and Italy. Although total imports of fine-micron suits declined by 2 percent to 799,000 units in 2002, imports from Mexico rose by 61 percent while those from most other leading suppliers fell (table 2-4). Imports of coarse-micron suits during 2002 increased by 10 percent, with Italy supplying the largest share as was the case in 2001 (table 2-5).

The largest foreign suppliers of fine-micron sport coats in 2002 were Macedonia, Italy, and Mexico. Imports of coarse-micron sport coats were dominated by Mexico and Canada. In 2002, imports of fine-micron sport coats declined by 15 percent, and those of coarse-micron fabrics increased by 4 percent.

The leading foreign suppliers of fine-micron trousers in 2002 were Canada, Mexico, Thailand, and Italy, which together accounted for 81 percent of the total import quantity. Total imports of such trousers rose by 12 percent in 2002. Italy, Mexico, and Canada were the leading foreign suppliers of coarse-micron trousers in 2002, accounting for 48 percent of the total import quantity. Total imports of such trousers increased by 8 percent in 2002.

Lost Sales and Revenues

The Commission queried U.S. tailored clothing manufacturers that account for a majority of domestic production of the subject apparel regarding the loss of sales or 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. While none of

[17] 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. The CBTPA preferences became effective on Oct. 1, 2000, and are scheduled to end on the earlier of Sept. 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.

the companies provided specific examples of losses, one company stated that it lost sales to foreign competitors because of insufficient access to competitively priced fabrics. The company further stated that it lowered its selling prices in an effort to compete with imported tailored clothing of comparable quality.[14]

Table 2-4
Men's and boys' wool suits, sport coats, and trousers: U.S. imports for consumption, 18.5 microns or less, by principal sources, 2001-02, Jan.-Apr. 2002, and Jan.-Apr. 2003

(1,000 units)

			Jan.-Apr.	
Item and source	**2001**	**2002**	**2002**	**2003**
Suits:				
Mexico	266	428	116	249
Canada	211	87	30	25
Italy	134	79	24	49
Indonesia	62	57	20	15
Korea	2	35	15	5
All other	144	113	49	41
Total	819	799	254	384
Sport coats:				
Macedonia	103	103	16	9
Italy	149	102	39	23
Mexico	108	100	37	55
Colombia	116	87	42	27
South Africa	52	86	13	21
All other	626	509	143	192
Total	1,155	987	256	328
Trousers:				
Canada	246	403	71	49
Mexico	166	138	39	50
Thailand	3	126	0	0
Italy	192	124	34	17
Dominican Republic	49	51	18	25
All other	216	136	50	17
Total	874	978	213	158

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

[14] ***.

Table 2-5
Men's and boys' wool suits, sport coats, and trousers: U.S. imports for consumption, greater than 18.5 microns, by principal sources, 2001-02, Jan.-Apr. 2002, and Jan.-Apr. 2003

(1,000 units)

Item and source	2001	2002	Jan.-Apr. 2002	Jan.-Apr. 2003
Suits:				
Italy	990	1,032	357	375
Canada	673	849	235	426
Mexico	723	648	200	189
Korea	182	253	59	182
India	129	225	54	123
All other	1,606	1,707	535	585
Total	4,304	4,714	1,440	1,880
Sport coats:				
Mexico	718	771	200	215
Canada	640	714	202	201
Italy	412	356	110	108
China	78	222	57	78
India	83	118	22	32
All other	2,330	2,242	489	700
Total	4,261	4,423	1,080	1,334
Trousers:				
Italy	1,865	2,005	597	692
Mexico	1,826	1,814	505	759
Canada	1,344	1,525	512	457
China	547	818	248	291
India	880	760	270	161
All other	3,872	4,224	836	1,227
Total	10,334	11,146	2,968	3,586

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

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

This chapter provides the requested information on the U.S. market for worsted wool fabrics used in the manufacture of men's tailored clothing in the United States (the subject fabrics) for 2002 and the first quarter of 2003. It discusses the size of the market; trends in consumption, production, and imports of the fabrics; and significant developments in the U.S. worsted wool fabric industry. The information presented for 2002 and the 2003 period was obtained by Commission staff mainly from telephone interviews and e-mail correspondence with industry representatives.

U.S. Market for Worsted Wool Fabrics

Information available to the Commission indicated that the size of the U.S. market for the subject fabrics declined in 2002, as the ongoing decrease in demand for coarse-micron fabrics offset the partial recovery in demand for fine-micron fabrics. The Commission estimated that the market for the subject fabrics declined from 13.0-14.0 million square meters in 2001 to 12.5 million square meters in 2002 (table 3-1), reflecting the decrease in U.S. production of men's tailored clothing, the main market for U.S. producers of worsted wool fabrics. Estimated demand for coarse-micron fabric fell from *** million square meters in 2001 to *** million square meters in 2002, while estimated demand for fine-micron fabric rose from *** million to *** million square meters. The increase in demand for fine-micron fabrics largely reflected consumer preferences for quality clothing at competitive prices as well as efforts of U.S. tailored clothing manufacturers to increase their use of fine-micron fabrics following enactment of legislation in 2002 that expanded trade benefits for such fabrics (see chapter 1 of this report for information on the legislation).

The Commission estimated that U.S. production of the subject fabrics for the domestic market fell by *** percent from *** million square meters in 2001 to *** million square meters in 2002.[1] Imports are assumed to represent the residual (the difference between the market estimate and the domestic production estimate) of ***

[1] The production estimates are based on domestic production of the subject fabrics minus direct exports of U.S. fabric producers. The production estimate for 2002 may include some "indirect" exports of worsted wool fabrics sold to U.S. clothing manufacturers for processing into garments under offshore production-sharing arrangements.

Table 3-1
Worsted wool fabrics for use in men's and boys' tailored clothing (the subject fabrics): Estimated size of U.S. market, domestic production, and imports, 2001-02[1]

Item and year	Production[2]	Imports[3]	U.S. market[4]
	Million square meters		
Total:			
2001	***	***	13.0-14.0
2002	***	***	12.5
18.5 microns or less:			
2001	***	***	***
2002	***	***	***
Greater than 18.5 microns:			
2001	***	***	***
2002	***	***	***

[1] Includes only that fabric for use in the domestic production of men's and boys' tailored clothing.
[2] Estimated production is based on domestic production of worsted wool fabrics for use in U.S. production of men's and boys' tailored clothing, minus direct exports by domestic fabric producers. The production estimate for 2002 is somewhat overstated because an unknown, but believed to be small, portion of the fabrics are used 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.
[4] U.S. market data for 2002 were estimated by the Commission based on information obtained from U.S. tailored clothing manufacturers in telephone interviews.

Source: Data for 2001 were estimated by the Commission based on questionnaire responses and telephone interviews of industry representatives conducted during 2001-02, and U.S. Customs data. Data for 2002 were estimated by the Commission based on telephone interviews and e-mail correspondence with industry representatives conducted primarily during 2003.

million square meters for 2001 and *** million square meters for 2002.[2] It is estimated that U.S. production of both fine-micron and coarse-micron fabrics declined in 2002, while imports of fine-micron fabrics rose and those of coarse-micron fabrics fell.

Although data on the U.S. market for the subject fabrics for the first quarter of 2003 are not available, changes in the level of imports of all worsted wool fabrics may provide a good indication of market trends for the subject fabrics.[3] Imports of all worsted wool fabrics increased by 41 percent in January-April 2003, compared with the corresponding period of 2002 (table 3-2). Information available to the

[2] The import estimates for the subject fabrics are lower than official U.S. import statistics for the fabrics, as presented in tables 3-2 and 3-3 of this chapter, because the official statistics include, in addition to the subject fabrics, fabrics used in such applications as women's apparel.
[3] Imports of all worsted wool fabrics account for the majority of the U.S. market for all worsted wool fabrics. The imports include both the subject fabrics and fabrics used in such goods as women's apparel.

Commission indicated that domestic production of the subject fine-micron fabrics rose by about *** percent in the first quarter of 2003, compared with the corresponding period of 2002, while production of the subject coarse-micron fabrics fell by about *** percent.

