U.S. International Trade Commission

Certain Wool Articles

Interim Report on U.S. Market Conditions

Investigation No. 332-427
Publication No. 3422
May 2001

UNITED STATES INTERNATIONAL TRADE COMMISSION

U.S. International Trade Commission

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U.S. International Trade Commission

Washington, DC 20436

Certain Wool Articles: Interim Report on U.S. Market Conditions

Investigation No. 332-427

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Executive Summary

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

Principal Findings

- The U.S. market for men's wool tailored clothing has grown during the past 5 years, although the growth in demand for suits and sport coats weakened in 1998 and 1999. Preliminary data for 2000 show signs of continued weakness in suits, a turnaround in demand for sport coats, and strong demand for trousers. The growth in demand for wool tailored clothing during the past 5 years has been supplied almost entirely by imports, which accounted for at least 70 percent of the market by quantity for suits, sport coats, and trousers in the first three quarters of 2000. U.S. production of men's wool tailored clothing has declined irregularly over the past 5 years.

- To meet growing consumer demand for fashionable tailored clothing, U.S. clothing producers and retailers are increasingly focusing on new fabric patterns, colors, and weaves, particularly for sport coats and selected dress trousers, in an effort to provide their customers with a different look for each new selling season (fall and spring).

- Apparent U.S. consumption of worsted wool fabrics fell 42 percent by quantity during 1996-2000. The decline was accounted for entirely by U.S. fabric producers, whose output fell by 51 percent in the period. Imports rose by 24 percent during 1996-2000. As a result, the import share of U.S. consumption during the period increased from 19 to 40 percent.

- Based on the preliminary data available to the Commission, it appears that the domestic worsted wool fabric industry may have sufficient capacity to produce the overall quantity of fabric needed by the men's tailored clothing industry. However, the available information also suggests that despite this capacity, domestic fabric producers may not be able to meet the needs of the tailored clothing industry for all fabric styles, particularly fancy fabrics for use in men's sport coats, largely because of the many different styles required.

- **H** Data currently available to the Commission on domestic and import prices for the finer wool fabrics have limited comparability, because the prices available on domestic fabrics represent a few specific fabrics, while the prices on imported fabrics pertain to a wide range of possible fabrics. Nevertheless, the prices of a few domestic fabrics that are representative of domestic production fall well within the reported range of prices for fabrics imported from Italy, the major foreign supplier of worsted wool fabrics by value.

- **H** Effective as of January 1, 2001, reduced duties were accorded to specified quantities of certain imported worsted wool fabrics under tariff-rate quotas. Representatives of the domestic fabric industry stated that it is impossible to measure the impact of these temporary duty reductions on the worsted wool fabrics at this time. However, one fabric producer reported that the temporary duty reductions have resulted in significant downward price pressure on U.S. producers.

- **H** U.S. tailored clothing manufacturers state that they are at a cost disadvantage vis-a-vis their counterparts in North American Free Trade Agreement (NAFTA) countries Canada and Mexico, whose import tariffs on non-North American (e.g., Italian) fabrics are much lower than U.S. tariffs on imports of wool fabrics outside of the tariff-rate quotas.

Section I: Introduction

Purpose and Scope

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

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

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

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

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

(5) loss of sales by domestic manufacturers of the subject apparel 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 domestically produced worsted wool fabrics.

As requested by the USTR, the Commission will submit two annual reports and an interim report under this investigation. The first annual report, providing data for 1999, 2000, and year-to-date 2000-01, was requested by September 17, 2001, and the second annual report, providing data for 2001 and year-to-date 2001-02, was

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

requested by September 16, 2002. In the interim, the USTR requested that the Commission provide by letter the most comprehensive information available on the factors described above for the period from January 1, 1999 to the present. The Commission was requested to submit this interim report to the USTR no later than 45 days after the U.S. Department of Commerce published a notice in the ***Federal Register*** soliciting requests from U.S. manufacturers of men's worsted wool suits, suit-type jackets, and trousers to modify the limitations on the quantity of imports of worsted wool fabrics under the TRQs. As this notice was published in the ***Federal Register*** of March 29, 2001 (66 F.R. 17149), the Commission's interim report is scheduled to be submitted to the USTR by May 14, 2001.

Legislative Background

Title V of the Trade and Development Act of 2000, enacted on May 18, 2000, and implemented by Presidential Proclamation 7383 of December 1, 2000, reduced import tariffs on worsted wool fabrics used in men's tailored clothing for 3 years beginning on January 1, 2001. Title V created two TRQs for the purpose of granting duty reductions on worsted wool fabrics, containing 85 percent or more by weight of wool, certified by the importer as suitable for use in making men's suits, suit-type jackets, and trousers.[2] The first TRQ (HTS heading 9902.51.11) permits 2.5 million square meter equivalents (SMEs) of wool fabrics having an average fiber diameter greater than 18.5 microns to enter each year at the same rate as that for men's wool suit-type jackets.[3] The second TRQ (HTS heading 9902.51.12) permits 1.5 million SMEs of worsted wool fabrics having an average fiber diameter of 18.5 microns or less to enter each year at 6 percent ad valorem, the same as Canada's rate on the finer worsted wool fabrics.[4] Imports in excess of the TRQ in-quota quantities will be subject to the normal trade relations duty rate, as shown in the following tabulation.

[2] The fabrics are classifiable under HTS subheadings 5112.11.20 and 5112.19.90.

[3] The rate will be subject to the same staged duty reductions as those agreed to by the United States in the Uruguay Round of multilateral trade negotiations for men's wool suit-type jackets (HTS subheading 6203.31.00). The 18.8 percent ad valorem rate in 2001 will be reduced to 18.4 percent in 2002 and 18 percent in 2003 (the last year of the temporary duty reductions for the fabrics).

[4] The President is authorized to reduce the 6 percent ad valorem duty rate, as necessary, to equalize the rate with that of Canada.

TRQ in-quota and over-quota rates of duty on worsted wool fabrics and normal trade relations (NTR) rate of duty on men's worsted wool sport coats, 2001

Article	In-quota ad valorem rate	Over-quota/ NTR ad valorem rate	NAFTA rate
Worsted wool fabrics having an average fiber diameter—			
18.5 microns or less	6%	28.3%	Free
Greater than 18.5 microns	[1]18.8%	28.3%	Free
Men's worsted wool sport coats	([2])	[1]18.8%	Free for Canada 4.4% for Mexico

[1] The 18.8 percent duty rate on the coarser fabrics corresponds to the tariff level for men's wool sport coats, thereby temporarily removing a "tariff inversion" in which the duty has been higher on the fabric than on garments made from such fabrics.

[2] Not applicable.

Title V also temporarily suspended the import tariffs on finer grades of wool yarns, fibers, and tops (having an average fiber diameter of 18.5 microns or less) for use in the manufacture of worsted wool fabrics for men's tailored clothing.

Title V requires the President to monitor U.S. market conditions, including domestic demand, supply, and production for the men's worsted wool tailored clothing; worsted wool fabric and yarn used in the manufacture of such clothing; and wool fibers used in the manufacture of such fabrics and yarn. Title V authorizes the President to modify the TRQ in-quota quantities in response to requests from U.S. producers of men's worsted wool tailored clothing, subject to a review of U.S. market conditions, but by not more than 1.0 million SMEs in any of the 3 years. In Proclamation 7383, the President delegated the authority to modify the TRQ in-quota quantities to the Secretary of Commerce, and delegated to the USTR the authority to monitor these market conditions.

Information Sources and Limitations

The information and analysis presented in this report draws on market and industry information that the Commission collected during the course of the investigation. Commission staff conducted meetings and telephone interviews with representatives of U.S. producers of men's tailored clothing, worsted wool fabrics, and worsted wool yarns. Commission staff also conducted field interviews to obtain first-hand information about the industries under consideration. Sources of data and related information used in this interim report include, but are not limited to, government organizations, consulting groups, trade associations, individual companies, and research groups.

