

U.S. International Trade Commission

Certain Wool Articles

**First Annual Report on
U.S. Market Conditions**

Investigation No. 332-427

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September 2001



U.S. International Trade Commission

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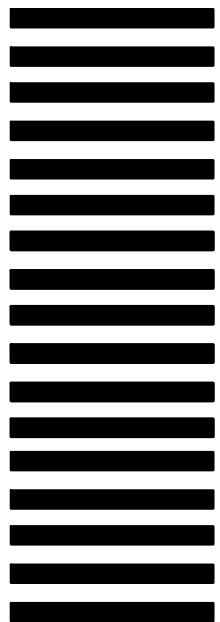
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U.S. International Trade Commission

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

Investigation No. 332-427

September 2001



ABSTRACT

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

The results are as follows:

Apparent U.S. consumption of men's wool tailored clothing grew in unit volume during 1996-2000, as demand for sport coats and separate trousers generally rose, while demand for suits fell in 1999 and 2000. The growth in tailored clothing consumption during 1996-2000 was accounted for almost entirely by imports, which rose almost without interruption and now supply most of the market. U.S. production of such clothing fell during most of 1996-2000.

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

Official statistics show that U.S. consumption of all worsted wool fabrics fell during 1996-2000. The decline was accounted for by the U.S. fabric industry, whose output fell 51 percent in the period. By contrast, imports of such fabrics rose 24 percent in the period.

The Commission estimates that the size of the domestic market for the worsted wool fabrics was approximately 19 million square meters in 2000. The Commission estimates that coarse-micron fabrics account for the majority of the market, while fine-micron fabrics account for a comparatively small but growing market share.

The U.S. worsted wool fabric industry, which has substantial excess production capacity, has sufficient capacity to produce the quantity of worsted wool fabrics required by the U.S. tailored clothing industry, whether for fine-micron or coarse-micron fabrics. However, tailored clothing manufacturers' desire to diversify their supplier base outside the U.S. market to spread risk and obtain a measure of exclusivity in fabric styles suggests significant increased utilization of U.S. capacity to produce worsted wool fabrics, especially in fine-micron counts, is unlikely. For coarse-micron fabrics, the fabric industry appears to have difficulty providing the number and variety of fabric styles, fabric quality and consistency, and minimum order sizes required by the clothing manufacturers.

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EXECUTIVE SUMMARY

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

Principal Findings

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

- U.S. consumption of men's wool tailored clothing grew in unit volume during 1996-2000, as demand for sport coats and trousers generally rose, while demand for suits fell in 1999 and 2000. Imports accounted for nearly all of the growth in consumption of men's wool tailored clothing during 1996-2000, rising almost without interruption to supply most of the U.S. market. In 2000, the import shares were estimated at 78 percent for suits, 83 percent for sport coats, and 71 percent for trousers. U.S. tailored clothing production fell during 1996-2000.
- According to industry sources, the U.S. market for men's worsted wool tailored clothing during 1996-2000 experienced growing demand for goods made from "fine-micron" fabrics having an average fiber diameter of 18.5 microns or less (the lower the number, the finer the fiber; these fabrics often are marketed under such terms as Super 100s and Super 120s). Industry sources stated the decline in U.S. consumption of wool suits in 1999 and 2000 was concentrated in those selling for less than \$500 each at retail, which tend to be made from "coarse-micron" fabrics having an average fiber diameter greater than 18.5 microns.
- Based on questionnaire data from U.S. tailored clothing manufacturers, U.S. production of men's worsted wool suits in 2000 fell 9 percent from 1999, and is down 23 percent in January-March 2001 from the year-ago level (see table below). The decline in production of wool suits made of coarse-micron fabrics offset the gain in output of suits made of fine-micron fabrics in 2000. In the 2001 period, a decline occurred in production of suits made of both fabric types.

¹ In general, under a TRQ, the United States applies a lower tariff rate to imports of an article up to a particular amount, known as the in-quota quantity, and another higher rate to imports in excess of the given amount. Title V of the Act established two TRQs for worsted wool fabrics, which went into effect for 3 years beginning on January 1, 2001. For 2001, the first TRQ permits 2.5 million square meters of "coarse-micron" fabrics to enter at 18.8 percent ad valorem and the other TRQ permits 1.5 million square meters of "fine-micron" fabrics to enter at 6 percent ad valorem. Imports in excess of these TRQ quantities are subject to the normal-trade-relations duty rate of 28.3 percent ad valorem.

Men's and boys' worsted wool suits, sport coats, and trousers: U.S. manufacturers' production, by micron counts, 1999-2000, January-March 2000, and January-March 2001

(1,000 units)

Item	1999	2000	January-March--	
			2000	2001
Suits	1,500	1,359	354	271
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Sport coats	943	1,124	224	229
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Trousers	1,169	1,174	203	214
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***

Note.—Data at the micron-count level were partly estimated by the Commission for purposes of this table, because certain questionnaire responses were incomplete.

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

- Production of men's worsted wool sport coats and trousers both rose in 2000 and in January-March 2001. Production of sport coats made of fine-micron fabrics grew in both periods, while output of sport coats made of coarse-micron fabrics increased in 2000 but decreased in the 2001 period. Production of trousers made of fine-micron fabrics fell in both 2000 and the 2001 period, while output of trousers made of coarse-micron fabrics rose in both periods.
- A number of clothing manufacturers reported they are experiencing financial difficulty, mainly because of declining sales, pressure from retailers to reduce prices, and intense competition. The manufacturers said the overall production decline in tailored clothing largely reflected insufficient quantities and varieties of cost-competitive fabrics available in the United States relative to Canada and Mexico, major foreign suppliers of tailored clothing benefiting from preferential market access under the North American Free Trade Agreement (NAFTA). The manufacturers also stated that high U.S. tariffs on imports of worsted wool fabrics have put them at a disadvantage vis-a-vis their competitors in Canada and Mexico. As such, many U.S. clothing manufacturers now contract out sewing operations offshore, as well as source finished garments globally. The worsted wool tailored clothing made domestically tends to compete in the smaller but higher priced segments of the domestic market.

U.S. Worsted Wool Fabric Industry

- Official statistics show that apparent U.S. consumption of all worsted wool fabrics declined 42 percent during 1996-2000. The decline was accounted for entirely by the U.S. fabric industry, whose output fell 51 percent in the period. Imports of such fabrics rose 24 percent during 1996-2000. As a result, the import share of U.S. consumption of worsted wool fabrics rose from

19 percent in 1996 to 40 percent in 2000. The leading foreign suppliers of the fabrics by quantity in 2000 were Mexico, Italy, and Canada. Approximately 38 percent of U.S. imports of worsted wool fabrics by quantity that year entered free of duty under NAFTA and the U.S.-Israel Free Trade Agreement, or 15 percent of U.S. consumption of all worsted wool fabrics.

- U.S. demand for worsted wool fabrics has decreased significantly in recent years because of reduced domestic production of men’s tailored clothing, the major market for U.S. producers of such fabrics. The decline in fabric demand has been concentrated in coarse-micron fabrics, the larger of the two markets. In contrast, there has been little reduction in demand for fine-micron fabrics, because of consumer preference for clothing made of fine wool fabrics. U.S. fabric producers have substantial excess production capacity. Based on questionnaire data from fabric producers, capacity utilization is estimated at *** percent for U.S. mills producing worsted wool fabrics for men’s tailored clothing.
- The Commission estimates that the size of the domestic market for worsted wool fabrics used in the manufacture of men’s tailored clothing totaled about 19 million square meters in 2000 (see table below). Based on questionnaire data, coarse-micron fabrics account for the majority of the market, while fine-micron fabrics account for a comparatively small but growing market share. The Commission believes that a significant portion of domestic and imported fabrics, particularly coarse-micron fabrics, are used in offshore assembly operations and, therefore, are not eligible for the TRQs.

Worsted wool fabrics for use in men’s and boys’ tailored clothing: Estimated size of U.S. market, production minus exports, and imports for consumption for 2000, and TRQ limits for 2001

(Million square meters)

Item	Fine-micron fabric	Coarse-micron fabric	Total
Size of--			
Market	***	***	19.0
Production minus exports	***	***	***
Imports	***	***	***
TRQ limits	1.5	2.5	(¹)

¹ Not applicable.

Note.--It is believed that a portion of the domestic and imported fabrics are cut into garment parts in the United States, sent offshore for assembly, and re-imported under the production-sharing provisions of HTS Chapter 98. Imported fabrics used in production-sharing arrangements are not eligible for the temporary duty reductions under the TRQs and, therefore, are not included in the total size of the market (the estimated 19.0 million square meter figure). Therefore, U.S. production minus exports, plus U.S. imports, is greater than the total size of the U.S. market.

Source: Estimated by the Commission based on questionnaire data, telephone interviews of industry representatives, and U.S. Customs data.

Fabric Prices

- Based on questionnaire data from U.S. tailored clothing manufacturers regarding their purchases of worsted wool fabrics and U.S. mills and wholesaler-importers regarding their sales of such fabrics, the average purchase price and average selling price for fine-micron domestic fabrics were *** than those for similar imported fabrics. For coarse-micron fancy fabrics (containing two or more colors), the average purchase and selling prices were *** for domestic fabrics than for similar imported fabrics. For coarse-micron solid-color fabrics, data from the clothing manufacturers show that the average purchase price was *** for domestic fabrics than for similar imported fabrics, while data from the U.S. fabric mills and wholesaler-importers show that the average selling price of domestic fabrics was ***. The average quarterly purchase prices reported by the clothing manufacturers tended to be higher than the average quarterly selling prices reported by the fabric mills and wholesaler-importers, whether for a given domestic or imported fabric or for a specific fine-micron or coarse-micron fabric, primarily because most of the purchase price data received by the Commission came from manufacturers of medium- to high-end clothing that typically use relatively high-cost fabrics.
- Data from U.S. tailored clothing manufacturers and fabric wholesaler-importers show that the average prices of imported fine-micron fabrics generally *** on a quarterly basis from January-March 1999 to January-March 2001. For domestic fine-micron fabrics, data from the clothing manufacturers show that the average purchase price *** during the period, ***. For coarse-micron fabrics, quarterly changes in average selling and purchase prices were mixed for 1999 and 2000.

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

- U.S. tailored clothing manufacturers state that fabric quality and consistency, the number and variety of fabric styles, reliability and flexibility of supply, and minimum order requirements are all important factors affecting their sourcing decisions and ability to compete in the domestic market. Based on information from the clothing manufacturers, they appear to favor fabric mills in Italy and the United Kingdom over those in the United States and other countries in terms of these factors.
- The U.S. fabric industry has sufficient capacity to produce the quantity of worsted wool fabrics required by the U.S. tailored clothing industry, whether for fine-micron or coarse-micron fabrics. However, several non-capacity factors, including number and variety of fabric styles, fabric quality and consistency, minimum order sizes, and diversification of supplier sourcing, suggest significant increased utilization of U.S. capacity is unlikely by tailored clothing manufacturers.
- Although the U.S. fabric industry appears to have sufficient capacity to produce the quantity of fine-micron fabrics required by the U.S. tailored clothing industry, ***. U.S. clothing manufacturers claim that they need to purchase fabrics from many mills worldwide to obtain fabric diversity that will enable them to differentiate their clothing in the domestic market and to diversify financial risk by minimizing their reliance on any one supplier. U.S. fabric producers claim that

they have the capability to make a significant share of what the market demands and that they will customize fabrics according to customer specifications.

- Although historically U.S. tailored clothing manufacturers have focused their concerns on fine-micron fabric producers, U.S. mills producing coarse-micron fabrics are reported to have difficulty providing the number and variety of fabric styles, fabric quality and consistency, and minimum order sizes required by the tailored clothing manufacturers.
- U.S. tailored clothing manufacturers also prefer to purchase fabrics from foreign mills in order to obtain a measure of exclusivity in the U.S. market (but not necessarily the world market) without having to buy the larger minimum lot sizes generally required by U.S. and foreign producers for an exclusive order. Many foreign mills produce a standard quantity of these “exclusive” fabrics and sell them in smaller quantities to customers in different countries and markets, thereby minimizing the possibility that the fabrics will be sold to clothing manufacturers competing in similar markets.

Lost Sales and Revenues

- The Commission questionnaire for U.S. producers of worsted wool fabrics requested that they provide information on any lost sales and revenues resulting from the temporary duty reductions under the TRQs for worsted wool fabrics, which went into effect for 3 years beginning on January 1, 2001. The TRQ in-quota quantities for calendar year 2001 were allocated among U.S. tailored clothing manufacturers in July 2001,² allowing each such manufacturer to import that share of the total TRQ quantity at reduced rates of duty while paying normal-trade-relations rates of duty on other imports. Because this action was taken at mid-year, *** of the four U.S. fabric producers responding to the questionnaire stated it was too early to determine if they had lost sales due to the temporary duty reductions, but that ***. ***.
- The Commission questionnaire for U.S. tailored clothing manufacturers requested that they provide information on any lost sales and revenues resulting from the inability to purchase adequate supplies of the worsted wool fabrics on a cost-competitive basis. Of the 18 clothing manufacturers providing such information, 12 reported they had lost sales or revenues because of their inability to purchase adequate supplies of worsted wool fabrics on a cost-competitive basis.

² The temporary duty reductions are retroactive—that is, they apply to imports of worsted wool fabrics entered, or withdrawn from warehouse for consumption, on or after January 1, 2001. On July 10, 2001, the U.S. Department of Commerce issued its “Notice of Allocation of Tariff Rate Quotas on the Import of Certain Worsted Wool Fabrics for Calendar Year 2001,” published in the *Federal Register* of July 31, 2001 (66 F.R. 39490). As required by Title V of the Trade and Development Act of 2000, the TRQs were allocated to firms which cut and sew men’s worsted wool tailored clothing in the United States and which apply for an allocation based on the amount of such suits cut and sewn during the prior calendar year.

Wool Fibers and Yarns

- Apparent U.S. consumption of worsted wool yarns fell 39 percent during 1996-2000 to 15.8 million kilograms (kg), as domestic output fell 54 percent to 10.7 million kg and imports rose 88 percent to 5.6 million kg. The declines in U.S. consumption and output largely reflected weak demand resulting from a decrease in U.S. output of apparel fabrics and an increase in U.S. imports of articles containing worsted wool yarns (e.g., apparel). U.S. worsted wool yarn producers, whose output consists mainly of coarse-micron yarns, have closed plants, consolidated operations, and cut output in recent years.
- U.S. mill consumption of raw wool fell 47 percent during 1996-2000 to 34 million kg. U.S. wool production fell for the 11th consecutive year in 2000, to 11 million kg, down 18 percent from 1996. U.S. raw wool imports fell 40 percent to 20 million kg. The decline in mill consumption reflected substantially reduced wool usage by domestic mills making inputs for apparel. Raw wool for apparel applications accounted for 87 percent of total mill consumption of raw wool during 1996-2000.