U.S. Imports

U.S. imports of all worsted wool fabrics in 2002 declined by 21 percent from the 2001 level to 15.2 million square meters, but were 41 percent higher in January-April 2003 compared with the year-ago level (table 3-2). The pattern of trade largely reflected changes in the level of imports from Italy and Mexico, which together accounted for slightly more than one-half of the total import quantity in 2002. Italy's shipments rose by 16 percent in 2002, to 5.2 million square meters, and are up 70 percent in the 2003 period. Mexico's shipments fell by 41 percent in 2002, to 3.1 million square meters, but are up 53 percent in the 2003 period. The only other countries supplying more than 1 million square meters of worsted wool fabrics in 2002 were Canada and Korea, each of whose shipments declined by 3 percent in 2002 but rebounded in the 2003 period by 46 percent and 16 percent, respectively.

Mexico has been highly competitive in the U.S. worsted wool fabric market due to favorable prices as well as preferential access and proximity to the U.S. market, while Italy has benefitted from U.S. consumer preferences for its fabrics. The average cost of worsted wool fabrics from Italy of $8.13 per square meter (customs value) was 58 percent higher than that for Mexico ($5.16) in 2002. Imports of worsted wool fabrics from Italy are believed to consist mostly of fabrics for men's tailored clothing that sells in the mid-to-upper price levels of the domestic retail market. Italian mills are known to maintain their competitiveness by producing a wide range of quality fabrics in unique designs, and selling them in small lot sizes at competitive prices.

Coarse-micron fabrics accounted for 75 percent of U.S. imports of all worsted wool fabrics by quantity in 2002, and fine-micron fabrics accounted for the remaining 25 percent (table 3-3). Imports of both coarse-micron and fine-micron fabrics declined in 2002 from 2001 levels, by 25 percent and 6 percent, respectively, but they are up 27 percent and 81 percent in January-April 2003. It is believed that the majority of the imported fabric is used in men's tailored clothing. Italy and Mexico were the largest suppliers of both fine-micron and coarse-micron fabrics in 2002 and the 2003 period. However, whereas Italy's shipments included large quantities of both fabrics, Mexico's shipments were concentrated in coarse-micron fabrics, as were imports from most other countries.

Approximately one-half of U.S. imports of worsted wool fabrics entered free of duty in 2002. Duty-free imports from Mexico and Canada under the North American Free Trade Agreement (NAFTA) and Israel under the U.S.-Israel Free Trade Agreement accounted for 37 percent of the total import quantity, or 5.6 million square meters

Table 3-2
Worsted wool fabrics:[1] U.S. imports for consumption, by principal sources, 1998-2002, Jan.-Apr. 2002, and Jan.-Apr. 2003

(1,000 square meters)

Source and item	1998	1999	2000	2001	2002	Jan.-Apr. 2002	Jan.-Apr. 2003
Italy	5,689	5,215	4,849	4,450	5,155	1,339	2,277
Mexico	1,439	3,035	5,252	5,251	3,077	718	1,099
Canada	1,199	1,303	2,158	2,067	2,006	421	616
Korea	1,271	1,994	1,453	1,406	1,358	444	514
India	1,593	1,360	1,301	1,175	687	187	274
Israel	1,207	1,012	1,002	614	532	139	158
United Kingdom	620	516	520	491	438	149	127
Germany	613	812	864	519	332	135	43
China	1,140	862	514	393	315	84	203
Uruguay	793	804	634	471	289	69	92
Brazil	1,042	807	851	487	203	72	76
Turkey	632	710	847	519	199	65	103
Czech Republic	51	40	29	168	111	73	0
Peru	361	312	361	199	110	23	21
France	137	58	43	82	50	7	11
All other	1,787	997	1,101	886	337	127	90
Total	19,573	19,837	21,780	19,177	15,199	4,052	5,704
Imports receiving duty-free treatment under–							
NAFTA	2,606	4,299	7,373	7,305	5,074	1,132	1,711
U.S.-Israel FTA	1,207	1,012	1,000	575	532	139	158
Total duty-free imports	3,813	5,311	8,373	7,880	5,606	1,271	1,869

[1] 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.

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

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

(table 3-2). The remaining 14 percent of the imports that entered duty-free in 2002 consisted of fine-micron fabrics covered by the TRQ program.[4]

[4] The TRQ in-quota tariff on fine-micron fabrics of 6 percent ad valorem was suspended for the years 2002-05, while the in-quota tariff on coarse-micron fabrics was 18.4 percent ad valorem in 2002 and 18 percent in 2003. The TRQ "fill rates" for 2002 were 84 percent for fine-micron fabrics and 77 percent for coarse-micron fabrics; for 2003, the fill rates were 52 percent and 36 percent, respectively (as of August 4, 2003).

Table 3-3
Worsted wool fabrics: U.S. imports for consumption, by principal sources, 2001-02, Jan.-Apr. 2002, and Jan.-Apr. 2003

(*1,000 square meters*)

			Jan.-Apr.	
Item and source	**2001**	**2002**	**2002**	**2003**
Worsted wool fabrics 18.5 microns or less:				
Italy	1,394	2,720	637	1,100
Mexico	712	322	96	110
United Kingdom	191	185	58	84
Korea	304	123	58	317
China	218	99	37	51
Turkey	187	77	10	43
India	118	64	33	18
Israel	167	57	32	17
Peru	43	38	3	5
All other	616	374	62	108
Total	4,060	3,823	1,026	1,853
Worsted wool fabrics greater than 18.5 microns:				
Mexico	4,539	2,755	622	989
Italy	3,056	2,435	702	1,177
Canada	2,007	1,998	421	614
Korea	1,102	1,235	386	197
India	1,057	623	154	256
Israel	447	475	107	141
Germany	485	304	113	42
Uruguay	360	262	59	54
United Kingdom	300	253	92	44
All other	1,765	1,036	371	2,190
Total	15,118	11,376	3,027	3,851
Total worsted fabrics	19,177	15,199	4,052	5,704

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

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

U.S. Worsted Wool Fabric Industry

The U.S. worsted wool fabric industry has undergone significant changes since 2001, when domestic production of the subject fabrics was accounted for almost entirely by four firms: Burlington Industries, Inc., Greensboro, NC; Cleyn & Tinker International Inc., Malone, NY; The Forstmann Co., Dublin, GA; and Warren Corp., Stafford Springs, CT. Burlington Industries has reduced its domestic manufacturing base for apparel fabrics; ***.[5] A fifth firm, Stillwater Inc., Goshen, VA, which

[5] ***.

produced small quantities of the subject fabrics in 2001, went out of business in 2003.[6]

The Commission estimated that U.S. production capacity for all worsted wool fabrics, ***, declined by *** from *** million square meters in 2001 to 21 million square meters in 2002 (table 3-4). The decline reflected 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 in November 2001. ***.[7] ***.[8] As part of its reorganization plan, Burlington reduced its production capacity for worsted wool fabrics ***. It is uncertain how the proposed acquisition of Burlington by WL Ross & Co. will affect the firm's worsted wool fabric operations.[9]

Warren Corp. is owned by Loro Piana of Italy and primarily makes fine-micron fabrics. ***.[10] ***.[11] Cleyn & Tinker is a Canadian-based fabric producer that makes worsted wool fabrics at its plant in Malone, NY.[12] ***.[13]

Price Trends

Information available to the Commission showed that prices of the subject fabrics continued to decline in 2002 and the first quarter of 2003. ***. From January 2002 to March 2003, the average unit value of imports declined by 9.4 percent for coarse-micron fabric and by 12.4 percent for fine-micron fabric.[14] The decline in average

[6] Official of Stillwater Inc., voice-mail message for Commission staff, Aug. 19, 2003. The firm reportedly went out of business as of March 31, 2003 (see *Textile News*, *http://www.textilenews.com/news/033103_5html*, retrieved Aug. 11, 2003).

[7] ***.

[8] ***.