In preparation of this interim report, the Commission did not have sufficient time to fully develop certain requested information, including levels of U.S. production and imports of men's worsted wool tailored clothing and worsted wool fabrics for use in such clothing by micron count (i.e., 18.5 microns or less versus greater than 18.5 microns). In connection with preparation of the first annual report under this investigation, the Commission sent questionnaires to U.S. producers of men's worsted wool tailored clothing, and producers and importers of worsted wool fabrics, requesting certain information by micron count. Based on information submitted in response to these questionnaires, as well as information received at the public hearing and through any additional interviews, the Commission anticipates that it will be able to develop better estimates of U.S. production and import levels for the worsted wool tailored clothing and worsted wool fabrics by micron count for inclusion in the annual report. The Commission also expects that the annual report will contain more detailed estimates on the tailored clothing industry's purchases of worsted wool fabrics, by end uses (suits, sport coats, and trousers) and micron count. The annual report will also contain data on average unit values for eight different groups of fabrics differentiated by micron count, color (solid or non-solid), and wool content (all wool or wool blends). However, price comparisons between imported and domestic fabrics likely will be limited because of the large number of characteristics that affect fabric prices (e.g., micron count, construction, style, yarn type, weight, and quality).

Product Coverage and Organization of Report

For purposes of this report, the term "men's" tailored clothing also includes such clothing for boys, and the term "sport coats" refers to suit-type jackets (the term used in the legislation), including blazers. The term "finer wool fabrics" will refer to worsted fabrics having an average fiber diameter of 18.5 microns or less (the lower the number, the finer the fiber). The term "coarser wool fabrics" will refer to all worsted wool fabrics having an average fiber diameter greater than 18.5 microns. The term "fancy fabrics" refers to fabrics containing two or more colors.

Sections II through V of this report provide the information requested, to the extent possible, on U.S. market conditions for men's worsted wool tailored clothing and worsted wool fabrics (section II); on the ability of domestic fabric producers to meet the needs of domestic clothing producers (section III); on prices of imports and domestic sales of worsted wool fabrics, and lost sales and revenues (section IV); and on U.S. market conditions for certain wool yarns and fibers (section V). Section VI provides a summary of the views of interested parties as presented in written statements to the Commission.

Section II: U.S. Market Conditions for Certain Worsted Wool Clothing and Fabrics[5]

Men's and Boys' Worsted Wool Suits, Suit-Type Jackets, and Trousers

The U.S. market for men's wool tailored clothing has grown during the past 5 years, although the growth in demand, particularly for suits and sport coats, weakened in 1998 and 1999, based on apparent consumption data (U.S. production plus imports less exports). [6] As shown in table 1, while apparent consumption of wool trousers rose steadily from 10.4 million units in 1996 to 11.6 million units in 1999, consumption of wool suits peaked at 8.4 million units in 1998 before falling to 8.1 million units in 1999, and consumption of wool sport coats peaked at 6.8 million units in 1997 before falling to 6.7 million units in 1999. Preliminary data for 2000 show signs of continued weakness in demand for suits, a turnaround in demand for sport coats, and strong demand for trousers.

The growth in U.S. consumption of men's wool tailored clothing during the past 5 years has been supplied almost entirely by imports, which accounted for at least 70 percent of the market by quantity for wool suits, sport coats, and trousers in the first three quarters of 2000 (table 1) and which have roughly doubled their market shares since 1990. The major import sources for suits are Mexico, Italy, and Canada, which together supplied 57 percent of the import quantity in 2000 (table 2). Imports from Mexico have grown rapidly since the implementation of NAFTA in 1994, as have those from Canada since the 1989 implementation of the United States-Canada Free-Trade Agreement, which was suspended in 1994 and its duty phaseout schedules incorporated into NAFTA. Although imports of wool suits from Canada fell in 2000, the decline was more than offset by an increase in its shipments of wool sport coats and trousers, reflecting a trend in the U.S. market from suits to casual wear. Wool suits imported from the major suppliers differ significantly in cost, averaging $133 per suit

[5] Information in this section that is attributed to "apparel industry sources" is based on Commission staff interviews with officials of Hickey-Freeman Co., Martin Greenfield Clothiers, Ltd., Saint Laurie, Hartz & Co., and Hart, Schaffner & Marx, New York, NY, Mar. 21, 2001, and Hartz & Co., Broadway, VA, Apr. 5, 2001. Information attributed to "fabric industry sources" is based on Commission staff interviews with officials of Warren Corp. (an affiliate of Italy-based Loro Piana), Stafford Springs, CT, Mar. 20, 2001, and Burlington Industries, Halifax and Clarksville, VA, Mar. 29, 2001.

[6] The data on consumption, production, and trade are overstated because the data do not distinguish between garments made from worsted fabric and those made from woolen fabric, which is not covered by Title V of the Trade and Development Act of 2000. Most of the wool tailored clothing is made from worsted fabric; however, significant quantities of sport coats are made from woolen fabric. Worsted wool fabric is a tightly woven fabric with a smooth, hard surface (e.g., gabardine) and is made from worsted yarn containing long wool fibers that have been carded and combed. Woolen fabric is a loosely woven fabric with a fuzzy or napped surface (e.g., tweed) and is made from fuzzy loosely twisted yarn containing short wool fibers that have been separated by carding.

Table 1
Men's and boys' wool suits, suit-type jackets, and trousers: U.S. production, imports for consumption, domestic exports, apparent consumption, 1996-99, and January-September 1999-2000

Item and year	U.S. production	U.S. imports[1]	U.S. exports[2]	Apparent U.S. consumption	Ratio of imports to consumption
	1,000 units				*Percent*
Wool suits:					
1996	2,609	4,628	65	7,172	65
1997	2,474	5,119	40	7,553	68
1998	2,320	6,127	77	8,370	73
1999	1,924	6,185	57	8,052	77
Jan.-Sept.:					
1999	1,547	4,671	47	6,171	76
2000	1,372	4,847	31	6,188	78
Wool suit-type jackets:					
1996	2,493	3,589	268	5,814	62
1997	2,559	4,791	529	6,821	70
1998	2,313	4,989	565	6,737	74
1999	2,231	4,810	326	6,715	72
Jan.-Sept.:					
1999	1,653	3,737	222	5,168	72
2000	1,647	4,317	436	5,528	78
Wool trousers:					
1996	5,138	6,129	855	10,412	59
1997	4,651	6,962	765	10,848	64
1998	34,310	7,613	618	11,305	67
1999	4,068	8,018	466	11,620	69
Jan.-Sept.:					
1999	2,976	5,956	403	8,529	70
2000	3,671	8,086	277	11,480	70

[1] Import data are based on HTS 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 number equal to the number of suit-type jackets imported under HTS numbers 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 jackets do not contain the required four or more panels).

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

[3] Estimated by Commission.

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

Table 2
Men's and boys' wool suits, suit-type jackets, and trousers: U.S. imports for consumption, by principal suppliers, 1996-2000, and January-February 2000-01

Item and country	1996	1997	1998	1999	2000	January-February— 2000	January-February— 2001
				1,000 units			
Wool suits:							
Mexico	576	775	996	1,195	1,293	196	198
Italy	839	923	1,213	1,187	1,200	200	205
Canada	1,241	1,373	1,282	1,307	1,024	193	161
Korea	119	133	319	306	344	79	36
Costa Rica	164	252	302	236	250	30	24
Macedonia	107	144	182	186	180	49	15
India	10	31	108	146	170	12	29
Poland	216	164	218	190	169	25	21
Dominican Republic	174	171	175	141	145	20	15
Other	1,182	1,153	1,331	1,291	1,447	231	273
Total	4,628	5,119	6,127	6,185	6,221	1,036	977
Wool suit-type jackets:							
Colombia	489	570	575	598	737	119	139
Canada	459	517	535	563	732	80	105
Italy	516	469	573	552	553	72	101
Mexico	263	466	435	446	532	41	68
Dominican Republic	193	590	635	452	441	39	53
Guatemala	122	180	206	199	371	44	70
Costa Rica	119	258	294	275	276	29	34
China	168	243	214	221	231	75	69
Korea	86	98	127	116	162	38	25
Other	1,175	1,401	1,396	1,388	1,612	130	153
Total	3,589	4,791	4,989	4,810	5,646	668	818
Wool trousers:							
Italy	1,139	1,134	1,465	1,586	1,869	284	329
Canada	1,110	1,035	1,238	1,285	1,698	236	306
Mexico	356	1,112	1,308	1,320	1,652	193	293
Dominican Republic	881	870	574	585	826	108	90
China	863	842	900	821	825	200	169
Colombia	208	327	454	492	551	114	119
Bahrain	0	0	0	0	521	0	47
India	49	104	108	145	436	10	93
Korea	149	66	237	332	422	61	68
Other	1,374	1,472	1,329	1,452	2,340	150	302
Total	6,129	6,962	7,613	8,018	11,139	1,357	1,816

Note.–Import data are based on HTS 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 number equal to the number of suit-type jackets imported under HTS numbers 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 jackets do not contain the required four or more panels).