CHAPTER 1

INTRODUCTION

Purpose and Scope

Following receipt of a request from the United States Trade Representative (USTR) on January 22, 2001, the U.S. International Trade Commission (Commission) instituted investigation No. 332-427, *U.S. Market Conditions for Certain Wool Articles*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) on February 12, 2001.¹ As requested by the USTR, the Commission is providing information on U.S. market conditions, including domestic demand, supply, and production for men's (and boys') worsted wool suits, suit-type jackets, and trousers; worsted wool fabrics and yarn used in the manufacture of such clothing; and wool fibers used in the manufacture of such fabrics and yarn. Also as requested by the USTR, the Commission is providing, to the extent possible, data on:

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

The USTR requested that the Commission submit an interim report and two annual reports under this investigation. The Commission submitted the interim report to the USTR in May 2001.² The report under consideration here is the first annual report, which provides the requested data for 1999, 2000, and year-to-date 2000-01. The USTR requested the first annual report by September 17, 2001. The second annual report, providing data for 2001 and year-to-date 2001-02, was requested by September 16, 2002.

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

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

Legislative Background

Title V of the Trade and Development Act of 2000 temporarily reduced tariffs on imports of worsted wool fabrics containing 85 percent or more by weight of wool and certified by the importer as suitable for use in men's suits, suit-type jackets (sport coats), and trousers.³ (See box 1-1 for a discussion of the legislation.) Title V created two TRQs for the purpose of granting the duty reductions on the subject fabrics for 3 years beginning on January 1, 2001. HTS heading 9902.51.11 permits 2.5 million square meter equivalents (SMEs) of worsted wool fabrics having an average fiber diameter greater than 18.5 microns (coarse-micron fabrics) to enter each year at the same duty rate as that for men's wool sport coats.⁴ HTS heading 9902.51.12 permits 1.5 million SMEs of worsted wool fabrics having an average fiber diameter of 18.5 microns or less (fine-micron fabrics) to enter each year at 6 percent ad valorem, the same as Canada's rate on the finer worsted wool fabrics.⁵ Imports in excess of the TRQ in-quota quantities will be subject to the normal trade relations (NTR) duty rates (table 1-1).

Table 1-1
TRQ in-quota, over-quota (NTR), and NAFTA rates of duty on worsted wool fabrics and NTR and NAFTA rates of duty on men's and boys' worsted wool sport coats, 2001

Item	In-quota ad valorem rate	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 and boys' worsted wool sport coats	(²)	18.8%	Free for Canada 4.4% for Mexico

¹ The 18.8 percent ad valorem duty rate on coarse-micron fabrics corresponds to the tariff level for men's and boys' worsted wool sport coats, thereby temporarily removing a tariff inversion in which the duty has been higher on the fabric than on garments made from such fabric.

² Not applicable.

³ At the time of enactment of Title V, the fabrics were classified for tariff purposes under HTS subheadings 5112.11.20 (of a weight not exceeding 200 grams per square meter) and 5112.19.90 (other). To implement provisions of Title V, subheading 5112.11.20 was replaced by subheadings 5112.11.30 (fabrics of wool yarns with an average fiber diameter of 18.5 microns or less) and 5112.11.60 (other); subheading 5112.19.90 was replaced by subheadings 5112.19.60 and 5112.19.95 providing for identical breakouts. See Presidential Proclamation 7383, published in the *Federal Register* on December 6, 2000 (65 F.R. 76551).

⁴ 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 sport coats (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).

⁵ The President is authorized to reduce the 6 percent ad valorem duty rate, as necessary, to equalize the rate with that of Canada.

Box 1-1**Title V of the Trade and Development Act of 2000**

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, provided tariff relief to U.S. manufacturers of specific wool articles. It reduced tariffs on worsted wool fabrics used by U.S. manufacturers of men's tailored clothing and suspended tariffs on fine-micron wool yarns, fibers, and tops used by U.S. producers of worsted wool fabrics and yarns for 3 years beginning on January 1, 2001. It authorized a partial refund of duties paid by U.S. firms in each of calendar years 2000-02, limited to an amount not to exceed one-third of duties actually paid on the inputs imported in calendar year 1999. Title V also created a fund for research and market development for U.S. wool growers to assist in disseminating information that would help the industry improve fiber quality and production methods.

Title V established tariff-rate quotas (TRQs) to implement the duty reductions on worsted wool fabrics used in the manufacture of men's tailored clothing. In general, under a TRQ, the United States applies a lower tariff rate to imports of an article up to a particular amount, known as the in-quota quantity, and another higher rate to any imports in excess of the given amount. For the wool fabric TRQs, the President has the authority to reduce the applicable tariffs in order to take into account any staged reductions in the U.S. tariff rate on the wool sport coats and the Canadian tariff rate on the fine-micron worsted wool fabric that serve as benchmark rates.

The President also has the authority to grant additional tariff relief on the fabric in response to requests from U.S. manufacturers of men's worsted wool tailored clothing. Title V authorizes the President to modify the TRQ in-quota quantities, subject to a review of U.S. market conditions, but by not more than 1.0 million SMEs in any of the 3 years. Title V also 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 fabrics 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 in-quota quantities to the Secretary of Commerce, and delegated to the USTR the authority to monitor these market conditions.

According to the Conference Report, the duty reductions on the wool fabrics are intended to address a "tariff inversion," where imports of the fabrics have been subject to higher duty rates than imports of apparel made from such fabrics (see table 1-1 for the duty rates). By applying a higher tariff to the input, the tariff schedule provides an incentive for importing the more labor-intensive and higher value-added finished apparel. The impact of the tariff inversion has been compounded by the reduction of tariffs on men's tailored clothing under the North American Free Trade Agreement (NAFTA), so that U.S. clothing manufacturers face an even greater competitive disadvantage relative to tailored clothing from Canada and Mexico.

U.S. clothing manufacturers already had faced a competitive disadvantage relative to their counterparts in Canada, where the tariff on imports of fine-micron worsted wool fabrics is about 6 percent ad valorem. Most wool suits imported from Canada are made from foreign fabrics, but the suits still qualify for NAFTA preferences under a limited exception set aside for wool apparel. Although NAFTA effectively applies a "yarn-forward" standard, whereby an apparel article must be cut and sewn in a NAFTA country and the fabric and yarn must be made in a NAFTA country, NAFTA established tariff preference levels (TPLs) that permit specified amounts of wool apparel from Canada to enter the United States free of duty even though the garments do not meet the NAFTA rules of origin (e.g., the suits are made of European fabric). NAFTA contains a similar TPL for wool apparel from Mexico.

Source: U.S. House of Representatives, *Conference Report: Trade and Development Act of 2000* (H.R. 434), 106th Cong., 2d sess., Report 106-606, May 4, 2001, pp. 125-127.

Questionnaires and Other Information Sources

This report draws on market and industry information received by the Commission from many different sources. The Commission obtained information at a hearing on May 31, 2001, and in written statements from representatives of U.S. producers of worsted wool fabrics and men's tailored clothing.⁶ Commission staff conducted in-person and telephone interviews with representatives of U.S. producers and importers of worsted wool fabrics and yarns, and U.S. manufacturers and retailers of men's tailored clothing. The staff also conducted interviews and plant visits in Virginia, Connecticut, and New York to obtain first-hand information about the industries and markets under consideration. Staff also reviewed the available literature on the issues under consideration.

Because there are no published data available on U.S. markets for the subject wool articles by micron count, the Commission used four types of questionnaires to obtain such data, as follows: (1) a producer's questionnaire, sent to U.S. producers of the subject fabrics; (2) a purchaser's questionnaire, sent to firms that purchase the fabrics, mainly U.S. manufacturers of men's tailored clothing; (3) an importer's questionnaire, sent to firms that import and sell the fabrics; and (4) a yarn questionnaire, sent to U.S. producers and purchasers of worsted wool yarns.

The producer questionnaire was sent to 12 firms that reportedly have produced, or had the capability to produce, the subject fabrics since January 1, 1999.⁷ Five of the firms stated they produce the fabrics and seven stated they did not make them during the period. Four of the five firms producing the fabrics provided information in response to the Commission questionnaire; the fifth firm, in a telephone interview by Commission staff, provided data on its production and production capacity.⁸ The Commission believes that the information received in response to the producer questionnaire and in follow-up interviews represents most, if not all, domestic production of the subject fabrics.

The purchaser questionnaire was sent to 31 firms that reportedly purchased the subject fabrics, of which 25 were clothing manufacturers and 6 were retailers that reportedly "outsourced" production of men's tailored clothing.⁹ Two of the clothing manufacturers receiving the questionnaire, Hartmarx Corp. and Individualized Apparel Group (The Tom James Co.), had their respective subsidiaries complete the questionnaire for their own individual operations rather than provide a corporate-wide response. Some subsidiaries of the two firms also received the questionnaire directly from the Commission. ***¹⁰ Of the clothing manufacturers that did not respond to the questionnaire, one firm was interviewed by Commission staff to obtain data on its tailored clothing production and purchases of the subject fabrics, another firm went out of business, and the other five are believed to account individually for a very small portion of U.S. tailored clothing production based on discussions with the

⁶ A list of individuals who appeared at the hearing is in appendix C. The views of interested parties are summarized in chapter 8 of this report.

⁷ The Commission compiled a list of possible U.S. producers of the subject fabrics based on information from the Northern Textile Association and the American Textile Manufacturers Institute.

⁸ The firm stated it produces ***.

⁹ The Commission compiled a list of possible purchasers of the subject fabrics based on information from the Tailored Clothing Association, American Apparel and Footwear Association, U.S. fabric producers, and U.S. Customs import records.

¹⁰ ***

firms themselves and other industry sources. Of the six retailers, four stated they do not purchase the subject fabrics directly, although three of them indicated that they do influence the fabric purchases in terms of such factors as fabric styles. The Commission did not receive a questionnaire response from the other two retailers, although one of them in a telephone interview provided Commission staff with an estimate of its purchases of the subject fabrics. The Commission accounted for production outsourced by retailers by asking the clothing manufacturers in the questionnaire to report separately their contract production of clothing made from fabrics owned by others. Based on Commission staff interviews with clothing manufacturers and retailers, it is believed that the direct fabric purchases of the retailers account for a relatively small portion of total purchases of the subject fabrics.

The importer's questionnaire was sent to 17 firms that were believed to import the subject fabrics, including import agents and U.S. fabric producers that import the fabrics from their foreign facilities.¹¹ The Commission received responses from 10 of the 17 firms; one non-respondent was a subsidiary of a clothing manufacturer that had responded to the purchaser questionnaire. Responses were not received from three firms believed to represent a large share of the clothing manufacturers' purchases of imported fabrics. For this reason, the Commission did not rely solely on responses to the importer's questionnaire for data on sales of imported fabrics, but also relied on data submitted by clothing manufacturers in response to the Commission's purchaser questionnaire and on U.S. Customs data.

The yarn questionnaire was sent to 16 firms believed to be either producing wool tops or yarns, or purchasing worsted wool yarns suitable for use in the subject fabrics. Questionnaire responses were received from 13 firms, 5 of which produce worsted wool tops or yarns for use in the fabrics.

Product Coverage and Organization of Report

For purposes of this report, "men's" tailored clothing also includes such clothing for boys (consistent with the HTS), and "sport coats" refer to suit-type jackets (the term used in the legislation). The term "fine-micron fabrics" refers to worsted wool fabrics having an average fiber diameter of 18.5 microns or less (the lower the number, the finer the fiber). The term "coarse-micron fabrics" refers to 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.

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

¹¹ The Commission compiled a list of possible importers of the subject fabrics based on information from U.S. clothing manufacturers and U.S. Customs import records.

CHAPTER 2

U.S. MARKET CONDITIONS FOR MEN'S AND BOYS' WORSTED WOOL TAILORED CLOTHING¹

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

Market Overview

Apparent U.S. consumption of men's wool tailored clothing (made from both worsted and woolen fabrics) grew in unit volume during 1996-2000, as demand for sport coats and separate trousers generally rose while demand for suits weakened in 1999 and 2000 (table 2-1).² Consumption of wool trousers rose from 10.4 million units in 1996 to 11.6 million units in 1999, and then increased 36 percent to 15.8 million units in 2000. Consumption of wool sport coats rebounded slightly in 2000, following small declines in the preceding 2 years. By contrast, consumption of wool suits peaked at 8.4 million units in 1998, and then fell in 1999 and again in 2000, to 8.0 million units. According to industry sources, the U.S. market for men's wool tailored clothing during 1996-2000 experienced growing demand for goods made from "fine-micron" fabrics having an average fiber diameter of 18.5 microns or less (the lower the number, the finer the fiber; these fabrics often are marketed under such terms as Super 100s and Super 120s). Industry sources stated the decline in consumption of wool

¹ This chapter draws on information received by the Commission at the hearing, in response to its questionnaires, in written statements, and from in-person and telephone interviews by Commission staff with officials of Hickey-Freeman Co.; Martin Greenfield Clothiers, Ltd.; Saint Laurie Ltd.; Hartz & Co.; Hart Schaffner & Marx; American Fashion Inc.; Nordstrom Inc.; and Jos. A. Bank Clothiers Inc., Mar.-July 2001.

² Official statistics of the U.S. Department of Commerce, which were used to develop the data on apparent U.S. consumption (production plus imports minus exports), overstate the total size of the domestic market for men's worsted wool tailored clothing, in terms of the market conditions being monitored under Title V of the Trade and Development Act of 2000. First, production data include garment parts cut in the United States, exported for sewing, and imported as finished apparel. Second, import and export data include garments not covered by the Act (e.g., those comprising more than 50 percent wool by weight but less than 85 percent). Finally, the data include clothing made from woolen fabric, which is not covered by the Act, along with the subject garments of worsted wool fabric. Most wool tailored clothing is made from worsted fabric (a tightly woven fabric with a smooth, hard surface and is made from worsted yarn containing long wool fibers that have been carded and combed). Significant quantities of sport coats, however, are made from woolen fabric (a loosely woven fabric with a fuzzy or napped surface and is made from fuzzy, loosely twisted yarn containing short wool fibers that have been separated by carding).

Table 2-1
Men's and boys' wool suits, sport coats, and trousers: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1996-2000

Item and year	U.S.	U.S.	U.S.	Apparent	Ratio of
	production	imports ¹	exports ²	U.S. consumption	imports to consumption
	-----1,000 units-----				Percent
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	1,928	6,185	57	8,056	77
2000	1,792	6,221	40	7,973	78
Sport coats:					
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
2000	2,131	5,646	990	6,787	83
Trousers:					
1996	5,138	6,129	855	10,412	59
1997	4,651	6,962	765	10,848	64
1998	4,310	7,613	618	11,305	67
1999	4,068	8,018	466	11,620	69
2000	5,002	11,139	353	15,788	71

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

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

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

suits in 1999 and 2000 was concentrated in those selling for less than \$500 each at retail, which tend to be made from "coarse-micron" fabrics having an average fiber diameter greater than 18.5 microns.

The overall growth in U.S. consumption of men's wool tailored clothing during 1996-2000 was accounted for almost entirely by imports, which rose almost without interruption and now supply most of the market. In 2000, the import shares were 78 percent for suits, 83 percent for sport

coats, and 71 percent for trousers. By contrast, domestic production fell during most of 1996-2000 (for further information on domestic output, see the “production” section later in this chapter).