[9] According to a Burlington Industries news release, "WL Ross & Co.'s acquisition agreement has been incorporated into the Company's plan of reorganization. The related disclosure statement is scheduled to be reviewed by the Court at a hearing in late August ***." The news release, "Court Approves WL Ross & Co. Bid for Burlington," was obtained from Burlington's website at *http://www.burlington.com*, on August 6, 2003.

[10] ***.

[11] ***.

[12] Information on Cleyn & Tinker is from a company official, e-mail to Commission staff, July 1, 2003.

[13] ***.

[14] Based on official U.S. import data for coarse-micron fabric (HTS subheadings 5112.11.60 and 5112.19.95) and fine-micron fabric (5112.11.30 and 5112.19.60). Average unit values are a suitable proxy for prices as they reflect trends in import volumes, productivity, and raw material costs, all of which tend to have a direct bearing on price.

Table 3-4
Worsted wool fabrics: U.S. capacity and production for all end uses and for U.S.-made men's tailored clothing, by company, 2001-02[1]

Item	2001	2002
	--1,000 square meters----	
Average production capacity, total	***	20,771
Burlington Industries	***	***
Warren Corp.	***	***
Cleyn & Tinker International	***	***
U.S. production, total	6,606	4,544
Burlington Industries, total	***	***
Warren Corp., total	***	***
Cleyn & Tinker International, total	***	***
U.S. production, worsted wool fabrics for men's tailored clothing, total[2]	5,217	3,248
Burlington Industries, total	***	***
Warren Corp., total	***	***
Cleyn & Tinker International, total	***	***
	————Percent————	
Average production capacity utilization, total	***	***
Burlington Industries	***	***
Warren Corp.	***	***
Cleyn & Tinker International	***	***

1 ***.
2 ***.

Source: Estimates based on questionnaire responses in conjunction with the Commission's report *Certain Wool Articles: Second Annual Report on U.S. Market Conditions*, (Investigation No. 332-427) USITC publication 3544, Sept. 2002, and telephone interviews and e-mail correspondence with industry representatives in 2003.

unit values of the imported fabrics contrasted sharply with the rapid increase in selling prices for all grades of wool, including apparel grade wool (see chapter 5 of this report for information on wool prices). Aside from raw material costs, 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 transportation costs and changes in exchange rates of major exporting countries.

Transportation Costs

Changes in international transportation costs have had a relatively small effect on fabric prices because such costs represent a relatively small portion of total import costs. Although petroleum prices rose somewhat in 2002 and early 2003, transportation costs for imports of worsted wool fabrics rose from 3.2 percent of the customs value for the 12-month period ending March 2002 to 3.4 percent for the 12-

month period ending March 2003 (table 3-5).[15] Transportation costs for fine-micron fabrics fell from 4.0 percent to 3.8 percent, but rose from 3.0 percent to 3.2 percent for coarse-micron fabrics.

Exchange Rates

Depreciation of major exporting countries' currencies against the U.S. dollar reduces the price competitiveness of domestic fabrics relative to imports, while the appreciation of foreign currencies increases domestic price competitiveness. The exchange rates of several major exporting countries fluctuated between January 2002 and March 2003, when the Euro and the British pound, among others, appreciated substantially against the dollar, and nominal currencies of other major countries exporting wool fabrics to the United States weakened modestly against the dollar (table 3-6 and appendix D).

The Northern Textile Association has previously 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. suppliers of such imported fabrics to lower their prices. Of the 10 currencies of major wool fabric exporting nations in table 3-5, the Brazilian real, Chinese yuan, Israeli shekel, Mexican peso, and Turkish lira showed depreciations in their currencies relative to the U.S. dollar. On the other hand, the Euro, the British pound, the Canadian dollar, the Indian rupee, and the Korean won appreciated relative to the U.S. dollar. Graphs of exchange rate trends for the countries in table 3-5 can be found in appendix D.

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

***.[16] ***.[17] ***.[18]

[15] The transportation cost figures represent the share of the customs import value accounted for by insurance, freight, and other charges (excluding U.S. import duties) incurred in bringing the goods from the port of exportation in the country of exportation and placing it alongside the carrier at the first port of entry in the United States.

[16] ***.

[17] ***.

[18] ***.

Table 3-5
U.S. imports of worsted wool fabrics: Transportation costs, as measured by the share of the customs value accounted for by insurance and freight, by fabrics and selected countries, for the 12-month periods ending Mar. 2002 and Mar. 2003

Type and country	12-month period ending— Mar. 2002[1]	Mar. 2003
	Percent	*Percent*
Coarse-micron fabrics—all countries	3.0	3.2
Italy	4.3	4.6
Mexico	1.0	0.8
Canada	0.3	0.3
Korea	3.6	4.7
Israel	1.7	3.0
Fine-micron fabrics—all countries	4.0	3.8
Italy	3.4	3.3
United Kingdom	6.2	6.9
Mexico	1.9	2.3
Korea	2.7	2.2
Israel	5.2	6.2
All wool fabrics from all countries	3.2	3.4

[1] These estimates have been revised since the September 2002 report.

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

Table 3-6
Overall appreciation or depreciation amounts for currencies of selected countries relative to the U.S. dollar[1]

(In percent)

Country or currency	Nominal exchange rate: Currency appreciation	Nominal exchange rate: Currency depreciation	Real exchange rate: Currency appreciation	Real exchange rate: Currency depreciation
Brazil	-	32.3	-	10.7
Canada	4.4	-	1.1	-
China	-	0.0[2]	-	-
Euro	22.1	-	16.2	-
India	1.6	-	0.0[2]	-
Israel	-	4.7	-	5.6
Korea	11.4	-	11.0	-
Mexico	-	15.2	-	-
Turkey	-	17.3	-	3.5
United Kingdom	13.1	-	9.2	-

[1] Unless otherwise noted, changes in exchange rates are measured for the period Jan. 2002-Mar. 2003, although real changes in exchange rates may be calculated as changes from Jan.-2002-Feb. 2003. Real exchange rates are not available for China or Mexico.
[2] Indicates a value of less than 0.1 percent.

Source: International Monetary Fund, *International Financial Statistics,* Apr. 2003.

CHAPTER 4
ABILITY OF DOMESTIC FABRIC PRODUCERS TO MEET THE NEEDS OF DOMESTIC CLOTHING MANUFACTURERS

Information obtained by the Commission from industry sources indicates that the ability of U.S. producers of the subject worsted wool fabrics to meet the needs of U.S. tailored clothing manufacturers continued to decline in terms of quantity in 2002 and January-March 2003. The domestic market for the subject fabrics totaled an estimated 12.5 million square meters in 2002, of which coarse-micron and fine-micron fabrics accounted for about *** and *** million square meters, respectively. Estimated U.S. production of the subject fabrics in 2002 fell by approximately *** percent from the 2001 level to about *** million square meters, of which *** million square meters were coarse-micron fabrics and *** million square meters were fine-micron fabrics.

The decline in U.S. production of the subject fabrics occurred in both coarse-micron and fine-micron fabrics and is attributable to several factors: ***.[1]

None of the tailored clothing manufacturers interviewed for this investigation reported substantial changes in sourcing patterns of fabrics from domestic versus foreign suppliers during the 2002, January-March 2002-2003 period. It was reported, however, that Burlington's cutbacks in U.S. production of worsted wool fabrics presented increased challenges for apparel manufacturers seeking reliable domestic suppliers of coarse-micron worsted wool fabrics.[2]

Clothing manufacturers interviewed by the Commission indicated that it remains imperative that they 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. ***. 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

[1] The needs of men's tailored clothing producers differ from those of the commercial uniform producers. For the most part, the former require a large variety of styles and colors, flexible lot sizes, shorter lead times, and often use fine-micron fabrics. The latter require large lot sizes, of generally coarse-micron, solid-color fabrics.

[2] ***.

of fabrics from multiple sources of supply.[3] For a detailed explanation of the elements affecting the ability of U.S. fabric producers to meet the needs of domestic clothing manufacturers, see U.S. International Trade Commission, *Certain Wool Articles: Second Annual Report on U.S. Market Conditions* (Investigation No. 332-427), USITC publication 3544, Sept. 2002, chapter 5.