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

for Italy, $117 for Canada, and $72 for Mexico based on the customs import value data for 2000.

Apparel industry sources state that the ongoing weakness in demand for wool suits is concentrated in those selling for less than $500 each at retail and reflects changing trends of dress in the corporate workplace to casual wear. These sources note that the increase in U.S. consumption of wool sport coats and trousers in 2000 largely reflected growing demand for casual wear, such as sport coats made from “fancy” fabrics. These apparel industry sources state that sport coats currently account for 50 to 60 percent of their product mix (excluding trousers), compared with 30 to 40 percent in 1999.[7] These changes have led to a shift in demand from suiting fabric to fabric for sport coats and to an increase in demand for smaller lot sizes. The fabrics currently being used for sport coats and some dress trousers tend to be fancier in style than those used for suits. In addition, sport coats require less fabric than suits, resulting in smaller purchases of any one style of fabric.

The U.S. market for men’s wool tailored clothing has also experienced growing demand for goods made from finer fabrics (having an average fiber diameter of 18.5 microns or less), which often are marketed at retail as Super 100s, Super 120s, and so forth. Apparel industry sources attributed the popularity of such clothing to the strong U.S. economy and to increased imports of finer wool suits from Italy during the 1990s, which gave consumers a taste for clothing made from finer wool fabrics. To meet growing consumer demand for fashionable tailored clothing, U.S. apparel producers and retailers are increasingly focusing on new fabric patterns, colors, and weaves, as well as new fiber blends, in an effort to provide their customers with a different look for each new selling season (fall and spring). Some producers also are making more custom-tailored clothing for both the small independent tailor shops and the department stores. According to apparel industry sources, the growing importance of product differentiation in terms of styling and fabric selection and the increased use of custom-tailored programs have led to even greater demand for a wider range of fabrics, especially luxury fabrics, in smaller minimum order sizes.[8]

For this interim report, the Commission does not have sufficient data to develop reasonable estimates of the size of the U.S. market for men’s tailored clothing made from the finer wool fabrics. The information supplied to the Commission by U.S. fabric and clothing producers shows that there are widely divergent views on this issue.[9] For example, according to the Tailored Clothing Association (TCA), which represents U.S. tailored clothing producers and importers, about 60 percent of domestic production and retail sales of men’s wool suits in 1998 were made from the finer fabrics (a summary of the TCA views is in section VI of this report).[10] ***. Based on official U.S.

[7] See, also, “Collection Fever Hits Suit and Sport Coat Makers,” ***DNR*** (***Daily News Record***), Feb. 14, 2001, p. 4.

[8] See, also, “Fall Outlook: Sports Coats Sizzle, Suits Simmer,” ***DNR***, Jan. 10, 2001, pp. 4-6.

[9] In connection with preparation of the first annual report under this investigation, which is scheduled to be submitted to the USTR by September 17, 2001, the Commission sent questionnaires to U.S. producers requesting information on their shipments of men’s wool tailored clothing by micron count.

[10] According to the TCA submission, the 60-percent figure is based on its survey of the tailored clothing industry and its fabric purchases for 1998 and information from the National Retail Federation.

import statistics for men's worsted wool tailored clothing classified under tariff provisions that became effective on December 1, 2000, the finer wool fabrics were used in 22 percent of the suits, 43 percent of the sport coats, and 12 percent of the trousers imported during the 3-month period December 2000-February 2001.[11]

Although the Commission has insufficient information on trends specific to the segment of the U.S. industry making men's worsted wool tailored clothing, the U.S. tailored clothing industry as a whole has declined by most measures during the past 5 years. As shown in table 1, U.S. production of men's wool suits, sport coats, and trousers declined by quantity during 1996-99; however, preliminary data for 2000 show signs of a turnaround, at least for production of wool sport coats, which fell less than 1 percent by quantity in the first three quarters of 2000, compared with the corresponding period of 1999, and for production of wool trousers, which rose 23 percent by quantity in the period. According to the U.S. Census Bureau's ***County Business Patterns*** for 1996 and 1998, the number of establishments in the industry fell from 293 in 1996 to 189 in 1998, and it is likely to have fallen further since then, given recent plant closures of Pincus Bros.-Maxwell Inc., Pietrafesa Corp., and Palm Beach Co. (owned by Hartmarx Corp.), among others. Industry employment fell by 34 percent during 1996-2000 to 21,300 employees, based on official statistics of the U.S. Bureau of Labor Statistics.

Worsted Wool Fabrics

Apparent U.S. consumption of worsted wool fabrics of all types fell by 42 percent during 1996-2000 (table 3).[12] The decline was accounted for entirely by the U.S. fabric industry, whose output fell by 51 percent in the period. Imports of worsted wool fabrics rose steadily during 1996-2000, by 24 percent. As a result, the import share of U.S. consumption expanded from 19 percent in 1996 to at least 40 percent in 2000. Most of the increased imports in 1999 and 2000 came from Mexico (table 4), whose shipments of qualifying goods benefit from NAFTA preferences.

The decline in U.S. worsted wool fabric production during 1996-2000 also reflected the ongoing decline in the industry's major market, the domestic tailored clothing industry, and the continued growth in imports of finished tailored clothing, which now

[11] The new tariff provisions for the worsted wool articles were implemented as a result of Presidential Proclamation 7383, as cited in the "legislative background" in section I of this report.

[12] The consumption, production, and trade data are overstated because they include worsted wool fabrics not only for men's tailored clothing but also for women's clothing and uniforms. Also, the production and trade data are not reported on a comparable basis–that is, the production data include worsted fabric containing 36 percent or more by weight of wool, while the trade data include worsted fabric containing 85 percent or more by weight of wool. As such, the import share of the U.S. market for worsted wool fabrics is understated.

Table 3
Worsted wool fabrics: U.S. production, imports for consumption, domestic exports, and apparent consumption, 1996-2000

Year	U.S. production[1]	U.S. imports[2]	U.S. exports[3]	Apparent U.S. consumption	Ratio of imports to consumption
	1,000 square meters				*Percent*
1996	83,077	17,567	6,587	94,057	19
1997	81,385	19,347	7,449	93,283	21
1998	65,979	19,573	8,282	77,270	25
1999	44,834	19,837	7,589	57,082	35
2000	40,522	21,780	8,147	54,155	40

[1] Includes production of worsted fabrics containing at least 36 percent by weight of wool.

[2] Includes imports of worsted fabrics containing 85 percent or more by weight of wool, classified under HTS subheadings 5112.11.20, 5112.11.30, 5112.11.60, 5112.19.60, 5112.19.90, and 5112.19.95.

[3] Includes exports of worsted fabrics containing 85 percent or more by weight of wool, classified under HTS subheadings 5112.11.00 and 5112.19.00.

Source: Production data compiled from U.S. Census Bureau, ***Current Industrial Report: Broadwoven Fabrics*** (MQ313T(99)), 2000 and prior years; trade data compiled from official statistics of the U.S. Department of Commerce.