The U.S. market for men’s wool tailored clothing has been affected by a number of style trends in the last decade, particularly a trend toward casual dress in the workplace and heightened demand for clothing made from fine-micron fabrics.³ The clothing manufacturers stated the reduced demand for wool suits and increased demand for wool sport coats and trousers in 2000 largely reflected the trend toward business casual dress. The manufacturers noted that while consumers have shifted away from traditional sartorial looks, they are still buying sport coats and trousers made from fine-micron wool fabrics. Industry sources also stated that the casual wear trend is gradually subsiding in 2001 in favor of a return to classic suiting.⁴

U.S. clothing manufacturers stated that although consumers are buying fewer articles of tailored clothing, those who are buying such clothing are more likely to purchase high-end goods made from fine-micron wool fabrics. To meet growing demand for fashionable tailored clothing of fine-micron fabrics, U.S. clothing manufacturers 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 manufacturers are also making more custom-tailored clothing for small independent tailor shops and department stores. According to the clothing manufacturers, the growing importance of product differentiation, in terms of styling and fabric selection, and the growing use of custom-tailored programs have led to even greater demand for a wider range of fine-micron wool fabrics in smaller minimum-order sizes.

The U.S. market for men’s tailored clothing of worsted wool fabrics also includes tailored commercial uniforms made from such fabrics.⁵ The domestic market for these commercial uniforms, such as those worn by airline, hotel, and public safety personnel, is believed to be supplied mostly by domestic production.⁶ Some commercial uniforms are assembled in Mexico and Caribbean Basin countries under production-sharing arrangements with U.S. firms. The worsted wool fabrics used by U.S. uniform producers are ***.⁷

³ See, for example, Crittenden Rawlings, President and Chief Executive Officer, Oxxford Clothes Inc., transcript of hearing, p. 53.

⁴ See, for example, Andrew Kozinn, President, Saint Laurie Ltd., transcript of hearing, p. 39, and Stan Gellers, “Serious Business: Specialty Stores Report a Shift from Sport Coats to Dressier Suits for the Workplace,” *DNR (Daily News Record)*, July 16, 2001, p. 38.

⁵ U.S. military uniforms are not included in this analysis. The “Berry Amendment,” enacted as Title IX of Public Law 102-396, as amended, requires U.S. military procurement of uniforms, among other goods, to be manufactured in the United States from U.S.-produced components.

⁶ Information in this paragraph is from officials of Fechheimer Brothers & Co., Uniforms to You & Co., Inc., and Brookhurst, telephone interviews by Commission staff, July 10, 2001.

⁷ According to one uniform producer, ***.

U.S. Industry

Restructuring and Consolidation

The U.S. tailored clothing industry as a whole has declined by most measures during the past 5 years. According to the U.S. Census Bureau's *County Business Patterns*, the number of establishments in the industry fell one-third from 293 in 1996 to 194 in 1999,⁸ and it is likely to have fallen further since then, given recent plant closures.⁹ Similarly, official statistics of the U.S. Bureau of Labor Statistics show that industry employment fell 34 percent during 1996-2000 to 21,300. A number of clothing manufacturers and retailers have expanded their global sourcing of finished clothing, including their use of production-sharing arrangements in Mexico, Colombia, and Caribbean Basin countries (see the "imports" section later in this chapter for more information on production-sharing trade). According to the clothing manufacturers, production of moderate to lower priced tailored clothing has moved abroad to such countries as Canada, Mexico, Colombia, and Caribbean Basin countries.¹⁰ The worsted wool tailored clothing articles being made domestically tend to compete in the smaller but higher priced segments of the domestic market.

Based on questionnaire data, 5 of 20 clothing manufacturers, accounting for about 20 percent of estimated U.S. production of men's worsted wool tailored clothing in 2000, reported financial solvency or sales growth, while 15 (accounting for about 80 percent of estimated production) reported they are experiencing financial difficulty, primarily because of declining sales, pressure by retailers to reduce prices, and competition in a highly price-sensitive market. Despite decreased sales, some firms indicated they were able to maintain positive cash flow by reducing inventories, collecting receivables, and replacing some production with contract sales. However, these firms also stated such measures cannot be sustained over the long term if sales do not increase. Ten of the responding clothing manufacturers, accounting for over 50 percent of estimated U.S. production of men's worsted wool tailored clothing in 2000, stated they had definitive plans or a high probability for reduction in production, closures of existing facilities, and/or reductions in staffing for the remainder of 2001 and for 2002.

⁸ Although the number of establishments rose from 189 in 1998 to 194 in 1999, the increase occurred solely in businesses consisting of less than 20 employees. Overall industry employment fell 17 percent.

⁹ According to U.S. fabric producers Burlington Industries and Warren Corp., major clothing-manufacturing customers that have ceased domestic operations since 1995 include ***.

¹⁰ For example, clothing manufacturer Jos. J. Pietrafesa Co., which used mostly imported fabrics to make suits that retailed for about \$700 to \$800 each, declared bankruptcy and closed its manufacturing operations in January 2001, due in part to clients moving operations offshore. Edward W. Clark, Jr., Executive Vice President, the Union of Needletrades, Industrial and Textile Employees (UNITE), transcript of hearing, p. 27, and Diane Justian, President, Local 220, UNITE, transcript of hearing, p. 30.

Production

Based on data submitted by 20 U.S. clothing manufacturers in response to the Commission purchaser questionnaire for 2000,¹¹ the largest U.S. manufacturer of men's tailored clothing is the Hartmarx Corp., which accounted for an estimated *** percent of the total quantity of U.S. production of wool suits, *** percent for wool sport coats, and *** percent for wool trousers.¹² Hartmarx is also the largest purchaser of worsted wool fabrics for use in men's tailored clothing, accounting for *** percent of total purchases of domestic and imported fabrics in 2000. *** of the fabric purchases. Because of the significance of Hartmarx in the U.S. market for men's tailored clothing, much of the production and other market-related data submitted by Hartmarx and other clothing manufacturers in response to the Commission purchaser questionnaire are confidential.

As shown in table 2-1, the quantity of U.S. production of men's wool suits and sport coats declined almost without interruption during 1996-2000, while trouser output fell until 2000, when it rose 23 percent over the 1999 level. Industry sources stated that although clothing manufacturers continued to experience a decline in production of worsted wool suits so far in 2001, they were posting gains in production of sport coats and separate dress trousers made from worsted wool fabrics.

Based on questionnaire data, U.S. production of men's worsted wool suits in 2000 declined 9 percent from 1999 (table 2-2). Production of suits made from coarse-micron fabrics declined *** percent, *** offsetting the *** increase in output of suits made from fine-micron fabrics. The decline in wool suit production accelerated in January-March 2001, falling 23 percent from the year-earlier level. In the 2001 period, production of suits of coarse-micron fabrics declined *** percent and output of suits of fine-micron fabrics fell *** percent.

The questionnaire data show total production of sport coats grew 19 percent in 2000, reflecting increases of *** percent in sport coats of fine-micron fabrics and *** percent in sport coats of coarse-micron fabrics. Production of sport coats grew slightly in January-March 2001, as the *** increase in production of sport coats of fine-micron fabrics *** offset the *** decline in production of sport coats of coarse-micron fabrics. Trouser production rose slightly in 2000 and in January-March 2001. Unlike suits and sport coats, however, production of trousers of fine-micron fabrics fell while production of trousers of coarse-micron fabrics rose in 2000. These trends in trouser production continued in the 2001 period.

¹¹ The Commission purchaser questionnaire also requested data on U.S. manufacturers' shipments of tailored clothing. However, the shipments data from the clothing manufacturers were incomplete. Thus, the production and fabric purchase data were used to examine industry trends. See appendix D for questionnaire data on production, shipments, imports, exports, and inventories of men's tailored clothing.

¹² Hartmarx markets men's tailored clothing under its own brand names (e.g., Hart Schaffner & Marx and Hickey-Freeman) and licensed trademarks (e.g., Kenneth Cole). ***.

Table 2-2
Men's and boys' worsted wool suits, sport coats, and trousers: U.S. manufacturers' production, by micron counts, 1999-2000, January-March 2000, and January-March 2001

(1,000 units)

Item	1999	2000	January-March--	
			2000	2001
Suits	1,500	1,359	354	271
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Sport coats	943	1,124	224	229
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Trousers	1,169	1,174	203	214
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***

Source: Compiled from data submitted by U.S. clothing manufacturers in response to Commission questionnaires. Data at the micron-count level may not correspond to questionnaire data reported in appendix D because certain questionnaire data were incomplete and, therefore, were estimated for purposes of this table.

Based on information submitted in response to Commission questionnaires, the decline in U.S. production of tailored clothing in January-March 2001 may be attributable to a slowing U.S. economy and sluggish retail sales. The clothing manufacturers report that the share of orders increased for clothing made from fine-micron fabrics and special-order clothing but declined for less-expensive suits made from coarse-micron fabrics and other “stock items.”

According to the clothing manufacturers, the overall import increase and production decrease during 1996-2000 largely reflected insufficient quantities and varieties of cost-competitive fabrics available in the United States relative to Canada and Mexico. The manufacturers stated that high U.S. tariffs on imports of worsted wool fabrics have put them at a competitive disadvantage vis-a-vis their counterparts in Canada and Mexico.¹³ According to the clothing manufacturers, the fabric tariffs add significantly to their fabric costs, which represent a major portion of their overall costs. Based on data from 14 clothing manufacturers, the share of total production costs accounted for by fabric cost averages 30 percent for suits, 26 percent for sport coats, and 48 percent for trousers. The manufacturers also state that the “tariff inversion” serves as an incentive to import finished garments and that sales of tailored clothing are often lost to imports of comparable goods, as evidenced by rising import penetration during 1996-2000.

¹³ U.S. manufacturers stated that just as Canadian clothing firms cannot, and do not, rely on duty-free NAFTA fabrics to compete, U.S. clothing firms need similar access to wool fabrics from non-NAFTA countries such as Italy at competitive after-duty prices. See David A. Starr, Williams & Jensen, P.C., Washington, DC, Counsel to the Tailored Clothing Association (TCA), written submission to the Commission, May 21, 2001, p. 20.

Another significant cost for clothing manufacturers is labor cost, which accounted for an average of 22 percent of the total value of industry shipments in 1999, the latest year for which such data are available.¹⁴ According to several clothing manufacturers, labor costs are not a significant factor affecting their competitiveness in the domestic market because their primary import competition is from Canada and Western Europe.¹⁵ A comparison of labor rates show wages in the apparel industry of Canada are comparable to those in the United States, and those for Italy are 34 percent higher.¹⁶ Apparel wages in Mexico and Colombia, the major low-cost foreign suppliers of tailored clothing, are 85 to 87 percent lower than those in the United States.¹⁷

Industry sources claim the decline in U.S. clothing production also reflects the growing buying power of large retailers, which has led to considerable downward pressure on prices and, in some cases, lost sales (see chapter 6 for further information on lost sales). For example, ***. However, based on the total quantity and value of shipments reported by U.S. clothing manufacturers for 2000, compared with 1999, the average unit values for (1) suits of coarse-micron and fine-micron fabrics rose *** percent and *** percent, respectively; (2) sport coats of coarse-micron fabrics rose *** percent and those of fine-micron fabrics fell *** percent; and (3) trousers of coarse-micron and fine-micron fabrics rose *** percent and *** percent, respectively (see appendix D, table D-2).

U.S. clothing manufacturers typically source fabrics by attending trade shows, through import agents, and through direct contact with domestic and foreign mills. A clothing manufacturer may conduct business with as many as 150 mills worldwide to assemble a product line with enough unique styles and patterns to differentiate its products in the domestic market.¹⁸ Clothing manufacturers also stress the importance of spreading financial risk by purchasing fabrics from many mills rather than concentrating high volumes of business on one or two (for more information on fabric sourcing, see chapter 5 of this report). Industry sources indicate that the trend toward global fabric sourcing reflects the need of U.S. clothing manufacturers for sufficient variety, quantity, quality, and reliability of supply at competitive prices. U.S. clothing manufacturers often require a large variety of fabric in small lot sizes and the option of placing reorders on short notice. Because sport coats and certain dress trousers tend to be regarded as fashion items subject to trend fluctuations, manufacturers often produce many small runs using a variety of fabrics. In addition, sport coats require less fabric than suits, resulting in smaller purchases of any one style of fabric. However, the increased demand for sport coats and trousers has prompted manufacturers to buy more fabric overall as production of separates requires slightly more fabric than is used to cut a suit.

¹⁴ U.S. Census Bureau, *Annual Survey of Manufactures: Statistics for Industry Groups and Industries - 1999* (M99(AS)-1 (RV)), May 2001, pp. 7 and 39.

¹⁵ Arthur Gundersheim, Director of International Trade, UNITE, transcript of hearing, p. 40.

¹⁶ The comparative hourly wage rates for the apparel industry are from Werner International, Inc., "Hourly Labor Cost in the Apparel Industry," spring 1998. The data include social benefits and fringes.

¹⁷ *Ibid.*

¹⁸ Crittenden Rawlings, President and Chief Executive Officer, Oxxford Clothes Inc., transcript of hearing, p. 47.

Imports

U.S. imports of men's wool suits, sport coats, and trousers together totaled 79.4 million square meter equivalents (SMEs) in 2000, representing an increase of 27.9 million SMEs, or 54 percent, from the 1996 level.¹⁹ The largest category by SMEs is suits (33.0 million SMEs, or 42 percent of the 2000 total), followed by trousers (29.0 million SMEs, or 36 percent), and sport coats (17.5 million SMEs, or 22 percent). The largest import increase by SMEs during 1996-2000 occurred in trouser imports, which rose 13.0 million SMEs (or 82 percent); suit imports rose 8.4 million SMEs (or 34 percent) and sport coat imports rose 6.4 million SMEs (or 57 percent).

The leading foreign suppliers of men's wool tailored clothing by SMEs are Italy, Mexico, and Canada, which together accounted for 48 percent of total imports in 2000. Imports of such clothing from Italy rose 44 percent during 1996-2000 to 12.9 million SMEs. Imports from Mexico rose 167 percent during the period to 12.8 million SMEs, while those from Canada, the top supplier in 1996 and 1997, rose 11 percent to 12.1 million SMEs. Imports of qualifying goods from Mexico and Canada benefit from NAFTA preferences.

U.S. imports of men's wool tailored clothing under the production-sharing provisions of Chapter 98 of the Harmonized Tariff Schedule of the United States (HTS; formerly the "807" tariff provision) increased 54 percent during 1996-2000 to 79.4 million SMEs.²⁰ Production-sharing trade accounted for 18 percent of total imports of men's wool tailored clothing by SMEs in 2000, down from a high of 22 percent in 1997. Most imports of such clothing under the production-sharing provisions come from Mexico, the Caribbean Basin countries, and Colombia.

On a product basis, imports of wool suits rose less than 1 percent a year in 1999 and 2000, and then fell 10 percent in January-May 2001 from the year-earlier level (table 2-3). Wool suit imports from Mexico increased 124 percent during 1996-2000 to 1.3 million suits, enabling Mexico to surpass Canada and Italy as the top volume supplier of such imports in 2000. Imports from Italy increased 43 percent, while those from Canada fell 17 percent. Italy was the top foreign supplier by value (32 percent) in 2000, reflecting a much higher average unit value²¹ of its wool suits (\$161 per suit) relative to that of Mexico (\$73). Suits of fine-micron fabrics accounted for 20 percent of wool suit imports by quantity in January-May 2001, and they came primarily from Mexico, Canada, and Italy. Imports of men's wool suits under the production-sharing provisions of HTS Chapter 98 rose 78 percent during 1996-2000 to 708,000 suits.