[3] Based on responses to questionnaires used in the preparation of U.S. International Trade Commission, *Certain Wool Articles: Second Annual Report on U.S. Market Conditions* (Investigation No. 332-427), USITC publication 3544, Sept. 2002; and telephone conversations with industry representatives in June-July 2003.

CHAPTER 5
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 to 21 microns, but not more than 25 microns.

Wool Fibers

U.S. wool production decreased for the 13th straight year in 2002 to 9.9 million kilograms (kg) (clean content), 4 percent lower than in 2001 (table 5-1). U.S. mill consumption of raw wool declined by 35 percent during the period to an estimated 19.5 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 84 percent of total mill consumption of raw wool in 2002, as well as reduced consumption by carpet mills. Consumption of wool for apparel fell by an estimated 32 percent in 2002 from the previous year to about 16.3 million kg, with mill consumption of wool for worsted apparel falling by an estimated 34 percent to about 8.1 million kg. U.S. raw wool imports fell to 11.2 million kg in 2002, or 31 percent from the 2001 level. About 38 percent of U.S. imports of raw wool in 2002 consisted of fibers having an average diameter of 25 microns or less, suitable for use in worsted fabrics, with Australia supplying approximately 87 percent of such imports.

The U.S. Department of Agriculture reports that the average price paid per pound for all grades of U.S. wool increased by about 47 percent from $0.36 in 2001 to $0.53 in

[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.

Table 5-1
Wool: U.S. production, imports, and mill consumption, by end uses, 2001-02, Jan.-Apr. 2002, and Jan.-Apr. 2003

(1,000 kilograms, clean content)

Item	2001	2002	Jan.-Apr.– 2002	Jan.-Apr.– 2003
Production	10,302	9,893	([1])	([1])
Imports:				
25 microns or less[2]	6,463	4,193	1,683	863
All other	9,672	6,962	2,200	3,610
Total imports	16,134	11,155	3,882	4,473
Mill consumption:				
Worsted apparel	12,273	8,122	[3]2,523	[4]1,444
Woolen apparel	11,753	8,214	[3]2,452	[3]1,732
Total apparel	24,026	16,336	[3]4,975	[4]3,176
Carpet	6,037	3,126	[3]842	[3]832
Total U.S. wool consumption	30,064	19,462	[3]5,817	[4]4,008

[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, 5101.30.40, and 5101.30.70; the remaining 50 percent of imports under these subheadings are included in "all other."
[3] Data are for Jan.-Mar. of the specified year.
[4] Data are for Jan.-Mar. of the specified year, and are estimated by the USITC. Quarterly 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 derived from statistics of the U.S. Department of Agriculture (USDA), National Agricultural Statistics Service (NASS), *Sheep and Goats*, Jan. 31, 2003; data on mill consumption derived from statistics of the U.S. Census Bureau, *Current Industrial Reports*, *Consumption on the Woolen System and Worsted Combing: 2002 Summary,* and *Current Industrial Reports*, *Consumption on the Woolen System and Worsted Combing: First Quarter 2003*, found at *http://www.census.gov/cir/www/313/mq313d.html*, retrieved June 11, 2003. Import data compiled from official statistics of the U.S. Department of Commerce.

2002.[2] Prices for U.S. and Australian 60s grade and 64s grade wool (apparel-grade wool) also rose significantly in 2002 (table 5-2). 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. The increase in wool prices in 2001 and 2002 is largely attributable to relatively low stocks in Australia and other producing countries, and an overall reduction of raw wool production worldwide, coupled with strong demand for raw wool in textile manufacturing centers, such as China and Italy.

[2] Greasy basis, includes marketing charges for commissions, coring, and grading. USDA, NASS, *Sheep and Goats*, Jan. 31, 2003, p. 3.

Table 5-2
U.S. and Australian wool prices:[1] Grades 60s and 64s, 1998-2002

(U.S. dollars per pound, clean)

Type	1998	1999	2000	2001	2002
United States:					
Grade 60s	1.31	0.85	0.75	0.91	1.58
Grade 64s	1.62	1.10	1.08	1.21	1.90
Australian:					
Grade 60s	1.64	1.36	1.37	1.60	2.63
Grade 64s	1.84	1.48	1.50	1.66	2.66

[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 to 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 to 24.94 microns and the 64s grade wool has an average fiber diameter of 20.60 to 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: 1997-2001 data from USDA, ERS, *Cotton and Wool Situation and Outlook Yearbook*/CWS-2002/Nov. 2002, appendix table 34–(Shorn wool prices: U.S. farm price, Australian offering prices, and graded territory shorn wool prices, 1978-2001); 2002 data from USDA, ERS, *Cotton and Wool Situation and Outlook* monthly issues, 2002-03.

Worsted Wool Yarns

Based on publicly available data, apparent U.S. consumption of all worsted wool yarns, including those used in menswear made offshore, womenswear, and apparel other than tailored clothing, continued to decline in 2002. The decline in U.S. consumption and production of such yarns during 1998-2001 (table 5-3) largely reflected weak demand resulting from a decrease in U.S. output of wool apparel fabrics and an increase in U.S. imports of goods containing worsted wool yarns, namely, worsted wool fabrics and tailored clothing, which are often made from non-U.S. materials. U.S. imports' share of the market fluctuated, climbing overall from 18 percent in 1998 to 29 percent in 2001. U.S. imports of such yarns declined by 10 percent to approximately 3.6 million kg in 2002 from its 2001 level; then increased by 55 percent during January-April 2003, compared with the corresponding period in 2002. Fine-micron yarns accounted for 18 percent of the total quantity of worsted wool yarn imports in 2002, but rose to 38 percent in January-April 2003. The major suppliers of imported worsted wool yarns in 2002 were New Zealand, Canada, and Italy.

U.S. consumption of worsted wool yarns used by U.S. producers of worsted wool fabrics used in the domestic manufacture of men's and boys' tailored clothing declined by an estimated *** percent in 2002, to just under *** million kg

Table 5-3
Worsted wool yarns: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1998-2002, Jan.-Apr. 2002, and Jan.-Apr. 2003

Period	U.S. production	U.S. imports	U.S. exports	Apparent U.S. consumption	Ratio of imports to consumption
	1,000 kilograms				*Percent*
1998	19,941	4,454	312	24,083	18
1999	15,936	4,660	172	20,424	23
2000	11,317	5,593	494	16,416	34
2001	10,452	3,970	474	13,948	29
2002	([1])	3,580	114	([1])	([1])
Jan.-Apr.:					
2002	([1])	1,031	65	([1])	([1])
2003	([1])	1,593	123	([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: U.S. production compiled from U.S. Census Bureau, *Current Industrial Report: Yarn Production* (MA313F(01)-1), Sept. 2002, found at *http://www.census.gov/industry/1/ma313f01.pdf*, retrieved June 12, 2003; trade data compiled from official statistics of the U.S. Department of Commerce.

(table 5-4). Most of the yarn consumption consisted of coarse-micron yarn,[3] which at *** million kg accounted for an estimated *** percent of the total in 2002; fine-micron yarns accounted for the remainder. In the first quarter of 2003, U.S. consumption of the subject worsted wool yarns increased by an estimated *** percent from the level in the first quarter of 2002 to *** kg. This increase was attributable to fabric producers' purchases of both fine-micron and coarse-micron imported yarns, which are estimated to have increased by *** percent and *** percent, respectively, in the first quarter of 2003 from the year-earlier levels.

U.S. production of worsted wool yarns used in the manufacture of worsted wool fabrics for men's tailored clothing, which accounted for an estimated *** percent of the U.S. market for such yarns in 2002, is accounting for a declining share as domestic production of such yarns decreased by an estimated *** percent in 2002 from the 2001 level. Domestic production of such yarns decreased further by an

[3] It is likely that consumption of these yarns used in the domestic manufacture of men's tailored suits is overstated as an unknown portion of these yarns are made into fabrics which are used in the production of tailored clothing offshore. Therefore, the dominance of the coarse-micron yarns in apparent consumption reflects the higher incidence of these yarns woven into fabrics which are shipped offshore. Available information to the Commission suggests that consumption of most of the fine-micron yarns are woven into fabrics which are used in domestic production of tailored clothing.

estimated *** percent in the first quarter of 2003 from the year-earlier level. U.S. production during the period was accounted for ***. ***.[4] ***.[5] ***[6].