Table 4
Worsted wool fabrics: U.S. imports for consumption, by principal suppliers, 1996-2000, and January-February 2000-01

Country	1996	1997	1998	1999	2000	January-February— 2000	January-February— 2001
	1,000 square meters						
Mexico	1,170,033	1,836,624	1,439,121	3,035,406	5,252,263	499,875	1,315,285
Italy	4,717,405	5,176,615	5,689,083	5,215,112	4,849,185	751,989	782,824
Canada	1,696,297	1,710,626	1,199,135	1,303,392	2,158,167	247,100	372,269
Korea	1,001,066	961,085	1,270,657	1,993,676	1,452,882	246,703	175,236
India	433,199	1,158,419	1,593,340	1,360,108	1,301,063	169,214	346,135
Israel	1,276,352	877,424	1,206,957	1,012,476	1,001,698	97,292	104,849
Germany	305,435	407,170	613,363	811,686	863,568	140,153	152,411
Brazil	1,585,159	1,202,628	1,041,759	807,189	851,156	72,055	152,194
Turkey	681,403	644,398	631,505	710,071	846,801	154,230	153,051
Uruguay	582,585	883,909	792,552	804,307	634,043	128,020	88,439
United Kingdom	604,046	705,755	620,370	515,723	520,250	82,825	91,415
China	766,908	709,116	1,139,681	861,610	514,250	16,960	100,636
Peru	143,304	274,174	361,205	311,753	361,488	29,538	24,433
Chile	317,184	325,864	215,503	93,939	182,055	26,328	13,082
Portugal	89,499	280,925	354,324	264,526	138,304	14,951	50,362
Other	2,197,027	2,192,157	1,405,019	736,441	853,257	102,469	100,522
Total	17,566,902	19,346,889	19,573,474	19,837,415	21,780,430	2,779,702	4,023,143

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

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

account for most of the domestic market for such apparel (see table 1). It is likely that the decline in U.S. consumption of worsted wool fabrics has been accounted for principally by a decline in consumption of coarser fabrics (having an average fiber diameter greater than 18.5 microns). Although data on U.S. consumption of worsted wool fabrics by micron count are not currently available, industry sources estimate that consumption of the finer worsted wool fabrics for men's tailored clothing ranges from *** square meters.[13] U.S. production of the finer worsted wool fabrics is estimated at *** square meters.[14]

Fabrics for use in the manufacture of men's suits and trousers generally are not interchangeable with fabrics for use in sport coats. Fabric construction and the type of yarn used can affect the "tailorability" of the fabric, making a certain fabric more or less appropriate for a particular end use. Fabrics intended for sport coats typically are heavier in weight than those for suits and trousers. Fancy fabrics are used more frequently in sport coats than other tailored clothing because sport coats are considered more of a fashion item and are typically diverse in style. Fabrics are also sometimes constructed differently for separate dress trousers than for suits and sport coats because trousers typically have a shorter useful life than other types of tailored clothing. According to industry sources, fancy fabrics, or fabrics with different textures and weave patterns, are also increasingly being used in trousers.

The U.S. industry producing worsted wool fabrics for men's tailored clothing consists of Burlington Industries, Inc., Greensboro, NC; Warren Corp., Stafford Springs, CT (an affiliate of Italy-based Loro Piana); and possibly a few smaller firms located in several States. It is believed that Burlington Industries and Warren Corp. account for all U.S. production of the fine worsted wool fabrics. Burlington Industries produces a wide range of wool and wool-blended fabrics, ***. Most U.S.-produced worsted wool fabrics are made to order, although a small portion of such fabrics are produced for "stock programs," through which custom tailors can purchase fabric for a single garment.

The segment of the U.S. fabric industry making worsted wool fabrics has undergone extensive restructuring in recent years, including production cutbacks, plant closures, and changes in product mix. Based on official statistics of the U.S. Bureau of Labor Statistics, employment in the wool fabric industry declined at an average annual rate of 9.6 percent during 1996-2000; in 2000, it declined by 14 percent.[15] ***. Burlington Industries reported that it reduced its U.S. production capacity for apparel fabrics, including worsted wool fabrics, by approximately 25 percent during its fiscal year 1999.[16] ***.[17] ***.

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[13] ***.

[14] ***.

[15] Employment data reflect total employment in the wool fabric (worsted and woolen) industry; data are not available on the number of workers involved only in the production of worsted wool fabrics.

[16] Burlington Industries, Inc., Form 10-K filed with the U.S. Securities and Exchange Commission, Dec. 22, 2000, found at Internet address ***http://www.sec.gov***, retrieved Mar. 27, 2001.

[17] ***.

Burlington Industries recorded income (before taxes and interest) of $61 million in 1999, but posted a loss of $422 million in 2000.[18] Warren Corp.'s earnings (before taxes, interest, and depreciation) ***.[19]

Imported fabric has remained highly competitive in the U.S. market due to lower labor costs in some foreign markets (e.g., Mexico) and due to U.S. consumer preferences for imported fabrics, especially those from Italy and the United Kingdom. In terms of quantity, U.S. imports of worsted wool fabrics in 2000 increased by 10 percent over the 1999 level, contributing to an average annual growth rate of 6.0 percent during 1996-2000. Additionally, imports of such fabrics in January-February 2001 grew by 45 percent over the year-earlier level (table 4). During the 3-month period December 2000-February 2001, the only months for which trade data by micron count are available, the finer wool fabrics accounted for 29 percent of the volume of U.S. worsted wool fabric imports.

In 2000, the largest suppliers of U.S. worsted wool fabric imports by quantity were Mexico, Italy, and Canada. Total U.S. imports of worsted wool fabrics from Mexico increased 73 percent by quantity in 2000, enabling Mexico to surpass Italy as the top volume supplier of such imports in 2000. It is believed that most of the increased imports from Mexico in the past 2 years reflected Burlington Industries' imports from its worsted wool fabric facility in Mexico, which began operations in 1999. U.S. imports from Italy decreased by 7 percent in 2000; however, Italy remained the top foreign supplier by value (33 percent) due to the substantially higher average unit value of its worsted wool fabrics of all types ($9.76 per square meter) relative to that of Mexico ($4.87). Italy's competitiveness in the U.S. worsted wool fabric market partly reflects the wide range of fancy fabrics produced and marketed by Italian producers, and the ability of these producers to produce fabrics in small lot sizes (as little as 50 linear meters) at competitive prices.[20] The ability to purchase short lengths of fabric is particularly important to the manufacture of sport coats, which require a greater number of different fabric styles in small lot sizes than the manufacture of suits.

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[18] Burlington Industries, Inc., "Investor Information: Financial Highlights," found at Internet address http://www.burlington.com, retrieved Apr. 23, 2001.

[19] Official of Warren Corp., interview by Commission staff, Stafford Springs, CT, Mar. 20, 2001.

[20] For a more detailed discussion on lot sizes, see "Factors Affecting Prices" in section IV.

Section III: Ability of Domestic Fabric Producers to Meet the Needs of Domestic Clothing Producers

The ability of domestic fabric producers to meet the needs of domestic clothing producers depends on a number of factors, including the availability of fabric production capacity, the number and types of different fabric styles offered, and the quality and reliability of supply. A related factor is the minimum order size for fabric purchases at a price competitive with other suppliers, which is discussed in the price section (section IV) of this report.

Based on the preliminary data available to the Commission, it appears that domestic fabric producers may have sufficient capacity to produce the overall quantity of fabric needed by domestic manufacturers of men's tailored clothing. However, the available information also suggests that despite sufficient domestic capacity, domestic fabric producers may not be able to meet the needs of the tailored clothing industry for all fabric styles, particularly fancy fabrics for use in sport coats.

The Ability of the Domestic Fabric Producers to Meet the Needs of the Domestic Clothing Manufacturers in Terms of Quantity

Preliminary estimates of the size of the domestic market for worsted wool fabrics used in U.S. men's tailored clothing production as a whole, and for finer and coarser wool fabrics, are shown in the following tabulation.

Estimated size of U.S. market for worsted wool fabrics containing 85 percent or more by weight of wool for use in domestic production of men's tailored clothing, 1999

(Million square meters equivalent)

Fabric type	Market size
Total wool fabrics for use in men's tailored clothing	[1]25.0
18.5 microns or less	[2]***
Greater than 18.5 microns	[3]***

[1] Estimated by the Commission based on domestic production of men's wool suits, sport coats, and trousers in 1999, which includes production using both worsted and woolen fabrics. It is assumed that all suits and trousers are made with worsted fabrics, and about one-half, or 3.4 million square meter equivalents, of the sport coats are made from worsted fabrics. It was assumed that one suit uses 5.6 square meters of fabric, a sport coat uses 3.1 square meters, and trousers use 2.6 square meters.

[2] Based on industry estimates. See section II for additional information.

[3] Estimated by the Commission based on estimated total size of the market, minus the estimated market size for finer fabrics.

Based on the preliminary data available, it appears that U.S. fabric producers currently are supplying *** percent of finer fabrics required for domestically produced men's tailored clothing.[21] At this time, the Commission has insufficient information to estimate domestic production of the coarser worsted wool fabrics (greater than 18.5 microns) for use in men's tailored clothing.