¹⁹ Based on data submitted by U.S. clothing manufacturers in response to Commission questionnaires, one suit equals 5.3 SMEs, one sport coat equals 3.1 SMEs, and one pair of trousers equals 2.6 SMEs.

²⁰ Under the production-sharing provisions of HTS Chapter 98, U.S. importers receive a partial-duty exemption for articles assembled abroad in whole or in part of U.S. components. In general, the duty is assessed only on the value added abroad (mainly the cost of sewing the garment parts together). The fabric for making the apparel parts can be of either U.S. or foreign origin as long as the fabric is cut to shape in the United States, exported ready for assembly, and not advanced in value abroad except by assembly and incidental operations.

²¹ The average unit values for imports of suits, sport coats, and trousers are landed duty-paid values, and are based on official statistics of the U.S. Department of Commerce for 2000.

Imports of wool sport coats rose 57 percent between 1996 and 2000. The leading foreign suppliers of wool sport coats by quantity in 2000 were Colombia and Canada, which accounted for a combined 26 percent of the total, followed by Italy (10 percent) and Mexico (9 percent). Imports from Mexico doubled between 1996 and 2000. Colombia's textile and apparel industry includes a number of worsted wool fabric producers and clothing manufacturers. For example, the Colombian firm Everfit Indulana, which is vertically integrated from raw materials to finished garments, produces ***.²² The top foreign suppliers of wool sport coats by value in 2000 were Italy (22 percent) and Canada (18 percent), whose sport coats had average unit values of \$142 and \$84 per unit, respectively. The average unit values were much lower for sport coats from Colombia (\$44) and Mexico (\$54). Sport coats of fine-micron wool fabrics accounted for 27 percent of total imports of wool sport coats in January-May 2001. Imports of wool sport coats under the production-sharing provisions of HTS Chapter 98 rose 76 percent between 1996 and 2000 to almost 1.7 million units.

U.S. imports of men's wool trousers rose 82 percent between 1996 and 2000, likely reflecting the popularity of business casual dress. The leading foreign suppliers of the wool trousers by quantity in 2000 were Italy (17 percent of the total), Canada (15 percent), and Mexico (15 percent). Imports from Mexico rose 364 percent between 1996 and 2000 to 1.7 million units. Italy, Canada, and Mexico were the top foreign suppliers by value in 2000, reflecting average unit values of \$40, \$31, and \$21 per unit, respectively. Trousers of fine-micron wool fabrics accounted for 12 percent of total U.S. imports of wool trousers by quantity in January-May 2001. Imports of men's wool trousers under the production-sharing provisions of HTS Chapter 98 fluctuated widely between 1996 and 2000; they totaled slightly less than 2.0 million pairs in 2000.

²² Maria Luisa Mejia Arango, President, Everfit Indulana, Colombia, in-person interview by Commission staff, Washington, DC, June 15, 2001.

Table 2-3

Men's and boys' wool suits, sport coats, and trousers: U.S. imports for consumption, by principal sources, 1996-2000, January-May 2000, and January-May 2001

(1,000 units)

Item and source	1996	1997	1998	1999	2000	January-May--	
						2000	2001
Suits:							
Mexico	576	775	996	1,195	1,293	523	432
Italy	839	923	1,213	1,187	1,200	479	496
Canada	1,241	1,373	1,282	1,307	1,024	495	421
Korea	119	133	319	306	344	135	91
Costa Rica	164	252	302	236	250	80	66
Macedonia	107	144	182	186	180	84	25
India	10	31	108	146	170	69	79
Poland	216	164	218	190	169	72	49
Dominican Republic	174	171	175	141	145	51	45
All other	1,182	1,153	1,331	1,291	1,447	566	585
Total	4,628	5,119	6,127	6,185	6,221	2,554	2,289
Sport coats:							
Colombia	489	570	575	598	737	308	287
Canada	459	517	535	563	732	237	303
Italy	516	469	573	552	553	182	215
Mexico	263	466	435	446	532	150	217
Dominican Republic	193	590	635	452	441	122	158
Guatemala	122	180	206	199	371	124	143
Costa Rica	119	258	294	275	276	100	112
China	168	243	214	221	231	109	89
Korea	86	98	127	116	162	53	54
All other	1,175	1,401	1,396	1,388	1,612	380	348
Total	3,589	4,791	4,989	4,810	5,646	1,765	1,926
Trousers:							
Italy	1,139	1,134	1,465	1,586	1,869	738	852
Canada	1,110	1,035	1,238	1,285	1,698	609	697
Mexico	356	1,112	1,308	1,320	1,652	568	787
Dominican Republic	881	870	574	585	826	290	265
China	863	842	900	821	825	346	276
Colombia	208	327	454	492	551	274	232
Bahrain	0	0	0	0	521	0	53
India	49	104	108	145	436	28	267
Korea	149	66	237	332	422	125	119
All other	1,374	1,472	1,329	1,452	2,340	417	627
Total	6,129	6,962	7,613	8,018	11,139	3,395	4,175

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

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

CHAPTER 3

U.S. MARKET CONDITIONS FOR CERTAIN WORSTED WOOL FABRICS¹

This chapter provides the requested information on the U.S. market for U.S.-produced worsted wool fabrics suitable for use in men's tailored clothing. The chapter discusses the extent of U.S. consumption, production, and imports of the subject fabrics, outlines the factors affecting the demand for certain fabrics, and characterizes U.S.-produced fabrics in terms of those factors. Finally, this chapter discusses the U.S. worsted wool fabric industry and provides brief overviews of individual firms.

U.S. Market for Worsted Wool Fabrics

U.S. demand for worsted wool fabrics has decreased significantly in recent years because of reduced domestic production of men's tailored clothing, the principal market for U.S. producers of worsted wool fabric (see chapter 2 for further information on U.S. production of tailored clothing).² The decline in demand for worsted wool fabrics has been concentrated in coarse-micron fabrics (those having an average fiber diameter greater than 18.5 microns). In contrast, there has been little reduction in demand for fine-micron worsted wool fabrics (those having an average fiber diameter of 18.5 microns or less)³ because of increasing consumer preference for fine clothing. In addition, the shift to casual dress in the corporate workplace has led to a transition from suits to sport coats and trousers, which in turn has affected the nature of worsted wool fabric demand. Specifically, style and minimum order requirements have become increasingly important as the manufacture of trousers and sport coats typically requires smaller lot sizes⁴ and more diverse styles of fabric than the manufacture of suits.⁵ These trends are reflected in both the data obtained from Commission questionnaires and the official statistics of the U.S. Department of Commerce.

The Commission is providing two sets of data on apparent U.S. consumption of worsted wool fabrics. Table 3-1 shows official U.S. statistics on apparent U.S. consumption for all worsted wool fabrics, including those for men's tailored clothing, as well as for women's wear and military

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

² Karl Spilhaus, President, Northern Textile Association, and Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, pp. 112 and 126-127.

³ Questionnaire data show that apparent consumption of fine-micron worsted wool fabrics decreased by an estimated *** percent in both 2000 and January-March 2001 from the year-ago level.

⁴ The manufacture of a pair of trousers and a sport coat requires slightly more fabric than the manufacture of a suit. See Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., transcript of hearing, p. 52.

⁵ Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., and Crittenden Rawlings, President and Chief Executive Officer, Oxxford Clothes, Inc., transcript of hearing, pp. 51-53.

uniforms.⁶ Table 3-2 is based primarily on data received from questionnaire respondents and is limited to worsted wool fabrics for use in men's tailored clothing.⁷ Apparent U.S. consumption of worsted wool fabrics for use in men's tailored clothing (table 3-2) represent *** percent of that for all worsted wool fabrics (table 3-1). However, it is believed that apparent U.S. consumption as presented in table 3-2 overstates the true size of the U.S. market for worsted wool fabrics for use in men's tailored clothing, because an unknown, but believed to be substantial portion of the fabrics are destined for offshore assembly and, thus, the import market share may be understated.⁸

Table 3-1
Worsted wool fabrics: U.S. production, imports for consumption, exports of domestic merchandise, 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	40,521	21,780	8,147	54,154	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, reported under Schedule B subheadings 5112.11.00 and 5112.19.00.

Note.--The consumption, production, and trade data are overstated for purposes of this report because they include worsted wool fabrics not only for men's tailored clothing but also for women's clothing and U.S. military 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.

Source: Production data compiled from U.S. Census Bureau, *Current Industrial Reports: Broadwoven Fabrics (Gray) - Summary 2000* (MQ313T(00)-5), and prior years; trade data compiled from official statistics of the U.S. Department of Commerce.

⁶ The consumption, production, and trade data are overstated for purposes of this report because they include worsted wool fabrics not only for men's tailored clothing but also for women's clothing and U.S. military 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.

⁷ For a summary of questionnaire data from U.S. worsted wool fabric producers, see appendix D, table D-4.

⁸ In 2000, U.S. imports of men's tailored clothing entered under the production-sharing provisions of HTS Chapter 98 totaled 14 million square meter equivalents (SMEs), compared with estimated apparent U.S. consumption of about 25 million square meters. The 14 million SMEs includes an unknown quantity of clothing made with fabrics containing less than 85 percent by weight of wool.

Table 3-2

Worsted wool fabrics for use in men's and boys' tailored clothing: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1999-2000, January-March 2000, and January-March 2001¹

Item and year	U.S. production	U.S. imports ²	U.S. exports	Apparent U.S. consumption	Ratio of imports to consumption
	-----1,000 square meters-----				Percent
	--				
Total:					
1999	***	***	***	***	***
2000	***	***	***	***	***
Jan.-Mar.:					
2000	***	***	***	***	***
2001	***	***	***	***	***
18.5 microns or less:					
1999	***	***	***	***	***
2000	***	***	***	***	***
Jan.-Mar.:					
2000	***	***	***	***	***
2001	***	***	***	***	***
Greater than 18.5 microns:					
1999	***	***	***	***	***
2000	***	***	***	***	***
Jan.-Mar.:					
2000	***	***	***	***	***
2001	***	***	***	***	***

¹ Includes only that fabric intended for use in men's and boys' tailored clothing.

² U.S. import data are estimated by the Commission based on questionnaire response data for direct imports as reported by importers (including U.S. fabric producers) and clothing manufacturers. In addition, the Commission estimated a portion of the imports for non-respondents based on U.S. Customs data.

Note 1.--Certain data may not correspond to the questionnaire data reported in appendix D, as some estimates were adjusted based on telephone interviews with industry representatives and imports were adjusted to include estimates of imports for non-respondents.

Note 2.--Apparent consumption data in this table are believed to overstate the true size of the U.S. market for worsted wool fabrics for use in men's tailored clothing, because an unknown, but believed to be substantial portion of the fabrics are destined for offshore assembly. As such, the import market share may be understated.

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

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

U.S. consumption of worsted wool fabrics of all types fell by 42 percent during 1996-2000 (table 3-1). 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.

The Commission estimates that apparent U.S. consumption of worsted wool fabrics for use in men's tailored clothing decreased by *** percent, from *** million square meters in 1999 to *** million square meters in 2000 (table 3-2). The majority of this decline was accounted for by the U.S. fabric industry, whose output decreased by *** percent in 2000. As such, the import share of consumption rose from *** percent in 1999 to *** percent in 2000. By fabric types, the import share was *** percent for fine-micron fabrics and *** percent for coarse-micron fabrics in 2000.

Commission estimates indicate that the majority of the decline in U.S. consumption of worsted wool fabrics in 2000 was likely accounted for by a decline in consumption of coarse-micron fabrics. Based on questionnaire data, U.S. consumption of coarse-micron fabrics decreased from *** million square meters in 1999 to *** million square meters in 2000, accounting for the majority (*** percent) of total U.S. apparent consumption. Consumption of fine-micron fabrics decreased by *** percent during the period to *** million square meters, or *** percent of total consumption. Questionnaire data indicate that U.S. production of coarse- and fine-micron worsted wool fabrics in 2000 totaled *** million and *** million square meters, respectively. According to information obtained from Commission questionnaires and interviews of industry officials, commercial uniform fabric accounted for an estimated *** square meters of domestically produced coarse-micron fabric in 2000.

Because the data on apparent U.S. consumption of worsted wool fabrics for men's tailored clothing are believed to overstate the true size of the market, the Commission estimated the size of the market based on production data provided by U.S. tailored clothing manufacturers in their questionnaire responses. Based on these data, the Commission estimates the size of the market to be approximately 19 million square meters in 2000, of which about *** million square meters, or *** percent, are accounted for by fine-micron fabrics, and the remaining *** million square meters, or *** percent, are accounted for by coarse-micron fabrics.⁹ (Detailed information regarding the formulation of questionnaire-based estimates on total domestic market size can be found in box 3-1.)

U.S. Imports

Official data indicate that U.S. imports of worsted wool fabrics in 2000 increased 10 percent by quantity over the 1999 level, and are up 8 percent in January-May 2001 compared with the year-earlier level (table 3-3). During January-May 2001, fine-micron fabrics accounted for 23 percent of the volume of U.S. worsted wool fabric imports.

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. Italy's competitiveness in the U.S. worsted

⁹ The import market share is unknown, but believed to be significant. A portion of the imported fabrics are cut into garment parts in the United States, sent offshore for assembly, and re-imported under the production-sharing provisions of HTS Chapter 98. Title V of the Trade and Development Act of 2000 grants temporary duty reductions only to worsted wool fabrics cut and sewn into finished tailored clothing in the United States.

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

The total size of the U.S. market for worsted wool fabrics suitable for use in men's tailored clothing was estimated based on data collected from U.S. tailored clothing manufacturers regarding fabric purchases and clothing production (as converted into square meter equivalents (SMEs)).¹ For 2000, data collected on purchases of worsted wool fabric for use in domestic production of men's tailored clothing totaled about *** million SMEs, and data collected on domestic production of men's worsted wool tailored clothing totaled *** million SMEs.² These data are believed to represent virtually all of the production of companies who are members of the Tailored Clothing Association (TCA). TCA stated that its members account for 75 to 80 percent of domestic production of men's worsted wool tailored clothing.³ Therefore, it is estimated that the U.S. market for worsted wool fabrics for use in men's tailored clothing is approximately 19 million SMEs, assuming that *** to *** million SMEs represent between 75 and 80 percent of the total market. This estimate is substantially less than the *** million SMEs reported for apparent U.S. consumption of worsted wool fabrics in table 3-2. Apparent U.S. consumption, however, is believed to be overstated, because an unknown but believed to be significant share of U.S. fabric production and U.S. fabric imports are used in offshore assembly operations and therefore are not eligible for the TRQs.