Table 5-4
Estimates of worsted wool yarns for use in U.S. production of worsted wool fabrics used in U.S. production of men's tailored clothing:[1] U.S. production for internal consumption, purchases of domestic and imported yarns, and apparent consumption, 2001[2]- 02, Jan.-Mar. 2002, and Jan.-Mar. 2003

***

[4] ***.

[5] ***.

[6] ***.

APPENDIX A
REQUEST LETTERS

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

DOCKET NUMBER 2283 DEC 23 2002

The Honorable Deanna Tanner Okun
Chairman
United States International Trade Commission
500 E Street, SW
Washington, D.C. 20436

Dear Chairman Okun:

On August 6, 2002, the President signed the Trade Act of 2002 (the Act). Section 5102 of the Act amends headings 9902.51.11 and 9902.51.12 of the Harmonized Tariff Schedule of the United States (HTS) to extend the temporary reductions of tariffs and the tariff-rate quotas (TRQs) in those headings for imports of certain worsted wool fabric, certified by the importer as suitable for use in men's or boys' suits, suit-type jackets, and trousers. The TRQs will now be in effect through December 31, 2005. 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 Trade and Development Act of 2000 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.

By letter dated January 19, 2001, under authority delegated by the President, the USTR requested 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. The Commission published its final report in that investigation in September 2002. Under authority delegated by the President, I request that the Commission initiate a new investigation under section 332(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 practicable, 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 confidential reports to the USTR under this investigation. Given resource constraints of the Commission, the first report should provide, to the extent information is publicly available or is available from discussions with representatives of trade and industry, an update of U.S. market conditions for the subject wool products and a summary of any major changes with respect to the above factors, for the year 2002, year-to-date 2003 and comparable year-to-date 2002, and should be submitted by October 27, 2003. The second report, providing data for the year 2003, year-to-date 2004 and comparable year-to-date 2003, should be submitted by October 25, 2004. The Commission should issue, as soon as possible thereafter, public versions of the reports with any business confidential information deleted.

I great appreciate the Commission's assistance in this matter.

Sincerely,

Bob

Robert B. Zoellick

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

MAR 3 1 2003

The Honorable Deanna Tanner Okun
Chairman
United States International Trade Commission
500 E Street, SW
Washington, DC 20436 332-449

DOCKET

Dear Chairman Okun:

In a letter dated December 23, 2002, I requested that the U.S. International Trade Commission initiate an investigation under section 332(g) of the Tariff Act of 1930 for the purpose of monitoring U.S. market conditions for certain wool articles. The letter requested that the Commission submit two confidential reports under this investigation to the Office of the U.S. Trade Representative by October 27, 2003, and October 25, 2004, with public versions of the reports to be released as soon as possible thereafter. However, information from these reports is now needed by the Administration on a slightly earlier schedule. Therefore, I request that the Commission submit the first confidential report by October 1, 2003, and the second confidential report by September 15, 2004, and issue public versions of these reports as soon as possible thereafter.

I greatly appreciate the Commission's assistance in this matter.

Sincerely,

Bob

Robert B. Zoellick

RECEIVED
OFC OF THE SECRETARY
US INT'L TRADE COMM
'03 APR -1 P3:21

APPENDIX B
FEDERAL REGISTER NOTICE

Issued: January 29, 2003.

Marilyn R. Abbott,

Secretary.

[FR Doc. 03–2513 Filed 2–3–03; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–449]

U.S. Market Conditions for Certain Wool Articles in 2002–04

AGENCY: International Trade Commission.

ACTION: Institution of investigation and request for public comments.

EFFECTIVE DATE: January 24, 2003.

SUMMARY: Following receipt of a request from the United States Trade Representative (USTR) on December 30, 2002, the Commission instituted Investigation No. 332–449, U.S. Market Conditions for Certain Wool Articles in 2002–04, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)).

FOR FURTHER INFORMATION CONTACT: For general information, contact Lisa Ferens (202) 205–3486; *lferens@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*). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) *http://edis.usitc.gov.*

Background

As requested by the USTR, the Commission will provide information on U.S. market conditions, including domestic demand, 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 to make such fabrics and yarn. As requested, the Commission will also provide, to the extent practicable, 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. The USTR requested that the Commission provide two confidential reports. The first report will provide, to the extent information is publicly available or is available from discussions with representatives of trade and industry, an update on market conditions for the subject wool products and a summary of any major changes with respect to the above factors, for the year 2002 and year-to-date 2002–03. The Commission will transmit this report to the USTR by October 27, 2003. The Commission will transmit the second report, providing data for 2003 and year-to-date 2003–04, by October 25, 2004. The USTR requested that the Commission issue public versions of the reports as soon as possible thereafter, with any business confidential information deleted.

In the request letter, the USTR noted that section 5102 of the Trade Act of 2002, signed by the President on August 6, 2002, amends headings 9902.51.21 and 9902.51.12 of the Harmonized Tariff Schedule of the United States (HTS) to extend, through December 31, 2005, the temporary reductions of tariffs and the tariff-rate quotas (TRQs) in those headings for imports of certain worsted wool fabric, certified by the importer as suitable for use in men's or boys' suits, suit-type jackets, and trousers. The USTR also noted that, under section 504 of the Trade and Development Act of 2000, 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. He noted that the President, in Proclamation 7383 (December 1, 2000), delegated to the USTR the authority to monitor these market conditions.

Written Submissions

The Commission intends to hold a public hearing in connection with the second report under this investigation, but not the first report. However, interested parties are invited to submit written statements (original and 14 copies) concerning the matters to be addressed by the Commission in its first report on this investigation at the earliest practical date, and such statements should be received no later than the close of business on June 9, 2003. 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, except to the extend permitted by section 201.8 of the Commission's Rules, as amended, 67 FR 68036 (November 8, 2002). All written submissions, except for confidential business information, will be made available in the Office of the Secretary to 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: January 29, 2003.

Marilyn R. Abbott,

Secretary.

[FR Doc. 03–2515 Filed 2–3–03; 8:45 am]

BILLING CODE 7020–02–P

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

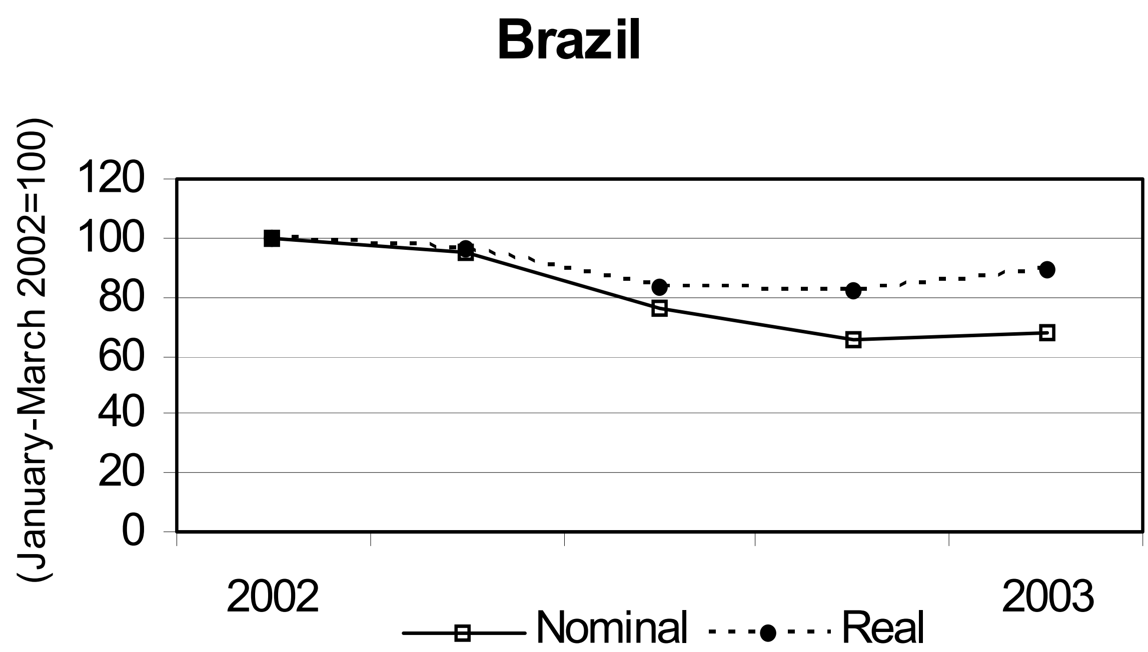
The statistical reporting numbers contained in this chapter apply only to imports and may not be reported on Shipper's Export Declarations. See Notice to Exporters preceding chapter 1.