Both known domestic producers of fine worsted wool fabrics stated that they have the capacity to increase production. Burlington stated that it has the domestic capacity to produce a total of 40 million square meters of worsted wool fabric, including the fine and coarser worsted wool fabrics.[22] Burlington's current level of production is about *** square meters, of which about *** is accounted for by fabric having average fiber diameters of 18.5 microns or less.[23] According to officials of Warren Corp., which specializes in the production of fine worsted wool fabrics, the firm could significantly increase its production[24] from the current level of ***.[25]

The quantity of worsted wool fabrics required by the domestic tailored clothing industry depends on the end-use garments for which the fabrics are to be used. As noted in the "fabric market" section above, worsted wool fabrics for use in the production of suits, sport coats, and trousers often are not interchangeable. In 1999, suits accounted for an estimated 38 percent, or 10.7 million square meter equivalents (SMEs), of the wool fabric used in domestic production of men's tailored clothing, compared with 24 percent, or 6.8 million SMEs, for sport coats and 38 percent, or 10.8 million SMEs, for trousers.[26] Based on data for January-September 2000, the total amount of worsted wool fabric used in domestic production of men's suits decreased by almost 1 million SMEs from the year-earlier period, while that for trousers increased by 1.8 million SMEs. The amount of fabric used for sport coats remained unchanged. In general, the clothing industry currently uses more styles of fancy fabrics (that utilize numerous colors and different styles of yarn) for sport coats than for suits and trousers. However, although basic solid-color fabrics are still in demand, textile and apparel industry sources indicate that there has also been an

[21] Assumes that domestic production of the finer wool fabrics is *** million square meters. Some portion of this domestic production is believed to be used in womenswear.

[22] John D. Englar, Senior Vice President, Corporate Development and Law, Burlington Industries, Inc., Greensboro, NC, written submission to the Commission, Apr. 11, 2001.

[23] Officials of Burlington Industries, Inc., Clarksville, VA, interview by Commission staff, Mar. 29, 2001.

[24] Guy Birkhead, Vice President of Operations, Warren Corp., Stafford Springs, CT, written submission to the Commission, Apr. 17, 2001.

[25] Officials of Warren Corp., Stafford Springs, CT, interview by Commission staff, Mar. 20, 2001.

[26] Includes the square meter equivalents (SMEs) for all wool fabric, including worsted and woolen fabrics. For purposes of this analysis, it was assumed that worsted fabrics account for all the wool fabrics used in men's suits and trousers and roughly one-half of the fabrics used for men's sport coats, or roughly 3.4 million SMEs.

increase in demand in 2001 for more fancy trouser fabrics and for solid-color trouser fabrics that use different types of yarns and weave structures to create a textured feel or pattern in the fabric. ***.[27]

***.[28] ***.[29]

The Ability of the Domestic Fabric Producers to Meet the Needs of the Domestic Clothing Manufacturers in Terms of Market Demands for the Apparel Items

According to several domestic clothing producers, the three top factors in deciding to purchase a particular fabric are the fashion or style of the fabric, the quality of the fabric, and the reliability of the supplier. The ability to purchase small lot sizes at a competitive price might also influence domestic clothing producers to purchase from a particular supplier. Both fabric and apparel producers agree that within a given price range, the fabric, including its appearance and feel, is the most important factor a consumer considers when purchasing a suit, sport coat, or trousers.

Style Diversity

Domestic tailored clothing producers purchase hundreds of different fabric styles for each season (fall and spring). One company stated that it currently buys roughly *** different style fabrics per season.[30] The number of different fabric styles purchased by the domestic industry as a whole is likely to be well into the thousands, as domestic apparel firms want to differentiate their products from those of their competitors, and generally will not sell two different retailers apparel made with the same style fabric. Clothing producers may also switch suppliers if the variety of designs offered by a supplier does not change significantly from one season to the next. ***.[31] ***.[32]

***.[33]

Reliability of Supply

Typically, worsted wool fabrics are made to order. Tailored clothing producers order fabrics on a seasonal basis, based on their customers' clothing orders and, to some extent, forecasts. Fabric orders generally are placed 4 to 6 months prior to the delivery of the fabric. For some custom-designed fabrics, companies will start working

[27] Official of Warren Corp., telephone interview by Commission staff, Stafford Springs, CT, May 3, 2001.

[28] Officials of Burlington Industries, Inc., Clarksville, VA, interview by Commission staff, Mar. 29, 2001.

[29] Official of Warren Corp., Stafford Springs, CT, interview by Commission staff, Apr. 27, 2001.

[30] Officials of Hartz & Co., Broadway, VA, interview by Commission staff, Apr. 5, 2001.

[31] Officials of Warren Corp., Stafford Springs, CT, interview by Commission staff, Mar. 20, 2001, and telephone interview by Commission staff, Apr. 27, 2001.

[32] Officials of Burlington Industries, Inc., Clarksville, VA, interview by Commission staff, Mar. 29, 2001.

[33] Commission staff interviews with officials of Hartz & Co., New York, NY, Mar. 21, 2001, and Broadway, VA, Apr. 5, 2001.

with fabric producers up to 9 months prior to delivery of the fabrics and 18 months in advance of the apparel selling season. Reliability of supply is critical because of the long lead times involved in purchasing fabrics. Men's tailored clothing manufacturers report using a large number of different suppliers to diversify risk, as well to obtain the assortment of styles they require.

In a written submission to the Commission, Walter B.D. Hickey, Jr. of Hickey-Freeman Co., Inc. and the Tailored Clothing Association, stated that Burlington withdrew its production of certain fabrics in the past without notice, "eliminating 750,000 yards of production for which our industry had planned to use in its manufacturing cycle." The submission also referred to Burlington's restructuring activities, through which Burlington has reduced its domestic fabric production capacity. Hickey-Freeman's submission also pointed out that Moody Investor Services downgraded the rating for some of Burlington's debt from B1 to Caa2 in January 2001, in part because "Moody's is concerned about the company's ability to meet all of its fixed charge obligations in 2001 . . .."[34]

Importing fabric can entail risks, however, which is one reason why many of the clothing producers purchase some or all of their imported fabrics through agents, who carry the risk of importing the fabrics. Any damage that might occur to the fabric during shipping and any unacceptable manufacturing defects in the fabric are then the responsibility of the import agent. ***.[35]

Quality

There are a wide range of factors affecting fabric quality including the fabric's physical defects, hand (the tactile qualities of the fabric), tailorability (how easily the fabric can be cut and sewn into a garment), and drape (how the fabric hangs, particularly once it has been made into a garment). One apparel industry source indicated that, in the past, fabric which the foreign mills used to consider "first" quality would be "seconds" quality in the United States, but the foreign mills recently started grading their fabrics more in line with what is expected by their U.S. customers.[36]

[34] Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., Inc., and President, TCA, written submission to the Commission, Mar. 26, 2001. See, also, Moody's Investor Services, Rating Action for Burlington Industries, Inc., available at Internet site ***http://www.moodys.com***.

[35] Officials of Hartz & Co., Broadway, VA, interview by Commission staff, Apr. 5, 2001.

[36] Officials of Hartz & Co., Broadway, VA, interview by Commission staff, Apr. 5, 2001.

Section IV: Price Data and Lost Sales and Revenues[37]

Price Data

Price Comparisons

The price of worsted wool fabric is greatly affected by the market demand for the suits, sport coats, and trousers that the fabric is used to produce. Prices for worsted wool fabric can vary greatly due to differences in micron level, weight, quality, weave construction, style, yarn, and overhead costs of the fabric producer. In addition, the price of any fabric may differ by purchaser, because fabric suppliers sometimes negotiate prices. Therefore, any comparison between the prices for domestic fabric and the prices for imported fabric provides only a general overview of the differences between the prices of a specific fabric from different sources.

Table 5 contains prices for domestic fabrics ***[38] ***.[39] The price ranges for imported Italian fabric are possible prices for plain weave fabric compiled from several suit manufacturers. The domestic and import prices in table 5 have very limited comparability because other domestic fabrics may have lower or higher prices than the domestic fabrics in table 5 and because the reported range of prices for imported Italian fabric is wide and the distribution of the prices within the range is unknown.

However, the price data show that prices of the domestic fabrics fall well within the reported range of prices of Italian imports.[40] The landed duty-paid average unit value of imports of Italian worsted wool fabric 18.5 microns or less reported for the 3-month period December 2000-February 2001 is ***.[41] ***.