The Commission estimate of 19 million SMEs also differs substantially from data reported by the U.S. Census Bureau (see table 3-1). However, official statistics likely overstate the U.S. market for the subject worsted wool fabrics. For example, official data on apparent U.S. consumption of worsted wool fabrics, which totaled 54.2 million SMEs in 2000, incorporate production data on all fabrics containing at least 36 percent by weight of wool, and production and import data on worsted wool fabrics intended for all end-use markets (including men's tailored clothing, women's wear, and specialty items). Likewise, Census data on U.S. production of tailored clothing, which totaled 25 million SMEs in 2000, include a substantial amount of clothing production that is cut in the United States and sent offshore for assembly. Fabrics used in such clothing production are not eligible for the TRQs.⁴

It is believed that the TCA members account for almost all U.S. purchases of fine-micron fabrics. U.S. purchases of fine-micron fabrics for use in men's tailored clothing totaled an estimated *** million SMEs in 2000, based on questionnaire responses.⁵ Questionnaire data indicated that U.S. production of men's tailored clothing using fine-micron fabrics totaled *** million SMEs in 2000. Apparent U.S. consumption of fine-micron fabrics totaled *** million square meters in 2000, the majority of which are believed to be used in U.S. production of men's tailored clothing. Based on these data, the Commission estimated the size of the market for fine micron-fabrics at approximately *** million SMEs in 2000 (see table 5-1 in chapter 5 of this report for further information).

The Commission estimates the size of the market for coarse-micron fabrics at about *** million square meters for 2000.

¹ It was assumed that one suit equals 5.3 SMEs, one sport coat equals 3.1 SMEs, and one pair of trousers equals 2.6 SMEs. The conversion used here is based on data on average fabric usage for each garment as reported by tailored clothing manufacturers in their responses to the Commission questionnaire.

² Of the 20 clothing manufacturers responding to the Commission purchaser questionnaire, 18 reported data on fabric purchases for 2000. Data were estimated for one additional respondent, based on data supplied on domestic production of garments using fabric it purchased. In addition, production data were adjusted to include additional information received in a telephone interview with a non-respondent.

³ David A. Starr, Williams & Jensen, Counsel to TCA, transcript of hearing, p. 77.

⁴ Conversely, subtracting imports of garments assembled offshore from U.S. production figures would likely understate U.S. production, because U.S. import data of worsted wool garments can include blends containing less than 85 percent by weight of wool.

⁵ Purchase data for three companies were not reported by micron count; however, the Commission estimated these data based on other information contained in the questionnaires (including production data), as well as through follow-up interviews with the respondents.

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.¹⁰ The ability to purchase short lengths of fabric is particularly important to the manufacture of sport coats, which requires a greater number of different fabric styles in smaller lot sizes than the manufacture of suits.

In 2000, the largest sources of U.S. worsted wool fabric imports by quantity were Mexico, Italy, and Canada. 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. *** Imports of worsted wool fabrics from Mexico are eligible to enter free of duty under NAFTA. U.S. imports from Italy fell 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, based on U.S. Customs value) relative to that of Mexico (\$4.87). In terms of micron count, Italy was the top supplier of fine-micron fabric imports and the second-largest supplier of coarse-micron fabric imports in January-May 2001. Conversely, Mexico was the second-largest supplier of fine-micron fabric imports¹¹ and the top supplier of coarse-micron fabric imports.

A substantial share of U.S. worsted wool fabric imports currently receive duty-free treatment under the NAFTA and U.S.-Israel Free Trade Agreement (FTA) (table 3-3). In 2000, 34 percent (or 7.4 million square meters) of U.S. worsted wool fabric imports qualified for duty-free treatment under NAFTA, while an additional 5 percent (or 1.0 million square meters) qualified for duty-free treatment under the U.S.-Israel FTA. Thus, while imports accounted for 40 percent of U.S. worsted wool fabric consumption in 2000, dutiable imports accounted for only 25 percent of such consumption. Official data for January-May 2001 indicate that 31 percent of U.S. imports of fine-micron worsted wool fabrics received duty-free treatment, while 46 percent of U.S. imports of coarse-micron worsted wool fabrics entered duty-free.

Factors Affecting Demand for Certain Worsted Wool Fabrics

The demand for worsted wool fabrics is based, in part, on the intended end use of that fabric. Fabrics used in the manufacture of men's suits and trousers generally are not interchangeable with fabrics used 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. While fancy fabrics are used in both sport coats and suits, sport coats require a greater diversity of style, because sport coats are considered more of a fashion item. According to industry sources, fabrics with different textures and special weave patterns are also increasingly used in trousers. Commercial uniforms, which are included within the men's tailored clothing category, are typically made of solid-color,

¹⁰ For a more detailed discussion on lot sizes, see "Flexible Lot Sizes and Price" in chapter 5 of this report.

¹¹ ***

Table 3-3
Worsted wool fabrics: U.S. imports for consumption, by principal sources, 1996-2000,
January-May 2000, and January-May 2001

(1,000 square meters)

Item	1996	1997	1998	1999	2000	January-May--	
						2000	2001
Mexico	1,170	1,837	1,439	3,035	5,252	2,124	3,129
Italy	4,717	5,177	5,689	5,215	4,849	2,151	2,159
Canada	1,696	1,711	1,199	1,303	2,158	825	985
Korea	1,001	961	1,271	1,994	1,453	668	639
India	433	1,158	1,593	1,360	1,301	557	826
Israel	1,276	877	1,207	1,012	1,002	312	257
Germany	305	407	613	812	864	363	290
Brazil	1,585	1,203	1,042	807	851	566	329
Turkey	681	644	632	710	847	472	302
Uruguay	583	884	793	804	634	402	262
United Kingdom	604	706	620	516	520	216	229
China	767	709	1,140	862	514	181	198
Peru	143	274	361	312	361	173	99
Chile	317	326	216	94	182	67	36
Portugal	89	281	354	265	138	67	80
All other	2,197	2,192	1,405	736	853	358	446
Total	17,567	19,347	19,573	19,837	21,780	9,502	10,266
Imports receiving duty-free treatment under--							
NAFTA	2,823	3,505	2,606	4,299	7,373	2,933	4,108
U.S.-Israel FTA	1,263	870	1,207	1,012	1,000	312	256
Total duty-free imports	4,085	4,375	3,813	5,310	8,372	3,245	4,363

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.

coarse-micron fabrics and are often made to satisfy certain detailed specifications.¹² In addition, fabrics are 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. Because fabrics intended for suits and sport coats require different types of designs and separate research and marketing efforts, a fabric manufacturer typically will specialize in the production of fabrics intended for one particular end use.¹³ Most U.S. firms that produce worsted wool fabric for the men's tailored clothing industry specialize in the production of fabrics intended for suits and trousers. U.S. mills also produce some worsted wool fabrics intended for sport coats.

¹² Industry representatives, telephone interviews by Commission staff, July 10-11, 2001.

¹³ Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, p. 175.

Other factors that may motivate clothing manufacturers to purchase worsted wool fabrics from a certain source include price, which is discussed in chapter 4 of this report, as well as fabric quality, fabric styling, the ability to customize fabrics, minimum order requirements, and reliability of supply. Based on questionnaire responses, ***. 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. Most U.S. fabric producers offer a substantial number of fabric styles and designs. In addition, all U.S. fabric producers indicated ***. Based on questionnaire responses, the minimum order sizes typically offered by U.S. mills range from *** yards to *** yards, and *** U.S. mills offer quantity discounts. According to questionnaire responses of U.S. apparel manufacturers, domestically-produced worsted wool fabrics are typically *** than comparable fabrics produced overseas (see chapter 4 for additional information on pricing).

No single country appears to produce the full range of worsted wool fabrics that the men’s tailored clothing industry demands. For example, a substantial number of fabric mills in countries such as Italy, the United Kingdom, and Germany produce fine-micron, high-quality worsted wool fabrics.¹⁴ Official U.S. trade data indicate that a significant volume of lower-priced, coarse-micron worsted wool fabric is available from countries such as Mexico, Korea, and India. In addition, there are certain types of fabric that are only available from foreign fabric producers.¹⁵

U.S. Worsted Wool Fabric Industry¹⁶

The segment of the U.S. wool fabric industry producing worsted wool fabrics for men’s tailored clothing¹⁷ consists of five firms: Burlington Industries, Inc., Greensboro, NC; Cleyn & Tinker International Inc., Malone, NY; Stillwater Inc., Goshen, VA; Victor Forstmann Inc., Dublin, GA; and Warren Corp., Stafford Springs, CT. Based on official statistics of the U.S. Bureau of Labor Statistics, employment in the wool fabric industry fell 38 percent from 14,300 employees in 1996 to 8,900 employees in 2000.¹⁸ Both Burlington Industries and Warren Corp. currently have significant unused capacity due to decreased demand for fabrics from U.S. tailored clothing producers.¹⁹ Questionnaire data indicate that the capacity utilization rate of U.S. worsted wool fabric producers together averaged *** percent in 2000 (table 3-4). U.S. production of worsted wool fabrics for use in

¹⁴ Andrew Kozinn, President, Saint Laurie Ltd., Crittenden Rawlings, President and Chief Executive Officer, Oxxford Clothes, Inc., and Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., transcript of hearing, pp. 49-50; and official statistics of the U.S. Department of Commerce.

¹⁵ For example, an apparel manufacturer states that the two-ply four-harness fabrics produced in the United Kingdom are not available from a domestic mill. Andrew Kozinn, President, Saint Laurie Ltd., transcript of hearing, p. 22.

¹⁶ Unless otherwise indicated, the information presented in this section is based on questionnaires submitted by Burlington Industries, Cleyn & Tinker International, Victor Forstmann Co., and Warren Corp., or on Commission staff interviews with industry representatives.

¹⁷ The wool fabric industry includes producers of woolen and worsted wool fabrics intended for a variety of end uses, including men’s tailored clothing, women’s wear, commercial and military uniforms, and specialty items.

¹⁸ 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.

¹⁹ Karl Spilhaus, President, Northern Textile Association, transcript of hearing, pp. 111-113.

the manufacture of men's tailored clothing is shown in table 3-5. The product mix, financial health, and recent history of these companies are summarized below.

Table 3-4
Worsted wool fabrics: U.S. capacity and production, by company, 1999-2000, January-March 2000, and January-March 2001¹

Item	1999	2000	January-March--	
			2000	2001
	<i>1,000 square meters</i>			
Average production capacity, total	***	***	***	***
Burlington Industries	***	***	***	***
Warren Corp.	***	***	***	***
Cleyn & Tinker International	***	***	***	***
Other	***	***	***	***
U.S. production, total	***	***	***	***
Burlington Industries, total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Warren Corp., total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Cleyn & Tinker International, total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Other, total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
	<i>Percent</i>			
Average production capacity utilization, total	***	***	***	***
Burlington Industries	***	***	***	***
Warren Corp.	***	***	***	***
Cleyn & Tinker International	***	***	***	***
Other	***	***	***	***

¹ Certain data may not correspond to the questionnaire data reported in appendix D, as some estimates were adjusted based on telephone interviews with industry representatives.

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

Table 3-5
Worsted wool fabrics for men's and boys' tailored clothing: U.S. production, by company, 1999-2000, January-March 2000, and January-March 2001¹

(1,000 square meters)

Item	1999	2000	January-March--	
			2000	2001
U.S. production, total	***	***	***	***
Burlington Industries, total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Warren Corp., total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Cley & Tinker International, total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Other, total	***	***	***	***
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***

¹ Certain data may not correspond to the questionnaire data reported in appendix D, as some estimates were adjusted based on telephone interviews with industry representatives.

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

Burlington Industries, Inc.

Burlington Industries is the leading U.S. producer of worsted wool fabric for men's tailored clothing.²⁰ In recent years, the firm has been consolidating its operations. In 1996, Burlington closed its "Customer Special Requirements Plant," which produced only small quantities (or "short runs") of fabric.²¹ ***. Burlington also reported that it reduced its U.S. production capacity for apparel fabrics, including worsted wool fabrics, by approximately 25 percent during its fiscal year 1999.²² During that same year, the firm opened a mill in Yecapixtla, Mexico that produces worsted wool fabrics.²³ Burlington recorded income (before taxes and interest) of \$61 million in 1999, but posted a loss of

²⁰ Jim Leonard, Jim Leonard & Associates, representing Burlington Industries, transcript of hearing, p. 118.

²¹ Burlington Industries, written submission to the Commission, June 15, 2001.

²² 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.

²³ Burlington Industries, "About Burlington: International," found at Internet address <http://www.burlington.com/>, retrieved July 6, 2001.

\$422 million in 2000.²⁴ Currently, about one-third of Burlington's domestic labor force, or approximately 4,000 workers, are involved in worsted wool fabric production.²⁵

Burlington produces a wide range of wool and wool-blended fabrics for use in men's and women's wear, military uniforms, and commercial uniforms.²⁶ *** percent of these fabrics are intended for men's tailored clothing. ***. Burlington is set up to produce fabric in large lots.²⁷ Based on questionnaire responses, coarse-micron fabrics account for *** percent of Burlington's worsted wool fabric production for men's tailored clothing (table 3-5). The finest worsted wool fabrics currently made by Burlington have an average fiber diameter of *** microns. ***.²⁸

Warren Corp.

Warren Corp. has produced textiles for 150 years. Prior to its 1988 acquisition by Italian firm Loro Piana, Warren ***. Loro Piana invested heavily in staff training, new equipment, and retrofitting to produce fine-micron worsted wool fabrics at the Connecticut plant.²⁹ Worsteds wool fabrics now account for *** of Warren's total fabric production. ***.³⁰ However, as a result of ***,³¹ Warren stated in its questionnaire response that ***, ***, ***.³² Currently, Warren employs a total of 260 individuals at its Connecticut plant and its New York office.³³

The fabrics made by Warren are intended for high-end men's tailored clothing and ***.³⁴ For example, suits made from Warren's fabric retail for more than \$500 each, and many retail for more than \$1,000 each.³⁵ According to its questionnaire response, Warren primarily produces worsted wool fabrics having an average fiber diameter of *** microns. As a result of Warren's ***,³⁶ ***. According to Warren officials, ***.³⁷

²⁴ Burlington Industries, Inc., "Investor Information: Financial Highlights," found at Internet address <http://www.burlington.com>, retrieved Apr. 23, 2001.

²⁵ Jim Leonard, Jim Leonard & Associates, representing Burlington Industries, transcript of hearing, p. 118.

²⁶ Commercial uniform fabric accounts for approximately *** percent of Burlington's total worsted wool fabric production. Representative of Burlington Industries, telephone interview by Commission staff, June 29, 2001.

²⁷ Jim Leonard, Jim Leonard & Associates, representing Burlington Industries, transcript of hearing, 137-139.

²⁸ Officials of Burlington Industries, interview by Commission staff, Clarksville and Halifax, VA, Mar. 29, 2001.

²⁹ Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, p. 124.

³⁰ Official of Warren Corp., interview by Commission staff, Stafford Springs, CT, Mar. 20, 2001.

³¹ ***

³² Official of Warren Corp., interview by Commission staff, Stafford Springs, CT, Mar. 20, 2001.

³³ Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, p. 124.

³⁴ Officials of Warren Corp., interview by Commission staff, Washington, DC, July 2, 2001.

³⁵ Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, p. 125.

³⁶ Officials of Warren Corp., interview by Commission staff, Washington, DC, July 2, 2001.

³⁷ Ibid.

Cleyn & Tinker International Inc.

Cleyn & Tinker International Inc. (CTI) is a subsidiary of Canadian-based Cleyn & Tinker Inc. and produces worsted wool fabrics at its only U.S. facility in Malone, NY.³⁸ According to its questionnaire response, CTI ***.³⁹

Victor Forstmann, Inc.