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% 2/	No change	No change	On or before 12/31/2005
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/	Free	No change	No change	On or before 12/31/2005
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 average diameters of 18.5 micron or less (provided for in subheading 5107.10.30)	1/	Free	No change	No change	On or before 12/31/2005
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 12/31/2005

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. (17.5% for 1/1/2004)

APPENDIX D
EXCHANGE RATE TRENDS FOR SELECTED COUNTRIES

Figure D-1
Real and nominal exchange rates from selected wool-importing countries or currencies, Jan. 2002-Mar. 2003



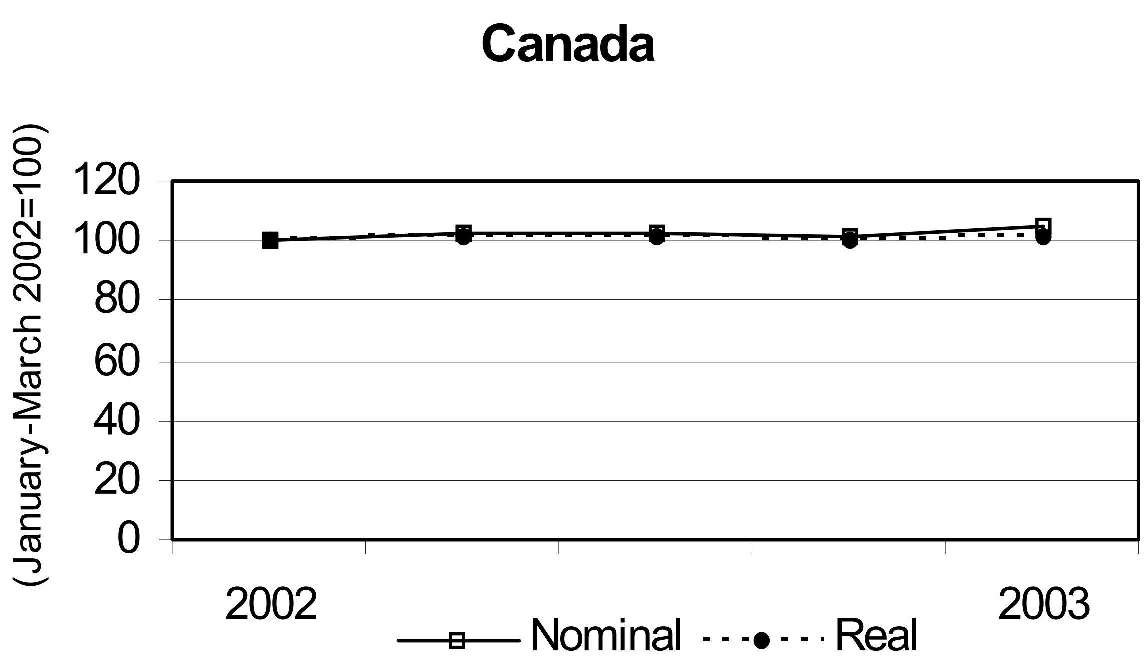
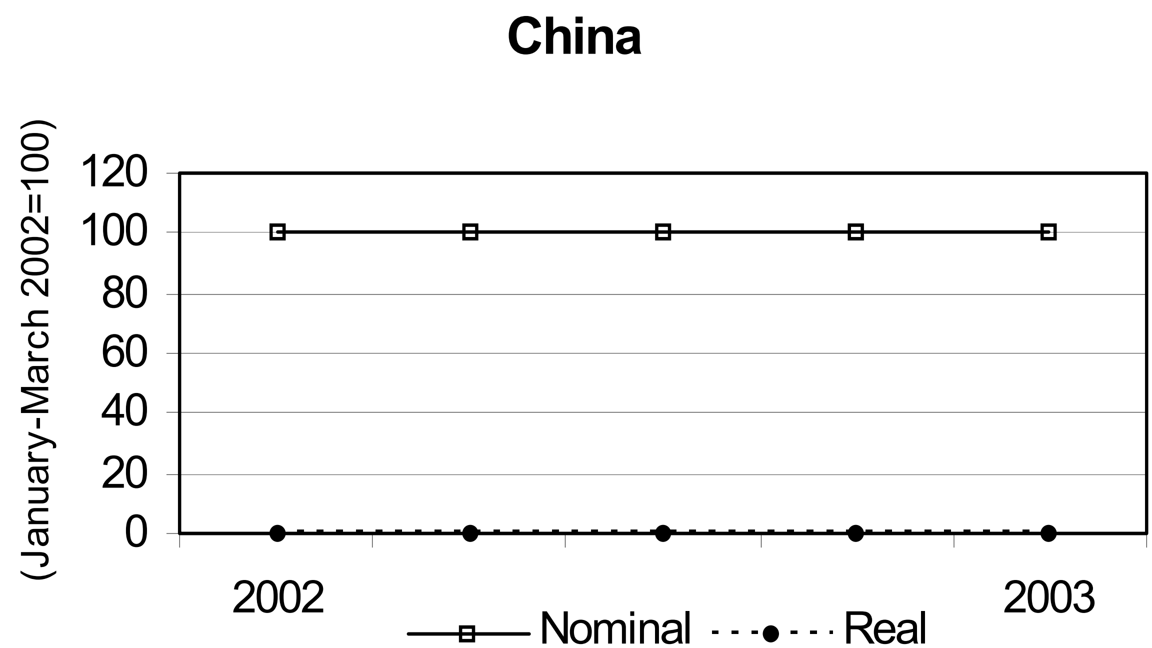


Figure continued on next page.

Figure D-1--*continued*
Real and nominal exchange rates from selected wool-importing countries or currencies, Jan. 2002-Mar. 2003