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[37] Unless otherwise noted, information in this section is based on Commission staff interviews with officials of Warren Corp., Stafford Springs, CT, Mar. 20, 2001, officials from Burlington Industries, Inc., Clarksville, VA, Mar. 29, 2001, and officials from Hickey-Freeman Co., Inc., Martin Greenfield Clothiers, Ltd., Saint Laurie, Hart, Schaffner & Marx, and Hartz & Co., New York, NY, Mar. 21, 2001.

[38] ***.

[39] For the rest of this section "fabric having an average micron count of x" will be referred to as "x micron fabrics."

[40] ***.

[41] ***.

Table 5
Worsted wool fabric: Prices for domestic and imported Italian fine fabric and average unit value for Italian fine fabric

* * * * * *

Price Trends

***.

Factors Affecting Prices

Fabric prices are affected not only by market demand for the subject apparel items, but also by lot sizes, changes in exchange rates of major importers, and changes in duties on fabric. Both domestic and foreign fabric producers generally require purchases of a minimum lot size, although they produce and sell fabrics in smaller lot sizes for a premium and discount larger orders. ***.[42] ***.[43] ***.[44] ***.[45] ***.[46]

Between January 1999 and December 2000, the Italian lira depreciated while the Mexican peso appreciated relative to the U.S. dollar, making Italian imports more competitive and Mexican imports less competitive with U.S.-produced worsted wool fabric (table 6). Reductions in duties for worsted wool fabric, such as those under TRQs, make domestic worsted wool fabric less competitive with imports of worsted wool fabric subject to the lower duties.

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

	Nominal exchange rate		Real exchange rate	
Country	Currency appreciation	Currency depreciation	Currency appreciation	Currency depreciation
	Percent			
Canada	-	0.9	-	2.4
India[2]	-	8.9	-	6.3
Israel[2]	-	1.0	-	3.0
Italy[2]	-	13.4	-	19.2
Korea	2.6	-	-	3.4
Mexico[3]	5.0	-	7.3	-

[1] Exchange rate changes are measured for the period Jan. 1999-Dec. 2000, unless otherwise noted.

[2] Data for real exchange rates are for the period Jan. 1999-Sept. 2000, the most recent period for which data are available.

[3] Data for real exchange rates are for the period Jan. 1999-Dec. 1999, the most recent period for which data are available.

Source: International Monetary Fund, ***International Financial Statistics,*** Mar. 2001.

42 ***.
43 ***.
44 ***.
45 ***.
46 ***.

Changes in raw material costs and transportation costs to the United States have a smaller effect on prices than the factors discussed above. The main raw material for worsted wool fabric is wool, which makes up about *** of the final price of the fabric.[47] However, producers indicate that the price of wool recently has not been an important factor in determining the price of fabric. Transportation costs for worsted wool fabric to the United States (excluding U.S. inland costs) vary by country and are relatively small for the major suppliers, estimated at approximately 3.6 percent of the total customs value for worsted wool fabric on average for all countries and 3.9 percent and 1.5 percent, respectively, for Italy and Mexico in 2000.[48]

Loss of Fabric Sales and Revenue Resulting From Temporary Duty Reductions

Although domestic producers claim that it is impossible to measure the impact of the temporary duty reductions before the TRQs are allocated, they indicate that the change in the duties have undermined many of their short and long term business plans.[49] Also, Warren claims that the temporary duty reductions have resulted in significant downward price pressure on domestic fabric producers.[50]

Loss of Sales and Revenue of Men's and Boys' Worsted Wool Suits, Suit-Type Jackets, and Trousers

***. Hickey-Freeman indicates that because of the need to have access to an enormous variety of patterns, styles and colors, two domestic worsted wool mills are not capable of producing the variety of wool fabric it needs. It also indicates that the duty on imports of subject worsted wool apparel items is less than the duty on the fabric it must import and that large quantities (more than 6.5 million square meter equivalents) of wool apparel that use non-NAFTA sourced fabric may be imported duty free from Canada and Mexico. Hickey-Freeman claims that the favorable NAFTA treatment, coupled with the significantly lower duty rates levied by Canada (about 6 percent) and Mexico (about 18 percent) on non-NAFTA fabric, creates an enormous price advantage for suits made in Canada and Mexico.[51]

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[47] ***. Also, the cost of wool yarn makes up about *** of the final price of the fabric.

[48] These estimates are derived from official import data and represent the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value.

[49] Guy Birkhead, Vice President of Operations, Warren Corp., Stafford Springs, CT, written submission to the Commission, Apr. 17, 2001, and John D. Englar, Senior Vice President, Burlington Industries, Inc., Greensboro, NC, written submission to the Commission, Apr. 11, 2001.

[50] Warren Corp., written submission to the Commission, Apr. 17, 2001.

[51] Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., Inc., Rochester, NY, Mar. 26, 2001, p. 2.

Section V: Wool Fibers and Yarns

This section of the report 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 yarns spun from wool fibers that undergo carding and combing are known as "worsted" yarns, whereas those spun from wool fibers that undergo carding only are known as "woolen" yarns.[52] Although both types of wool yarns are used mainly in apparel, only the worsted yarns are covered by this investigation. U.S. yarn producers state that the worsted wool yarns used in suiting fabrics generally have average fiber diameters of 18.5 to 21 microns, but not more than 25.

Wool Fibers

U.S. mill consumption of raw wool fell by 47 percent during 1996-2000 to 74.8 million pounds, the lowest on record (table 7). U.S. wool production decreased for the 11th straight year in 2000, to 24.5 million pounds (clean content), down by 18 percent from

Table 7
Wool: U.S. production, imports, and mill consumption by end uses, 1999-2000

Item	1999	2000
	1,000 pounds (clean content)	
Production	24,601	24,523
Imports:		
25 microns or less[1]	19,934	22.152
Other	23,140	22,848
Total imports	43,074	45,001
Mill consumption:		
Worsted apparel	34,384	30,106
25 microns or less[1]	27,429	21,732
Other	6,955	8,374
Woolen apparel	29,151	30,188
Total apparel	63,535	60,294
Carpet	13,950	14,514
Total U.S. wool consumption	77,485	74,808

[1] 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 subheadings 5101.11.6060, 5101.19.6060, 5101.21.4060, and 5101.29.4060, and 50 percent of those under subheadings 5101.21.7000, 5101.29.7000, 5101.30.4000, and 5101.30.7000; the remaining 50 percent of the imports under these subheadings are included in "other."

Source: Data on production and mill consumption derived from statistics of the U.S. Department of Agriculture (USDA), Economic Research Service, ***Cotton and Wool Situation and Outlook Yearbook*** (CWS-2000), Nov. 2000, and USDA, National Agricultural Statistics Service (NASS), ***Sheep and Goats***, Jan. 26, 2001. Import data compiled from official statistics of the U.S. Department of Commerce.

[52] 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,

1996.[53] U.S. raw wool imports fell by 40 percent, to 45 million pounds, notwithstanding a small gain in 2000. The decline in mill consumption reflected substantially reduced wool usage by domestic mills making inputs for apparel, which accounted for 87 percent of raw wool mill consumption by quantity during 1996-2000 (carpet accounted for the remainder). Consumption of wool for apparel fell by slightly more than one-half during the period to 60.3 million pounds, with consumption of wool decreasing by 50 percent for worsted apparel and 57 percent for woolen apparel, to about 30 million pounds each.[54]

One-half of U.S. imports of raw wool consisted of fibers finer than 25 micron count; Australia supplied 90 percent of these imports. The latest data available on U.S. production of wool fibers by microns are for 1996, and show that wool fibers suitable for use in suiting fabrics (25 microns or less) accounted for 57 percent of U.S. wool production; fibers having average diameters of 22 microns or less represented 29 percent of the total.[55] Wool fibers having average diameters of 18 to 19 microns reportedly account for less than 0.5 percent of total U.S. wool production.[56]

Worsted Wool Yarns[57]

Apparent U.S. consumption of worsted wool yarns declined by 22 percent during 1996-99 to 20.4 million kilograms (kg), as domestic production fell by 32 percent to 15.9 million kg in 1999 and imports rose by 89 percent to 5.6 million kg in 2000 (table 8). As such, the share of U.S. consumption accounted for by imports more than doubled during 1996-99 to 23 percent. The decline in U.S. consumption and production largely reflected weak demand for worsted wool yarns because of a decrease in U.S. output of apparel fabrics and an increase in U.S. imports of goods containing worsted wool yarns—namely, worsted wool fabrics and tailored clothing,

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52-***Continued***
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.