Victor Forstmann, Inc. was established in September 1999 when Canadian-based Victor Woolen Products of America, Inc., acquired U.S.-based Forstmann & Co. (its two plants in Dublin, GA, the equipment, and the Forstmann brand name). Prior to this acquisition, Forstmann & Co. declared bankruptcy and closed facilities in Louisville and Milledgeville, GA that had manufactured worsted wool fabrics and yarns (these facilities were not among the assets that Victor Woolen Products acquired in 1999). Currently, Victor Forstmann, doing business as the Forstmann Co., employs more than 800 workers in the two Dublin plants, where it produces worsted wool fabrics ***.⁴⁰

Victor Forstmann produces fashion and institutional apparel fabrics,⁴¹ of which those intended for men's tailored clothing account for ***.

Stillwater Inc.

Stillwater Inc., Goshen, VA, produces worsted wool fabrics ***.⁴²

³⁸ Cleyn & Tinker Internet site, found at Internet address <http://www.cleyn.com/indexe.htm>.

³⁹ Official of Cleyn & Tinker, telephone interview by Commission staff, July 3, 2001.

⁴⁰ Victor Forstmann Internet site, found at Internet address <http://www.forstmann.com/index.html>; and questionnaire response.

⁴¹ Victor Forstmann Internet site, found at Internet address <http://www.forstmann.com/index.html>.

⁴² Official of Stillwater, Inc., telephone interview by Commission staff, July 9, 2001.

CHAPTER 4

PRICES OF DOMESTIC AND IMPORTED WORSTED WOOL FABRICS

This chapter provides information on prices of domestic and imported worsted wool fabrics for 1999, 2000, and January-March 2000 and 2001. Information in this chapter, unless otherwise noted, is based on responses to Commission questionnaires from U.S. producers (mills), wholesaler-importers (importers) of worsted wool fabrics, and U.S. manufacturers of men's tailored clothing that purchase and import such fabrics. The chapter first discusses the price data collected, including the types of fabrics for which data were requested and the limitations of such data. The chapter then compares prices of domestic and imported fabrics and analyzes price trends and factors affecting prices. Finally, the chapter discusses pricing methods of U.S. mills and importers in selling fabrics to the clothing manufacturers.

Data Collection

The Commission sent questionnaires to mills and importers requesting quarterly data on the total quantity and value of their shipments (sales) of specified fabrics to unrelated U.S. customers (the clothing manufacturers).¹ Similarly, the questionnaire sent to the clothing manufacturers requested quarterly data on the total quantity and value of their purchases and direct imports of the specified fabrics for their own use. The sales data of the mills and importers were used to construct weighted average "selling prices" and the purchase and direct import data of the clothing manufacturers were used to construct weighted average "purchase prices."²

Because prices of such fabrics can vary greatly due to differences in wool content, micron level, weight, quality, weave construction, and style, the Commission questionnaires requested price data for eight different types of worsted wool fabrics used in men's tailored clothing. The eight fabric types, listed in table 4-1, are distinguished by three criteria, as follows:

- (1) wool content -- 100-percent wool or blends containing at least 85 percent by weight of wool;
- (2) micron count -- fabrics having an average fiber diameter of 18.5 microns or less (fine-micron wool fabrics) or greater than 18.5 microns (coarse-micron fabrics); and
- (3) fancy or solid color -- a fancy fabric contains two or more colors.

¹ The Commission requested that values be net of all discounts and rebates and exclude U.S.-inland transportation costs for delivery to the customer.

² The quantity data were collected in linear yards and converted into square meters, assuming that the fabrics are made in 60-inch widths (one yard equals 1.392 square meters).

The quantity data shown in table 4-1 for each specified fabric represent the total volume of sales reported by the mills and importers for 2000, which were used to construct the average selling prices, and the total volume of purchases and direct imports reported by the clothing manufacturers for 2000, which were used to construct the average purchase prices.

Table 4-1
Worsted wool fabrics: Sales and purchases of domestic and imported fabrics, 2000

(In square meters)

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

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

The Commission received usable data from four mills and six importers to construct the average selling prices and from 11 clothing manufacturers to construct the average purchase prices, although not all of the reporting firms provided price data for each fabric type. The data used to construct the average selling prices accounted for about *** percent of U.S. mills' production of worsted wool fabrics and a little over *** of estimated U.S. imports of such fabrics in 2000, while the data used to construct the average purchase prices represented less than *** percent each of the mills' production and imports.³ As shown in table 4-1, most of the data received by the Commission for purposes of constructing the selling and purchase prices were for 100-percent worsted wool fabrics.⁴ Hence, the analysis of price comparisons and trends that appears below focuses on the four types of 100-percent worsted wool fabrics.

³ Imports include only purchased imported fabrics.

⁴ Also, see tables E-1 to E-16 in appendix E.

The price data are limited by several factors. First, relative to sales of domestic fabrics, there is low coverage of purchases of domestic fabrics. Second, the reported purchases of both domestic and imported fabrics were mostly accounted for by medium- to high-end clothing manufacturers who tend to purchase higher quality, more expensive fabric. This trend may cause differences between domestic selling prices, which generally have broader coverage, and purchase price data.⁵ Finally, two U.S. clothing manufacturers *** reported purchase price data that were not disaggregated by country of origin. As such, and because many other clothing manufacturers reported quantity and value of their purchases which yielded the same unit values for purchases from each country of origin in a given time period, comparisons of average prices for imports by country are not very informative and are therefore excluded from the analysis below.

Price Comparisons

Based on questionnaire data from U.S. tailored clothing manufacturers regarding their purchases of worsted wool fabrics and U.S. mills and wholesaler-importers regarding their sales of such fabrics, the average purchase price and average selling price for fine-micron domestic fabrics were *** than those for similar imported fabrics, as shown in figures 4-1 to 4-2. For coarse-micron fancy fabrics (containing two or more colors), the average purchase and selling prices were *** for domestic fabrics than for similar imported fabrics (figures 4-5 and 4-6). For coarse-micron solid-color fabrics, data from the clothing manufacturers show that the average purchase price was *** for domestic fabrics than for similar imported fabrics, while data from the U.S. fabric mills and wholesaler-importers show that the average selling price of domestic fabrics was *** (figures 4-7 and 4-8). The average quarterly purchase prices reported by the clothing manufacturers tended to be higher than the average quarterly selling prices reported by the fabric mills and wholesaler-importers, whether for a given domestic or imported fabric or for a specific fine-micron or coarse-micron fabric, primarily because most of the purchase price data received by the Commission came from manufacturers of medium- to high-end clothing that typically use relatively high-cost fabrics.

Data from U.S. tailored clothing manufacturers and fabric wholesaler-importers show that the average prices of imported fine-micron fabrics generally *** on a quarterly basis from January-March 1999 to January-March 2001. For domestic fine-micron fabrics, data from the clothing manufacturers show that the average purchase price *** during the period, ***. For coarse-micron fabrics, quarterly changes in average selling and purchase prices were mixed for 1999 and 2000.

As shown in table 4-2 and seen in figures 4-1, 4-2, 4-5, and 4-6, the pricing pattern for fine-micron wool fabrics noted above also generally holds true in all periods, ***. *** the average purchase price for fancy fabric made domestically of \$*** per square meter was *** than that (\$***) for similar imported fabric. *** the average purchase price for solid-color fabric made domestically of \$*** per square meter was *** than that for similar imported fabric (\$***). The average selling price for fancy fabric made domestically of \$*** per square meter was *** than that for similar

⁵ It is uncertain, if this is true, for import selling price data since few importers who reported pricing data provided a list of their customers. Another factor that may cause differences between average domestic selling and purchase prices is the possibility that some domestic producers may have included export sales in their pricing data.

Table 4-2
Worsted wool fabrics: Weighted-average selling and purchase prices for domestic and imported fabrics (100-percent wool), January-March 2001¹

(Per square meter)

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

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

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

imported fabric (\$***), while the average purchase price for solid-color fabric made domestically of \$*** per square meter was *** than that for similar imported fabric (\$***).

For coarse-micron fabrics, the price data reported by the clothing manufacturers for January-March 2001 show ***. The clothing manufacturers' data show that the average price of coarse-micron fancy fabric made domestically was \$*** per square meter, which was *** than that for similar imported fabric (\$***). U.S. producers' data show that the average selling price of the domestic fabric was \$***, which was *** than that reported by importers for similar imported fabric (\$***). On the other hand, for coarse-micron solid-color fabric, the average purchase price for domestic fabric of \$*** per square meter was *** than that for similar imported fabric (\$***), while the average selling price of domestic fabric (\$***) was *** than that for imported fabric (\$***).

The weighted-average selling and purchase prices constructed from responses to Commission questionnaires differ significantly, in some instances, from individual company prices. According to Warren Corp., clothing manufacturers fall into one of three different market segments in terms of their purchases of worsted wool fabrics: those who typically pay between \$30 and \$40 per linear yard (\$21.53 and \$28.70 per square meter), those who typically pay between \$10 and \$20 per linear yard (\$7.18 and \$14.35), and those who typically pay between \$9 and \$12 per linear yard (\$6.46 and \$8.62).⁶ For example, Saint Laurie reports that it pays an average of \$18 per square meter for imported fabric, reflecting a premium for having access to higher quality fabrics in smaller quantities.⁷ For two specific fabrics, Saint Laurie pays about \$16 per linear yard (\$11.48 per square

⁶ Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, p. 152.

⁷ Andrew Kozinn, President, Saint Laurie Ltd., transcript of hearing, p. 23.

Figure 4-1

Worsted wool fabric: Weighted-average purchase prices of domestic and imported 100-percent wool fine-micron fancy fabric, by quarters, January-March 1999 to January-March 2001

* * * * *

Figure 4-2

Worsted wool fabric: Weighted-average sales prices of domestic and imported 100-percent wool fine-micron fancy fabric, by quarters, January-March 1999 to January-March 2001

* * * * *

Figure 4-3

Worsted wool fabric: Weighted-average purchase prices of domestic and imported 100-percent wool fine-micron solid fabric, by quarters, January-March 1999 to January-March 2001

* * * * *

Figure 4-4

Worsted wool fabric: Weighted-average sales prices of domestic and imported 100-percent wool fine-micron solid fabric, by quarters, January-March 1999 to January-March 2001

* * * * *

Figure 4-5

Worsted wool fabric: Weighted-average purchase prices of domestic and imported 100-percent wool coarse-micron fancy fabric, by quarters, January-March 1999 to January-March 2001

* * * * *

Figure 4-6

Worsted wool fabric: Weighted-average sales prices of domestic and imported 100-percent wool coarse-micron fancy fabric, by quarters, January-March 1999 to January-March 2000

* * * * *

Figure 4-7

Worsted wool fabric: Weighted-average purchase prices of domestic and imported 100-percent wool coarse-micron solid fabric, by quarters, January-March 1999 to January-March 2001

* * * * *

Figure 4-8

Worsted wool fabric: Weighted-average sales prices of domestic and imported 100-percent wool coarse-micron solid fabric, by quarters, January-March 1999 to January-March 2001

* * * * *

meter) and \$24 per linear yard (\$17.22), respectively.⁸ Hickey-Freeman Co. stated that the cost of suit fabric ranges from \$20 to \$40 per linear yard (\$14.35 to \$28.70 per square meter).⁹

Price Trends

Although average purchase prices of both domestic and imported fine-micron wool fabrics and average selling prices of imported fine-micron fabrics generally *** on a quarterly basis from January-March 1999 to January-March 2001, average selling prices of domestic fine-micron fabrics *** during the same period. The changes in average selling and purchase prices of the coarse-micron wool fabrics were mixed in 1999 and 2000.¹⁰

From January-March 1999 to January-March 2001, the average purchase price reported by the clothing manufacturers for fine-micron wool fancy and solid-color fabrics made domestically *** by *** percent and *** percent, respectively, while the average purchase price for similar imported fabrics *** by *** and *** percent, respectively. Similarly, the average selling price reported by importers for fine-micron wool fancy and solid fabrics *** by *** and *** percent, respectively. However, the average selling price reported by the mills for fine-micron wool fancy and solid fabrics made domestically *** by *** and *** percent, respectively.

The changes in average selling and purchase prices of the coarse-micron wool fabrics were mixed in 1999 and 2000. The average purchase price of such fabrics made domestically *** by *** percent for fancy fabric but *** by *** percent for solid-color fabric, while the average purchase price for similar imported fabric *** by *** percent for fancy fabric but *** by *** percent for solid-color fabric. The average selling price of domestic fancy and solid fabrics *** by *** percent and *** percent, respectively, while the average selling price of similar imported fabrics *** by *** percent and *** by *** percent, respectively. One domestic mill stated that domestic prices fell during 1999 and 2000, while the clothing manufacturers stated that prices were relatively stable.¹¹

Factors Affecting Prices

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

Currency depreciations of major exporting countries against the U.S. dollar reduce the price competitiveness of domestic fabrics relative to imports, while currency appreciations increase their

⁸ Ibid., p. 84.

⁹ Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., transcript of hearing, pp. 59-60.

¹⁰ This was calculated as the change in price between January-March 1999 and January-March 2001.

¹¹ See transcript of hearing for testimony of Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., p. 130; Crittenden Rawlings, President and Chief Executive Officer, Oxxford Clothes, p. 92; and Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., p. 92.

price competitiveness. Significant fluctuations in exchange rates of several major exporting countries occurred between January 1999 and April 2001, when the Italian lira depreciated by 22 percent relative to the dollar in real terms and the Mexican peso appreciated by 19 percent in real terms (table 4-3).

Table 4-3
Overall appreciation or depreciation amounts for currencies of selected countries relative to the U.S. dollar¹

(In percent)

Country	Nominal exchange rate		Real exchange rate	
	Currency appreciation	Currency depreciation	Currency appreciation	Currency depreciation
Canada	-	2.5	-	3.8
India ²	-	9.1	-	10.3
Israel ³	-	2.0	-	6.9
Italy	-	23.2	-	22.4
Korea	-	11.4	-	13.8
Mexico ⁴	8.1	-	19.4	-

¹ Unless otherwise noted, nominal changes in exchange rates are measured for the period Jan. 1999-Apr. 2001 and real changes in exchange rates are for the period Jan. 1999-Mar. 2001.

² Data for real exchange rates are for the period Jan. 1999-Feb. 2001.

³ Data for nominal exchange rates are for the period Jan. 1999-Mar. 2001.

⁴ Data for real exchange rates are for the period Jan. 199-Dec. 1999.

Source: International Monetary Fund, *International Financial Statistics*, June 2001 and selected back issues.

Warren Corp., a U.S. fabric producer affiliated with Loro Piana of Italy, stated that the recent fall in the Italian lira effectively negates the existing U.S. tariff on worsted wool fabrics by allowing U.S. importers of such fabrics from Italy to lower their prices.¹² However, several clothing manufacturers who purchase Italian fabrics stated that exchange rate fluctuations do not affect their purchasing decisions.¹³

As a result of the depreciation of the Italian lira, imports of Italian fabrics are relatively more competitive in the U.S. market because the cost of producing fabric is relatively lower in Italy than in the United States, allowing Italian producers to lower their dollar prices and increase their fabric sales in the U.S. market.¹⁴ The degree to which Italian fabric mills lower their dollar prices and increase their sales to the U.S. market as a result of the depreciation depends on how much purchasers of Italian

¹² Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, pp. 127 and 128.