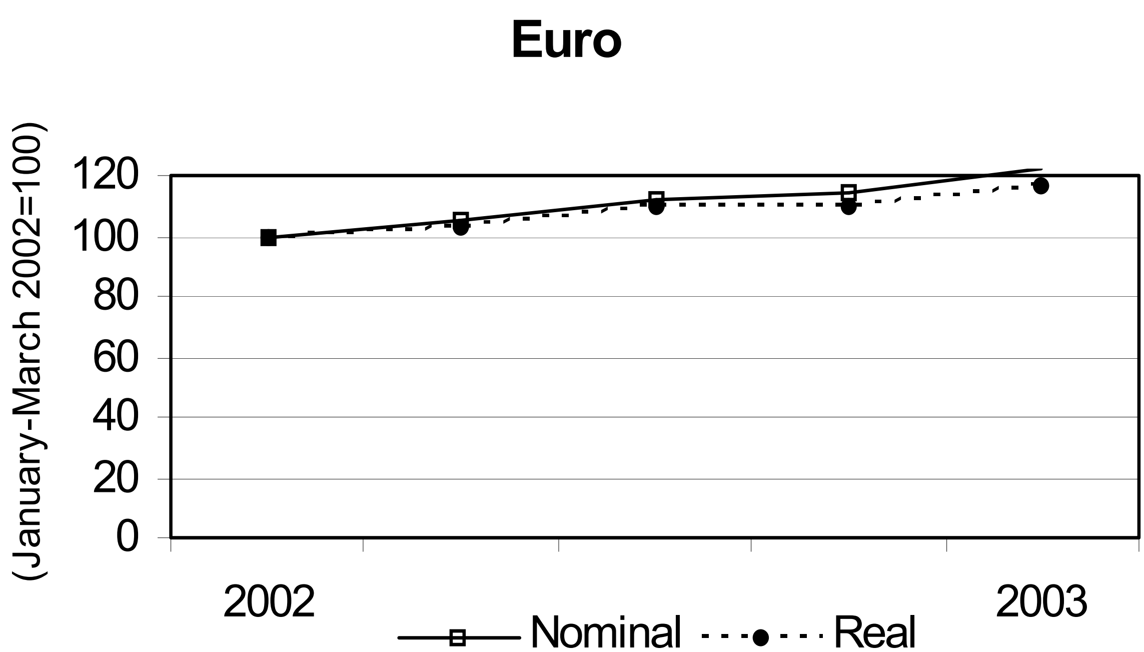
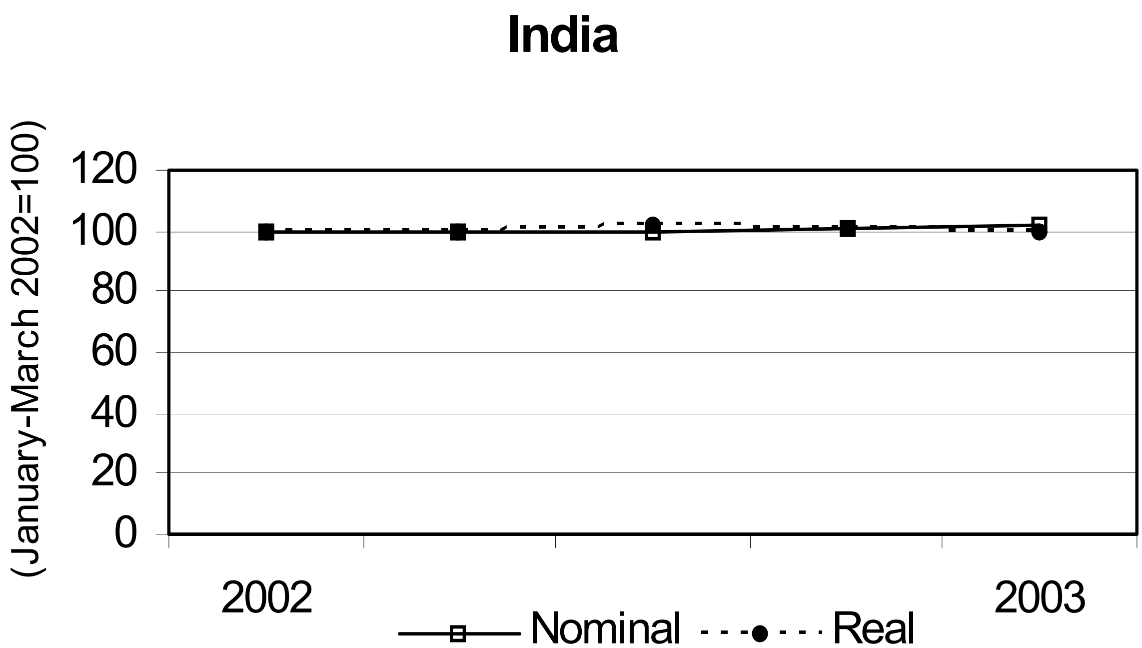


Figure continued on next page.

Figure D-1--*continued*
Real and nominal exchange rates from selected wool-importing countries or currencies, Jan. 2002-Mar. 2003



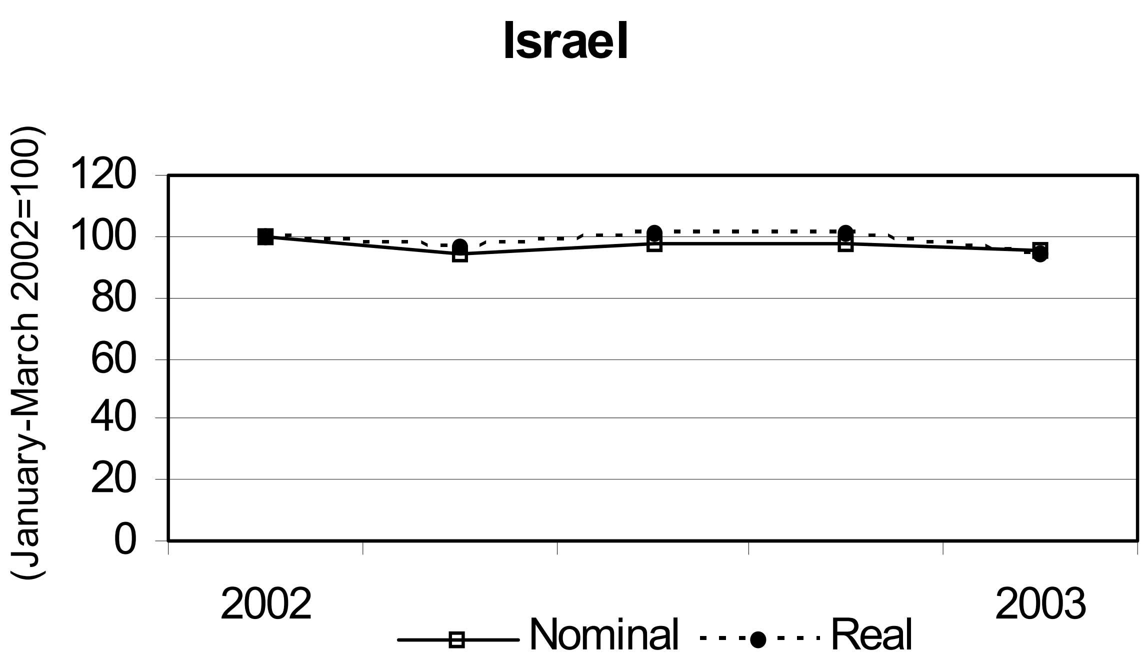
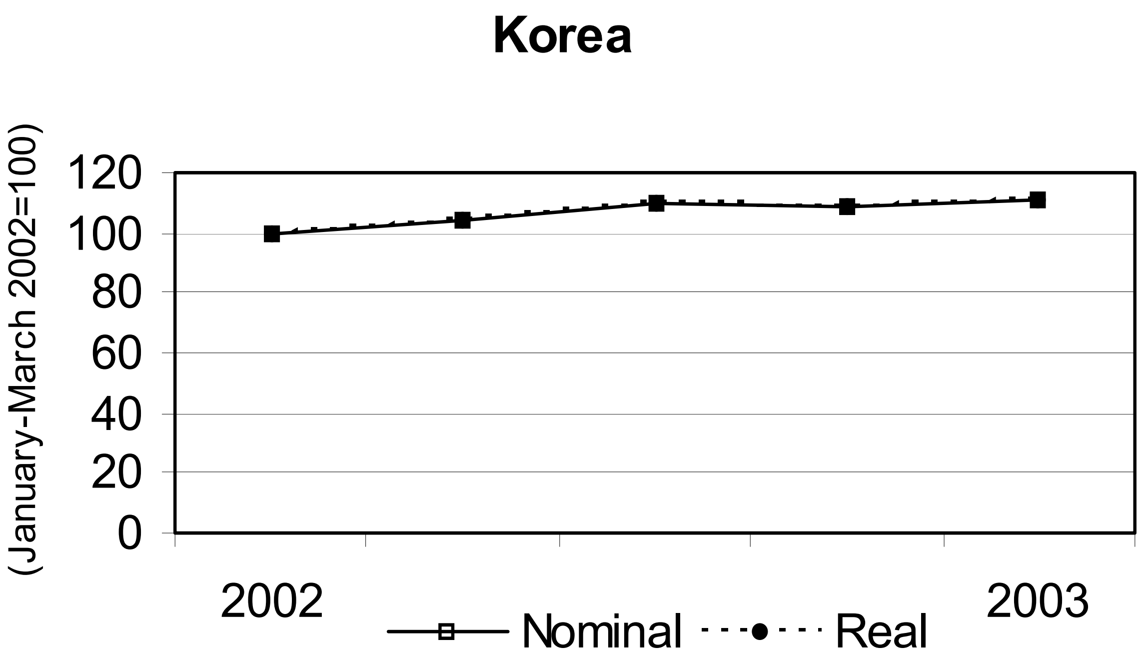


Figure continued on next page.