53 ***.

54 U.S. Department of Agriculture (USDA), Economic Research Service (ERS), ***Cotton and Wool Situation and Outlook Yearbook*** (CWS-2000), Nov. 2000, p. 13, and facsimile from ERS, Mar. 22, 2001.

55 American Wool Council, a division of the American Sheep Industry Association, e-mail from Rita Kourlis-Samuelson to Commission staff, Mar. 26, 2001.

56 Timothy J. Galvin, Administrator, USDA, Foreign Agricultural Service (FAS), in an undated letter to the Honorable Thad Cochran, United States Senate. The FAS official was responding to a letter from Senator Cochran of April 14, 1999, concerning a statement of the U.S. International Trade Commission in its ***Industry and Trade Summary: Wool and Related Fine Animal Hair*** that the United States is dependent on Australia for the finer grades of wool fibers. The FAS official in his letter stated that the FAS does "not have the data by which to refute" the Commission's statement "that the United States is dependent on Australia for those finer grades."

57 Information in this section is based mainly on Commission staff telephone interviews with officials of Kent Manufacturing Co., Hanora Spinning, Jagger Brothers, and Burlington Industries during March and April 2001.

Table 8
Worsted wool yarns: U.S. production, imports for consumption, domestic exports, and apparent consumption, 1996-2000, and January-February 2000-01

Year	U.S. production	U.S. imports	U.S. exports	Apparent U.S. consumption	Ratio of imports to consumption
	1,000 kilograms				***Percent***
1996	23,379	2,978	387	25,970	11
1997	22,023	4,298	386	25,935	17
1998	19,941	4,454	312	24,083	18
1999	15,894	4,660	172	20,382	23
2000	([1])	5,593	494	([1])	([1])
Jan.-Feb.:					
2000	([1])	861	61	([1])	([1])
2001	([1])	764	129	([1])	([1])

[1] Production data are not yet available for 2000 nor could meaningful estimates be made because of rapidly changing industry conditions.

Note.–Import data are for HTS subheadings 5107.1000, 5107.1030, 5107.1060, 5107.2000, 5107.2030 and 5107.2060; export data are for HTS subheadings 5107.1000 and 5107.2000.

Source: Production data compiled from U.S. Census Bureau, ***Current Industrial Report: Yarn Production*** (MQ313F(99-1)), 1999 and prior years; trade data compiled from official statistics of the U.S. Department of Commerce.

which often are made from foreign materials. The production decline is also attributable to a switch by some producers to making yarns of acrylic and other fibers. Nevertheless, an industry source believes that U.S. wool yarn production will rebound as a result of trade benefits under the newly enacted United States-Caribbean Basin Trade Partnership Act (CBTPA), which authorizes duty-free and quota-free treatment for imports of apparel made in Caribbean Basin beneficiary countries from fabrics made in the United States of U.S. yarns. U.S. wool yarn exports more than doubled year-over-year in January-February 2001, and U.S. exports to CBTPA beneficiary countries rose from zero to 10,000 kg.

The segment of the U.S. yarn industry making worsted wool yarns continues to restructure, as firms close plants, consolidate operations, and cut production. ***. In addition, several firms have gone out of business and another firm (Forstmann), once a leading producer of worsted wool yarns, sold its yarn division to Kent Manufacturing Co. in 2000. The leading producers of worsted wool yarns for use in worsted wool fabrics for men's tailored clothing are believed to be Kent Manufacturing, Hanora Spinning, and Burlington Industries, ***. U.S. yarn producers purchase their raw materials (wool tops and fibers) from either domestic sources (Burlington Industries and Prouvost USA, Inc., Jamestown, SC, are the only U.S. producers of wool tops) or foreign suppliers.

Industry sources estimate that the share of U.S. production of worsted wool yarns accounted for by yarns having an average fiber diameter of 18.5 microns or less ranges from a very small share to as much as 30 percent annually. These sources report that domestic worsted wool yarns are similar in quality to imported yarns, which came mainly from Canada, Italy, and New Zealand during 1996-2000. Mexico entered the market in the late 1990s and became the fourth-largest import source in 2000 with shipments of $8.8 million. ***.

Section VI: Position of Interested Parties

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

- Hickey-Freeman,[58] a subsidiary of Hartmarx, the largest publicly traded men's apparel firm, and a producer of men's worsted wool tailored clothing, stated that the U.S. tailored clothing industry has been declining for several decades and is now half the size it was 10 years ago. The firm said that the remaining two U.S. producers of worsted wool fabrics are currently not capable of making such fabrics in the variety (patterns, styles, and colors) required by U.S. tailored clothing producers.
- According to Hickey-Freeman, because U.S. import tariffs are much higher on worsted wool fabrics (28.3 percent ad valorem in 2001) than on worsted wool apparel (e.g., the duty on sport coats was 18.8 percent in 2001), much incentive exists to further expand imports of such apparel. It said that NAFTA duty-free treatment for U.S. imports of wool tailored clothing made in Canada and Mexico from non-North American fabrics has given suit producers in these countries a price advantage over U.S. clothing firms in the domestic market. Consequently, whereas U.S. firms made 1.9 million wool suits in 1999, Canadian and Mexican firms are exporting almost 2.5 million suits annually to the United States. Hickey-Freeman also stated that the NAFTA partners are misusing the tariff preference levels (e.g., by using yarns and fabrics made in Asia rather than North America). The firm stated that this practice has enabled Canadian and Mexican firms to develop substantial export industries and has adversely affected U.S. producers of fabrics and apparel, including wool suits and fabrics.
- Hickey-Freeman stated that U.S. consumer trends have shifted during the past decade from more formal to more casual dress attire. Although the product mix has shifted, the aggregate amount of worsted wool apparel has not necessarily changed. The firm noted that apparent U.S. consumption of tailored wool apparel rose from 47.1 million square meter equivalents (SMEs) in 1997 to 49.6 million SMEs in 1999. Concurrently, the firm indicated that U.S. imports of worsted wool apparel rose from 33.3 million SMEs in 1999 to 36.4 million SMEs in 2000. Hickey-Freeman stated that although lower labor costs and currency valuation differences partly explain why U.S. firms are losing market share to foreign suppliers, much of the blame belongs to the high U.S. tariffs on worsted wool fabrics and the lack of an adequate domestic fabric industry.

[58] Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., Inc., Rochester, NY, and President, TCA, written submission to the Commission, Mar. 26, 2001.

- Hickey-Freeman stated that it supported provisions in the Trade and Development Act of 2000 (the Act) that relate to temporary duty reductions on worsted wool fabrics because the provisions were the first concerted U.S. Government effort to enable U.S. wool apparel producers to compete more effectively with foreign producers. Nevertheless, Hickey-Freeman stated that the tariff reductions do not provide tariff rate parity with the rates paid by Canadian producers on imported worsted wool fabrics. The firm noted that the quantity of fabric subject to the reduced duties, 4 million SMEs, is not sufficient to meet the current production needs of U.S. wool apparel producers.

- Hickey-Freeman noted that since the passage of the Act, U.S. production of worsted wool fabrics has fallen substantially, whereas imports of such fabrics have risen rapidly. The firm stated that U.S. Census Bureau data show a 26-percent decrease in domestic production from the first quarter of 2000 to the third quarter of 2000. The firm also noted that specific company activities point to a decline in U.S. worsted wool fabric production. The firm stated that Burlington Industries, the largest U.S. fabric producer, has announced and implemented significant decreases in its production of worsted wool fabrics (e.g., a 25-percent reduction in U.S. fabric capacity in 1999, and a 14-percent reduction in worsted wool fabric capacity at its facility in Clarksville, VA). Hickey-Freeman noted that the only other U.S. producer of such fabrics, Warren Corp., Stafford Springs, CT, cannot replace the loss of Burlington's production. Moreover, Hickey-Freeman stated that Loro Piana of Italy (parent company of Warren Corp.), which makes high-end fabrics in Italy and Connecticut, no longer makes the finer wool fabrics in the United States, but is importing them.