¹³ Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., Andrew Kozinn, President, Saint Laurie Ltd., Crittenden Rawlings, President and Chief Executive Officer, Oxxford Clothes, and Howard Goldstein, Chief Financial Officer, Hartz & Co., transcript of hearing, p. 74.

¹⁴ A depreciation of the Italian lira does not necessarily mean that the cost of production in Italy is *absolutely* lower than that in the United States. In fact, the Union of Needletrades, Industrial, and Textiles Employees (UNITE) states that total labor costs in Italy were 3 percent higher than those of the United States in the summer and autumn of 2000. Arthur Gundersheim, Director, International Trade Department, UNITE, written submission to the Commission, June 5, 2001.

fabrics in the U.S. market respond to price changes and how much market power Italian fabric mills can exert in the U.S. market.

Reductions in U.S. duties on worsted wool fabrics covered by the TRQs can also affect the price of worsted wool fabric. A reduction in duties on imports of fabric under the TRQ may lower prices and increase sales of dutiable fabric.¹⁵ The degree to which prices fall and sales increase depends on how much purchasers of imported fabrics in the U.S. market respond to price changes, how much market power Italian fabric mills can exert in the U.S. market, expected and actual demand for dutiable fabric, and expected and actual TRQ allocations for individual tailored clothing manufacturers.¹⁶

Changes in raw material costs can significantly affect prices of worsted wool fabrics because the main raw material (wool) makes up about 30 to 35 percent of the price of the fabric.¹⁷ Warren Corp. states that wool prices have fluctuated significantly in the last 3 years and that these price changes affect the price of fabric “very much.”¹⁸ ***.¹⁹

Changes in international transportation costs have a relatively small effect on fabric prices because such costs represent a relatively small portion of total import costs. The cost of shipping worsted wool fabrics to the United States varies by country of origin, averaging an estimated 3.6 percent of the total import cost for all countries, 3.9 percent for Italy, and 1.5 percent for Mexico in 2000.²⁰

Pricing Methods

The price of any fabric may differ by purchaser because fabric suppliers sometimes negotiate prices and have different sales terms. Minimum lot sizes and quantity discounts can also make prices different for different quantities of fabric purchased.

***.

¹⁵ TRQ allocations for 2001 were announced on July 31, 2001. The TRQ allocations were awarded to individual tailored clothing manufacturers who use imported fabric to produce men’s and boys’ tailored clothing. See *Federal Register* (66 F.R. 39490) published on July 31, 2001.

¹⁶ The TRQ may not be fully utilized when imports of fabric for individual tailored clothing manufacturers are greater than their TRQ allocations because importers can choose to enter each shipment under either the in-quota or the over-quota category. Importers may tend to enter higher priced fabric within the TRQ and their lower priced fabric at the over-quota higher duty rate.

¹⁷ Also, some U.S. fabric producers make their own yarn, while others purchase at least some portion of their yarn. Moreover, the cost of wool yarn accounts for as much as 50 percent of the fabric price. Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, pp. 185 and 186.

¹⁸ Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, pp. 185 and 186. ***. Anne M. Costa, Accounting Supervisor, Warren Corp., written submission to the Commission, June 8, 2001.

¹⁹ Anne M. Costa, Accounting Supervisor, Warren Corp., written submission to the Commission, June 8, 2001.

²⁰ These estimates are derived from official import data and represent insurance and freight charges on imports valued on a c.i.f. basis.

Importers reported using a combination of methods to determine prices. They make most of their sales of worsted wool fabric on a contract basis, and their contracts fix both quantity and price and in most cases do not have “meet or release” provisions. Importers usually sell fabric on an f.o.b. or landed duty-paid value basis.

Although only two of the four responding producers offer quantity discounts, all producers require purchases of a minimum lot size for at least some orders (discussed in chapter 5). Fabric prices of mills having lower minimum lot sizes may be higher than prices of comparable fabric from mills having higher minimum lot sizes. Although it can be difficult to determine how prices differ across firms due to varying minimum lot sizes, the discount in prices for purchasing different quantities from the same firm is more transparent. For example, discounts offered by ***,²¹ ***.

²¹ ***.

CHAPTER 5

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

This chapter provides information on the ability of U.S. producers of worsted wool fabrics to meet the needs of U.S. tailored clothing manufacturers in terms of quantity and clothing market demands. It discusses the total size of the domestic market for worsted wool fabrics used in men's tailored clothing and the level of U.S. production capacity and production for such fabrics. The chapter also examines factors that clothing manufacturers consider most important in their fabric purchasing decisions.

Based on the available data, the Commission estimated that the U.S. market for worsted wool fabrics suitable for use in men's tailored clothing was approximately 19 million square meters in 2000 (see below). In terms of quantity, U.S. producers of the worsted wool fabrics have sufficient capacity to meet market demand for the fabrics. Based on data from these producers, the Commission estimates that U.S. production capacity for the subject fabrics totals approximately *** million square meters.

However, several non-capacity factors, including number and variety of fabric styles, fabric quality and consistency, minimum order sizes, and diversification of supplier sourcing, suggests significant increased utilization of U.S. capacity is unlikely by tailored clothing manufacturers. Clothing manufacturers consider these factors to be very important, because they compete in the mid-to-upper price end of the domestic retail market where product quality, fashion, and differentiation are critical selling determinants. For fine-micron fabrics, ***. The tailored clothing manufacturers claim they need to purchase fabrics from many mills worldwide to obtain the diversity of fabrics they require and to spread financial risk, suggesting that they are unlikely to increase significantly their purchases of fine-micron fabrics from U.S. fabric mills. Although historically the tailored clothing manufacturers have focused their concerns on fine-micron fabric producers, U.S. mills producing coarse-micron fabrics are reported to have difficulty in meeting the needs of the clothing manufacturers in terms of the number and variety of fabric styles, fabric quality and consistency, and minimum order sizes.

In Terms of Quantity

The Commission estimated that the size of the domestic market for worsted wool fabrics for use in men's tailored clothing was approximately 19 million square meters in 2000 (table 5-1).

Table 5-1
Worsted wool fabrics for use in men's and boys' tailored clothing: Estimated size of U.S. market, production minus exports, and imports for consumption for 2000, and TRQ limits for 2001

(Million square meters)

Item	Fine-micron fabric	Coarse-micron fabric	Total
Size of--			
Market	***	***	19.0
Production minus exports	***	***	***
Imports	***	***	***
TRQ limits	1.5	2.5	(¹)

¹ Not applicable.

Note.--It is believed that a portion of the domestic and imported fabrics are cut into garment parts in the United States, sent offshore for assembly, and re-imported under the production-sharing provisions of HTS Chapter 98. Imported fabrics used in production-sharing arrangements are not eligible for the temporary duty reductions under the TRQs and, therefore, are not included in the total size of the market (the estimated 19.0 million square meter figure). Therefore, U.S. production minus exports, plus U.S. imports, is greater than the total size of the U.S. market.

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

Coarse-micron fabrics accounted for the majority of the market, or an estimated *** million square meters, while fine-micron fabrics accounted for about *** million square meters. Based on questionnaire data, U.S. fabric producers supplied approximately *** million square meters of coarse-micron fabrics and *** million square meters of fine-micron fabrics to U.S. tailored clothing manufacturers in 2000, some portion of which may have been used in offshore production-sharing operations. Burlington Industries, the largest U.S. producer of coarse-micron fabrics, appears to have sufficient excess capacity to meet any additional fabric demand by the clothing manufacturers that is currently being supplied by importers. Warren Corp., the only U.S. producer to specialize in the production of fine-micron fabrics, stated that it has existing capacity to expand production by *** million square meters without incurring any additional investments. (See chapter 3 of this report for additional information on estimates of the U.S. market for the subject fabrics.)

The Commission estimates that U.S. imports of worsted wool fabrics totaled an estimated *** million square meters in 2000, of which coarse-micron fabrics accounted for an estimated *** percent, and fine-micron fabrics accounted for an estimated *** percent. It is believed that some portion of these imports were sent offshore in the form of cut garment parts for assembly under U.S. production-sharing arrangements. Although questionnaire data do not indicate how much of total estimated imports of worsted wool fabrics entered free of duty, official statistics on the quantity of such imports for January-May 2001 show that 46 percent of coarse-micron fabrics and 31 percent of fine-micron fabrics for all end uses were duty-free under NAFTA and the United States-Israel Free Trade Agreement.

U.S. production of fine-micron fabrics totaled an estimated *** million square meters, of which an estimated *** million square meters were available for manufacturers of U.S. men's tailored clothing (production minus exports; see chapter 3 for further information). Of the *** U.S. firms that reported production of fine-micron fabrics, Warren and Burlington accounted for *** percent of the output. ***. U.S. production of coarse-micron fabrics totaled an estimated *** million square meters, of which about *** million square meters were available to U.S. clothing manufacturers. It is believed that at least *** percent of U.S.-made coarse-micron fabrics available to U.S. clothing manufacturers are for men's tailored clothing sold at retail, while the remainder go to the commercial uniform market (see chapter 3 for further information on uniform fabrics).

U.S. producers of the subject fabrics appear to have considerable unused production capacity in which to expand production without incurring additional investments. According to questionnaire data for 2000, capacity utilization for all worsted wool fabrics averaged *** percent, based on estimates of *** million square meters for total production capacity and *** million square meters for actual production.¹ In its questionnaire response, Burlington stated that its total production capacity for all worsted wool fabrics is *** million square meters and that its actual production of such fabrics in 2000 was *** million square meters, of which *** million square meters consisted of the subject fabrics. Warren stated that it could increase its production of worsted wool fabrics from the current level of *** million square meters to *** million square meters using existing capacity, and to *** million square meters with minor investments.²

As noted in chapter 3, most U.S. worsted wool fabric producers specialize in the production of worsted wool fabrics for use in suits and trousers. Burlington stated that it ***.³ Warren stated that its primary strength is the design, research, and development of fabrics for suits, but that it also produces a line of fabrics for sport coats and trousers.⁴ Warren stated that its fabrics, ***. Warren indicated that it ***,⁵ but that it ***.⁶ Warren stated that ***.

In Terms of Market Demands for the Clothing

U.S. worsted wool fabric producers and clothing manufacturers both agree that, within a given price range, the most important factor a consumer considers in the purchase of tailored clothing is the fabric, including its appearance and feel. Based on information available to the Commission, the three most critical factors influencing fabric purchase decisions for the majority of clothing manufacturers, regardless of the price points at which they compete, are fabric quality and consistency, fabric availability and reliability of delivery, and the variety of styles available for purchase. Other important factors in the purchasing decisions include fabric price and the ability to buy fabric in flexible lot sizes,

¹ The Commission producer questionnaire asked respondents to provide data on their total capacity and production for all worsted wool fabrics and for the subject fabrics separately.

² Guy Birkhead, Vice President of Operations, Warren Corp., Stafford Springs, CT, written submission to the Commission, Apr. 17, 2001, and officials of Warren Corp., interview by Commission staff, Mar. 20, 2001.

³ Officials of Burlington Industries, Inc., Clarksville, VA, interview by Commission staff, Mar. 29, 2001.

⁴ Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, p. 176.

⁵ Official of Warren Corp., Stafford Springs, CT, interview by Commission staff, Apr. 27, 2001.

⁶ Official of Warren Corp., interview by Commission staff, Washington, DC, July 2, 2001.

particularly small lots. In response to a question in the Commission purchaser questionnaire that asked respondents to mark which factors were “very important,” “somewhat important,” or “not important,” the factors deemed to be very important by all or virtually all of the respondents were delivery time and reliability of fabric supply, and fabric quality and consistency (table 5-2). More than one-half of the respondents stated that fabric availability, flexible lead times, minimum order requirements, and available styles were very important, while the remaining respondents indicated that these factors were somewhat important. Less than one-half of the respondents stated that price was very important; three respondents stated that price was not important. Based on questionnaire responses of the clothing manufacturers, it appears that fabric mills in Italy and the United Kingdom rank higher than those in the United States and other countries in nearly all of the factors considered most important to the U.S. tailored clothing manufacturers.

Table 5-2
Number of firms reporting ranking of factors used by men’s tailored clothing manufacturers in making purchasing decisions on worsted wool fabrics

Factor	Very important	Somewhat important	Not important
Delivery time	20	0	0
Product quality	20	0	0
Reliability of supply	20	0	0
Product consistency	19	1	0
Availability	16	4	0
Flexible lead times	14	6	0
Minimum quantity requirements	14	6	0
Styles available	13	7	0
Lowest price	9	8	3
Flexibility in lot sizes	9	8	3
Product range	8	11	0
Custom options	7	10	3
Delivery terms	6	13	1
Technical support/service	5	13	2
U.S. transportation costs	5	7	7
Discounts offered	4	13	3
Transportation network	4	12	4

Source: Compiled from data submitted in response to the Commission purchaser questionnaire.

In terms of fabric types, it appears that fine-micron fabrics come in a wider range of designs than do coarse-micron fabrics. It also appears that ***. However, the clothing manufacturers state that they purchase fabrics from a large number of different mills in an effort to obtain a variety of styles and to diversify financial risk. According to the Hickey-Freeman Co., it “is probably the largest customer of Loro Piana USA [Warren], but we should not as a practical business matter purchase more than 20 to 25 percent of our fabric needs from one mill.”⁷ Some clothing manufacturers stated

⁷ Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., and President, TCA, transcript of hearing, p. 10.

***. An incentive exists for clothing manufacturers to purchase foreign fabrics to obtain some measure of exclusivity in the U.S. market (but not the world market) without having to buy the larger minimum lot sizes generally required for an exclusive order.

Coarse-micron fabrics appear to come in fewer styles for suits and sport coats than do fine-micron fabrics (see “styling” below). In addition, the minimum lot size requirements of most U.S. producers of coarse-micron fabrics are much larger than those of many foreign mills. Several clothing manufacturers stated ***.

Quality and Consistency

Factors affecting fabric quality include any physical defects in the fabric, its tactile qualities (or “hand”), how easily the fabric can be cut and sewn into a garment, and its drape (how the fabric hangs, particularly once it has been made into a garment). Consistency refers to the uniformity of the fabric characteristics, including quality and color, between different batches of fabric. Quality was one of the reasons given by clothing manufacturers for purchasing imported fabrics over domestic fabrics.

The Commission questionnaire asked the clothing manufacturers to compare domestic and imported worsted wool fabrics in terms of quality, price, and availability. All 16 respondents who reported purchasing fabrics from Italy stated that Italian fabric was superior in quality to U.S. fabric (table 5-3). Of the countries from which five or more respondents reported fabric purchases, only imports of fabric from India were considered by some respondents to be of inferior quality and consistency to U.S. fabric. For the other countries listed in table 5-3, the respondents were divided on whether or not U.S. fabric was comparable or inferior to that from the foreign country. For fabric consistency, U.S. fabric was considered comparable by at least some respondents, though more of the respondents stated that U.S. fabric was inferior to fabric from Italy, the UK, Spain, and Portugal. U.S. clothing manufacturers were also asked if U.S. fabric producers had ever been unable to meet their needs or if they had reduced purchases from any domestic producers and if so, why. ***.