Figure D-1--*continued*
Real and nominal exchange rates from selected wool-importing countries or currencies, Jan. 2002-Mar. 2003



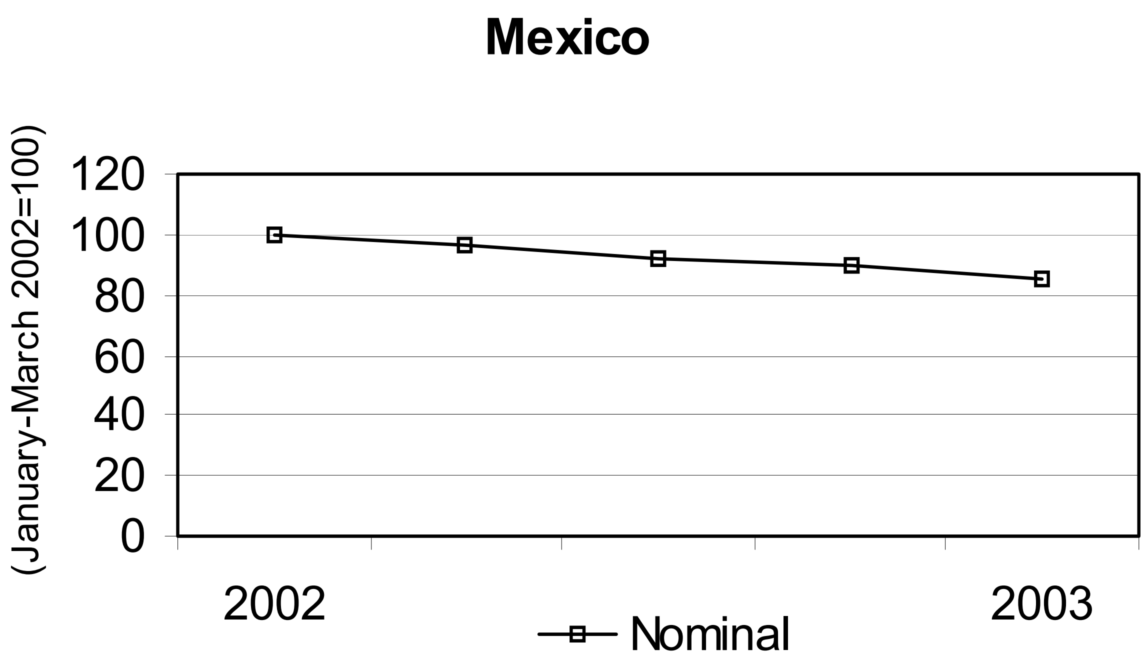
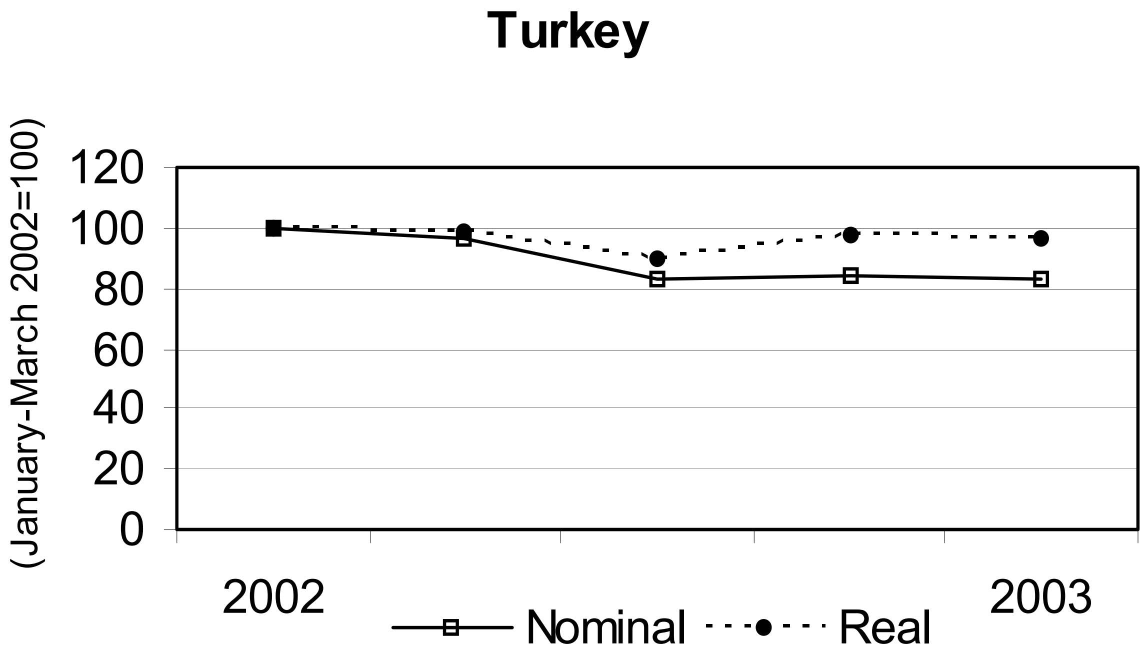
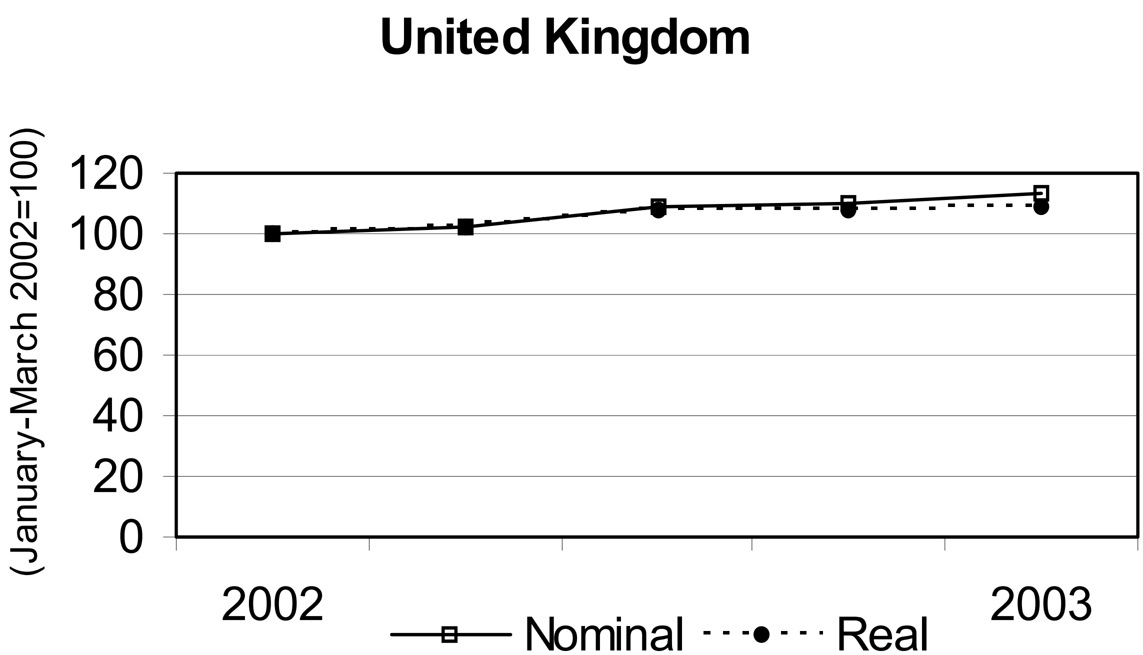


Figure continued on next page.

Figure D-1--*continued*
Real and nominal exchange rates from selected wool-importing countries or currencies, Jan. 2002-Mar. 2003





Source: International Monetary Fund, *International Monetary Statistics*, Apr. 2003.