- Hickey-Freeman stated that although U.S. production of worsted wool fabrics is declining rapidly, the U.S. market continues to demand tailored clothing made from worsted wool fabrics having average fiber diameters of 18.5 microns or less, prompting U.S. clothing producers to import such fabrics. Hickey-Freeman stated that a survey of 1998 fabric purchases of TCA members indicates that about 60 percent of tailored clothing sales and domestic production were in the finer wool fabrics (18.5 microns or less). The survey also showed that 62 percent of the imported wool fabrics were of the finer fabrics.

- Hickey-Freeman stated that official U.S. statistics show that imports of worsted wool fabrics in the first three quarters of 2000 rose by 15 percent over the year-earlier level, whereas domestic production fell by 16 percent during the period. Hickey-Freeman said that foreign competitive pressures on domestic apparel makers are continuing to grow, particularly from Canada and Mexico, which have expanded their exports of wool apparel to the United States because of NAFTA preferences.

American Apparel & Footwear Association (AAFA)

- AAFA,[59] representing U.S. producers of clothing and footwear, said that it supports the comments filed by its member Hickey-Freeman and TCA, which identify key trends that have adversely affected the tailored clothing industry both before and after passage of Title V of the Trade and Development Act of 2000. AAFA stated that these trends include the rapid decline of domestic sources of worsted wool fabrics used for men's tailored clothing; an existing duty rate inversion on imported worsted wool fabrics (i.e., the duties are higher on fabrics than on finished apparel); and trade policies that allow Canadian and Mexican suit makers to import worsted wool fabrics at low duty rates and export finished garments to the United States free of duty.
- AAFA stated that the amount of domestically available worsted wool fabrics is likely to be further reduced because (1) firms other than those making men's wool tailored clothing also use worsted wool fabrics, and (2) the U.S. Congress and the Department of Commerce have created programs to further promote the use of U.S. wool fabrics through duty- and/or quota-free access to the U.S. market of garments produced in the Caribbean Basin and in Southeastern Europe.

American Sheep Industry Association (ASI)

- ASI[60] contends that U.S. wool producers would be adversely affected by any increase in the TRQ in-quota quantities for worsted wool fabrics. ASI also states that it is impossible to calculate the impact of the TRQ duty reductions because the TRQs have not been allocated.

Burlington Industries, Inc. (Burlington)

- Burlington,[61] a U.S. producer of worsted wool fabrics for men's tailored clothing, stated that it opposes any increase in the TRQ in-quota quantities for such fabrics because it would likely have a negative effect on the financial health of the U.S. worsted wool fabric industry. The firm noted that drafters of the wool legislation did not intend to have any changes made to the TRQ levels

[59] Stephen Lamar, Director of Government Relations, AAFA, Arlington, VA, written submission to the Commission, Apr. 13, 2001.

[60] Cindy Siddoway, President, ASI, Englewood, CO, written submission to the Commission, Apr. 17, 2001.

[61] John D. Englar, Senior Vice President, Burlington Industries Inc., Greensboro, NC, written submission to the Commission, Apr. 16, 2001.

for 2001. Burlington said that, because the TRQ allocations have not yet occurred, it is not possible to conduct a thorough examination of the effects of the TRQs at this time, and that such an examination must be completed before a TRQ adjustment can be considered.

- Burlington stated that the U.S. Government should not grant additional incentives for the importation of worsted wool fabrics unless U.S. production capacity for such fabrics is being fully utilized. The firm noted that it currently has a substantial amount of idle capacity. Burlington said that an increase in the TRQ levels will have a negative impact on the U.S. worsted wool fabric industry, worsening an already depressed business environment, and will affect the industry's ability to employ its workforce.
- Burlington stated that the U.S. wool fabric industry has made substantial investments in production capacity based on the Uruguay Round tariff reduction schedule and on indications from the U.S. Government that further significant tariff reductions were unlikely. Burlington noted that the substantial tariff reductions embodied in Title V have had a significant and negative impact on the value of these investments and on long-term business plans.

Northern Textile Association (NTA)

- NTA,[62] representing U.S. producers of fabric and yarn, stated that the U.S. worsted wool fabric industry is capable of producing all of the fabric needed by the U.S. tailored clothing industry. NTA noted that a large amount of worsted wool fabric is made domestically, the industry has invested in additional production capacity, and a substantial portion of extant capacity is currently idle.
- NTA stated that the TRQs, which were undertaken unilaterally and involve no tariff reductions on the part of foreign trading partners, have created uncertainty in the U.S. worsted wool fabric industry. NTA said that large investments were made in the U.S. worsted wool fabric industry based on an understanding that the U.S. tariff arrangement for worsted wool fabrics would remain stable following significant tariff reductions in the Uruguay Round.
- NTA states that the TRQs were not intended to be increased in 2001. NTA noted that congressional arbitrators indicated that the TRQs would not be increased in 2001 and that any increase must be preceded by an annual examination of the effects of the TRQs. According to NTA, this suggests that Congress did not intend any TRQ adjustments for 2001, as the TRQs must be in place for a period of time in order to assess their impact. NTA said that the TRQs have not been allocated to date and, as a result, it is currently not possible to assess their effect on the U.S. worsted wool fabric industry.

[62] Karl Spilhaus, President, NTA, Boston, MA, written submission to the Commission, Apr. 24, 2001.

- Warren Corp.,[63] a producer of worsted wool fabric for men's tailored clothing and an affiliate of Italian-firm Ing. Loro Piana & C.s.p.a., stated that the TRQ levels should not be increased for 2001. The firm said that any increase in the TRQ levels would likely have a negative impact on the U.S. wool fabric industry, exacerbating current market instability. According to Warren Corp., the firm is particularly sensitive to policies that affect the U.S. market for worsted wool fabric, because the firm makes wool fabrics for men's clothing almost exclusively.
- Warren Corp. stated that, unlike the gradual tariff reductions established under the Uruguay Round that gave U.S. wool fabric producers an opportunity to adjust to new market conditions, the TRQ tariff decreases were put into effect immediately. The firm noted that these sudden tariff reductions have had a significant impact on prices and the value of recent investments in production capacity. As a result, Warren Corp. has abandoned several short- and long-term business plans.
- Warren Corp. said that the TRQs should not be increased because U.S. firms currently produce large quantities of the subject fabrics. In addition, U.S. capacity should be fully utilized before any TRQ increase is contemplated. The firm stated that it currently has a significant amount of unused capacity.
- Warren Corp. contends that Title V does not allow for a TRQ adjustment in 2001 based on its discussions with the drafters of this legislation. In addition, Title V requires the government to conduct a thorough examination of the effects of the TRQs on the domestic wool fabric market before adjustments to these TRQs are considered. The firm stated that it is not possible for the U.S. International Trade Commission to conduct such an examination in time to affect the TRQ levels for 2001, because the data needed to conduct this assessment do not currently exist. Adequate import data are not yet available because the TRQs have not been allocated and because the U.S. Government only recently began collecting trade data by micron count. Moreover, the firm said that Department of Commerce import estimates by micron count, which were formulated by identifying fabrics having average fiber diameters of no more than 18.5 microns by price, are unreliable as fabric prices vary widely among foreign suppliers.

[63] Guy Birkhead, Vice President of Operations, Warren Corp., Stafford Springs, CT, written submission to the Commission, Apr. 17, 2001.

APPENDIX A
Request Letter From the United States Trade Representative

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

DOCKET NUMBER 2168
Office of the Secretary Int'l Trade Commission

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

DOCKET

Dear Chairman Koplan:

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

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

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

...inal to fax.

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

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

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

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

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

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

APPENDIX B
Federal Register Notice

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

Background

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

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

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

Issued: February 13, 2001.

By order of the Commission.

Donna R. Koehnke,

Secretary.

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

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–427]

U.S. Market Conditions for Certain Wool Articles

AGENCY: United States International Trade Commission.

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

EFFECTIVE DATE: February 12, 2001.

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

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

Background

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

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

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

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

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

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

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

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

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

Public Hearing

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

Written Submissions

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

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

List of Subjects

Tariffs, imports, wool, fabric, and suits.

By order of the Commission.

Issued: February 13, 2001.

Donna R. Koehnke,

Secretary.

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DEPARTMENT OF JUSTICE

Notice of Lodging of Consent Decree Under the Clean Air Act

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

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

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

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

Robert D. Brook,

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

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