Saint Laurie stated that although it does not buy fabrics from U.S. mills, the Warren Corp. is the only U.S. mill that makes fabric of a quality it would consider purchasing.⁸ Hickey-Freeman, which makes suits that retail at the upper end of the market, stated that it is the largest customer of Warren and that Burlington, once a major supplier, does not offer fabrics of sufficient quality for its suits.⁹ Warren stated that its fabrics are of a quality and design for use in suits that retail for more than \$1,000 each, but that it also produces some fabrics for suits that sell at retail for as low as \$500.¹⁰

⁸ Andrew Kozinn, President, Saint Laurie Ltd., transcript of hearing, p. 23.

⁹ Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., and President, TCA, transcript of hearing, pp. 9, 10, and 41.

¹⁰ Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, p. 125.

Table 5-3
Number of firms rating U.S. versus imported fabrics from selected sources for product quality and product consistency

Source	U.S.	U.S.	U.S.
	superior	comparable	inferior
	Fabric quality		
Italy	0	0	16
United Kingdom	0	1	9
India	3	3	3
Korea	0	2	6
Spain	0	2	5
Portugal	0	2	4
Mexico	0	2	3
Turkey	0	0	5
Canada	0	4	1
Uruguay	0	3	2
Chile	0	2	3
	Consistency of fabric		
Italy	0	5	11
United Kingdom	0	2	8
India	3	5	1
Korea	0	5	3
Spain	0	2	5
Portugal	0	2	4
Mexico	0	4	1
Turkey	0	3	2
Canada	0	4	1
Uruguay	0	5	0
Chile	0	5	0

Source: Compiled from data submitted in response to the Commission purchaser questionnaire.

Availability of Supply and Reliability of Delivery

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

The majority of the clothing manufacturers responding to the Commission questionnaire stated that compared with domestic fabrics, the reliability of supply was higher for imported fabrics from Italy, the UK, and Portugal, but comparable to imported fabrics from other countries (table 5-4). Most respondents indicated that delivery time for domestic fabrics is comparable to that for imported fabrics. The one exception is India, which rated lower (table 5-5). For flexible lead times, including the ability to reorder fabric during the selling season, roughly one-half of the respondents stated that U.S. producers were comparable with mills in Italy and the UK, while the other half stated that U.S. producers had less flexible lead times. For the other countries listed, most respondents stated that U.S. mills had lead times that were comparable to mills in the foreign countries. In terms of fabric availability, 13 of 16 respondents who were importing from Italy stated that fabric mills in Italy were superior to U.S. mills, and 6 of 10 respondents importing from the UK stated that the UK mills were superior. ***.

U.S. fabric producers' standard lead times from order placement to fabric delivery range between 5 and 16 weeks, depending on the fabric style and whether or not the style is a custom order. Burlington stated that its standard lead time is ***. ***.¹¹ Victor Forstmann's reported standard lead time is ***, while Warren's is ***. In its questionnaire response, Warren stated it makes some fabrics ***. It also offers overnight delivery of single fabric pieces of 50 linear meters (55 square meters) and suit-cut lengths of fabric from its warehouse to manufacturers and individual tailors.¹²

Another factor relating to flexible lead times, particularly the ability of U.S. fabric producers to respond quickly to fabric reorders, is the inventory of yarns on hand to process (weave) into fabrics. In their questionnaire responses, ***. These firms said the lead time to produce or purchase yarns ranges from ***. ***.

In testimony before the Commission, Hartz & Co. stated that it buys a "meager amount of fabric" from Warren. In addition, Hartz stated that it buys "some gabardine fabrics from Burlington, the latter mostly produced outside the United States." Hartz stated that it "worked with Burlington for many years to design unique fabric patterns--literally hundreds of fabric patterns per year" and that Burlington was its largest fabric supplier more than 2 years ago. In February 1999, however, Hartz stated that it received written notice from Burlington that it was cancelling deliveries of fabrics already specified for Spring 2000, including most of the fabrics designed by Hartz. Hartz stated the cancellation created "an enormous disruption for [its] business and [its] customers." According to Hartz, Burlington has not resumed production of much of its fancy fabrics. Instead, Hartz said it received a letter from Burlington stating that "very few companies, including Burlington, can operate successfully on a Heinz 57 varieties basis where they try to be all things to all people." Hartz still

¹¹ Top-dyed fabrics are fabrics in which the wool top (prior to spinning) is dyed, package-dyed fabrics are fabrics for which the yarn is dyed, and piece-dyed fabrics are fabrics in which the fabric is dyed. Top-dyed and package-dyed fabrics are often "fancy" fabrics in that they contain more than one color yarn. Piece-dyed fabrics are usually solid in color. (Some variation in color can be achieved in piece-dyed fabrics by using different fiber yarns that do not dye uniformly.)

¹² Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, p. 136.

purchases some solid-color gabardine fabrics from Burlington, ***, but purchases its fancy fabrics from overseas.¹³

**Table 5-4
Number of firms rating U.S. versus imported fabrics from selected sources for availability of fabrics and reliability of supply**

Source	U.S. superior	U.S. comparable	U.S. inferior
	Availability of fabrics		
Italy	0	3	13
United Kingdom	0	4	6
India	2	4	3
Korea	0	3	5
Spain	0	3	4
Portugal	0	4	2
Mexico	0	3	2
Turkey	0	1	4
Canada	0	4	1
Uruguay	0	1	4
Chile	0	0	0
	Reliability of supply		
Italy	0	5	11
United Kingdom	0	2	8
India	3	4	2
Korea	1	6	1
Spain	0	5	2
Portugal	0	2	4
Mexico	0	5	2
Turkey	0	3	1
Canada	0	4	2
Uruguay	0	3	2
Chile	0	3	0

Source: Compiled from data submitted in response to the Commission purchaser questionnaire.

¹³ The information in this paragraph is based on the following sources: Howard Goldstein, Chief Financial Officer, Hartz & Co., transcript of hearing, pp. 18-19 and 80-81; and Commission staff interviews with officials of Hartz & Co., New York, NY, Mar. 21, 2001, and Broadway, VA, Apr. 5, 2001.

Table 5-5
Number of firms rating U.S. versus imported fabrics from selected sources for delivery time and flexible lead time

Source	U.S.	U.S.	U.S.
	superior	comparable	inferior
	Delivery time		
Italy	0	14	2
United Kingdom	0	9	1
India	4	5	0
Korea	2	5	1
Spain	0	5	2
Portugal	0	4	2
Mexico	2	3	0
Turkey	0	5	0
Canada	0	4	1
Uruguay	0	5	0
Chile	0	0	0
	Flexible lead time		
Italy	0	9	7
United Kingdom	0	5	5
India	3	6	0
Korea	1	6	1
Spain	0	5	2
Portugal	0	4	2
Mexico	0	5	0
Turkey	0	3	2
Canada	0	4	1
Uruguay	0	5	0
Chile	0	0	0

Source: Compiled from data submitted in response to the Commission purchaser questionnaire.

Styles

U.S. clothing manufacturers purchase fabrics in hundreds of different styles for each selling season (fall and spring). Hartz, for example, stated that it currently buys roughly *** different style fabrics per season.¹⁴ The number of different fabric styles purchased by the domestic industry as a whole is likely to be well into the thousands, as manufacturers try to differentiate their clothing from those of their competitors. Given that U.S. clothing manufacturers compete in the middle to higher end of the domestic market, the manufacturers try to avoid selling clothing made with the same style fabric to more than one retailer. Clothing manufacturers may also switch fabric suppliers if the variety of designs offered by a supplier does not change significantly from one season to the next.

¹⁴ Officials of Hartz & Co., Broadway, VA, interview by Commission staff, Apr. 5, 2001.

Although the total quantity of fabric used in tailored clothing made domestically has declined in the last 5 years, the variety of fabric styles required reportedly has increased. Clothing manufacturers stated that they need to offer retailers a greater variety of different fabric styles in an effort to compete with imported garments from Canada, Italy, and other countries.

Burlington stated in its questionnaire response that it offers *** different styles of fabrics as part of its standard product offering, of which *** are the fine-micron fabrics. Each fabric style differs in terms of the type and number of yarns used in the manufacture of the fabric, and each fabric style can have numerous patterns and colors. Burlington stated that it offers more than 1,000 different colored patterns for its customers to view and use to make buying decisions and that it makes fabrics ***.¹⁵ The firm produces worsted wool fabrics not only for suits (including tuxedos), sport coats, and trousers, but also for tailored commercial uniforms, such as for police, airline pilots, and school bands. Burlington stated that although it probably does not “make everything that companies want” in terms of quality, style, price, or variety, it has the capability to produce a significant share of what the market demands.¹⁶

Warren stated that it offered *** different styles of fabrics in 1999 and *** styles in 2000 and 2001, and that it ***.¹⁷ Warren also stated that it offers fine-micron fabrics in more than 800 different designs in any given year. Each design is offered in a variety of different colors. In addition, Warren said it ***. Warren stated that because it produces fabrics primarily for the U.S. market, ***. According to Warren, it can offer more than 70 percent of the fabrics needed by its customers and has the capability to produce the remaining 30 percent, but would not do so for business reasons. Most of Warren’s worsted wool fabrics have an average fiber diameter of 18 microns or less. These fine-micron fabrics accounted for *** styles in 1999 and *** styles in 2000 and 2001. Warren also produces some coarse-micron fabrics (up to 20 microns). The firm produces ***.

The fabric offerings of Burlington and particularly Warren differ from those of CTI and Victor Forstmann.¹⁸ CTI offers more than *** standard product offerings each season and makes ***. In its questionnaire response, Victor Forstmann stated that it offers *** styles of worsted wool fabrics for menswear, of which ***. Victor Forstmann ***. Custom-designed fabrics accounted for *** percent of Victor Forstmann’s sales of worsted wool fabrics in 1999. In 2000, Victor Forstmann ***. The firm stated that some of its fabrics ***.

All U.S. clothing manufacturers who testified at the Commission hearing contended that U.S. mills do not produce the variety of fabric styles required for them to be competitive. According to the Tailored Clothing Association (TCA), “the capacity to survive as an individual company and as an

¹⁵ Harry G. Barto, President, Burlington Performance Wear, Burlington Industries, Inc., Greensboro, NC, written submission to the Commission, June 15, 2001, and officials of Burlington Industries, Clarksville, VA, interview by Commission staff, Mar. 29, 2001.

¹⁶ Testimony of Jim Leonard, Jim Leonard and Associates (former employee of Burlington Industries, Inc., and now a consultant on international trade issues), transcript of hearing, p. 134.

¹⁷ Information in this paragraph is from Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, pp. 125, 133, 169, and 176; response to the Commission questionnaire; and officials of Warren Corp., interview by Commission staff, Washington, DC, July 2, 2001.

¹⁸ Information in this paragraph is based entirely on responses to the Commission producer questionnaire.

industry depends on the ability to purchase fabrics from scores of mills in scores of countries.”¹⁹ It also appears that the clothing manufacturers use many different sources worldwide not only to get a large variety of fabrics, but also to get some measure of exclusivity in the U.S. market without having to buy the larger minimum lot sizes required to guarantee exclusivity. For example, Saint Laurie stated that if it were to buy domestic fabrics, it would be “subject to a large minimum order requirement and would be offered the same fabrics” sold to its competitors. Saint Laurie stated that by purchasing foreign fabrics, the firm is able to buy as little as roughly 10 linear meters (compared with *** linear meters required by Warren for an exclusive order), and offer its customers a wider range of fabrics from which to choose. Similarly, Hickey-Freeman stated that it “cannot buy the same stripe, the same plaid suit [fabric] that Oxxford does, because we’re dealing with the same retailers.”²⁰

Based on questionnaire responses, U.S. clothing manufacturers generally consider imported fabrics made in Italy and the UK to be superior to domestic fabrics in terms of available fabric styles, product range, and custom options (table 5-6). The clothing manufacturers consider imported fabrics made in Canada and Mexico to be the most comparable to domestic fabrics in terms of these same variables, although they consider the Mexican fabrics to be superior to domestic fabrics in terms of available fabric styles. India was the only country listed for which respondents stated they thought domestic fabrics were superior for each of these variables. ***. While questionnaire respondents said most fabric styles are available from multiple sources, a few cited specific examples of styles that are not available from multiple sources (see chapter 3 for further information).

Flexible Lot Sizes and Price

Clothing manufacturers consider a mill’s willingness to offer flexible lot sizes, particularly as they relate to minimum order size, and competitive prices to be important factors in their fabric sourcing decisions. Almost all questionnaire respondents rate fabric mills in Italy and the UK higher than U.S. mills in terms of flexibility in lot size and minimum order requirements (table 5-7). Foreign mills that sell fabrics to clothing manufacturers worldwide can split a production lot size between several customers who are based in different markets, and thereby offer their customers some measure of exclusivity in their home market. At least one-half of the respondents consider mills in Mexico, Turkey, Canada, and Korea to be comparable with U.S. mills in terms of lot sizes. For other countries, the majority of the respondents indicated that India, Spain, Portugal, Uruguay, and Chile all offer more flexible and smaller lot sizes than U.S. producers.

***.²¹ *** Warren stated that it ***. Warren stated in testimony before the Commission that it has supplied one piece (55 square meters) on several occasions and has sold a “big” quantity

¹⁹ David A. Starr, Counsel to the TCA, written submission to the Commission, May 21, 2001.

²⁰ Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., and President, TCA, transcript of hearing, p. 41.

²¹ Information in this paragraph on Warren, unless otherwise noted, is based on its questionnaire response; testimony of Pier Luigi Loro Piana, Chief Executive Officer, transcript of hearing, p. 136; Commission staff interviews with company officials, Stafford Springs, CT, Mar. 20, 2001, and Washington, DC, July 2, 2001; and Commission staff telephone interview with company officials, July 3, 2001.

Table 5-6
Number of firms rating U.S. versus imported fabrics from selected sources for styles available, custom options, and product range

Source	U.S. superior	U.S. comparable	U.S. inferior
Styles available			
Italy	0	2	15
United Kingdom	0	1	9
India	2	4	3
Korea	0	3	5
Spain	0	1	7
Portugal	0	2	4
Mexico	0	2	4
Turkey	0	2	4
Canada	0	4	1
Uruguay	0	1	4
Chile	0	1	4
Custom options			
Italy	0	3	14
United Kingdom	1	1	8
India	1	4	4
Korea	0	3	5
Spain	0	6	2
Portugal	0	2	4
Mexico	0	4	2
Turkey	0	3	3
Canada	0	4	1
Uruguay	0	4	1
Chile	0	5	0
Product range			
Italy	0	2	15
United Kingdom	0	1	9
India	3	2	4
Korea	0	3	5
Spain	0	1	7
Portugal	0	2	4
Mexico	0	3	3
Turkey	0	1	5
Canada	0	4	1
Uruguay	0	1	4
Chile	0	1	4

Source: Compiled from data submitted in response to the Commission purchaser questionnaire.

Table 5-7

Number of firms rating U.S. versus imported fabrics from selected sources for flexibility in lot size and minimum quantity

Source	U.S. superior	U.S. comparable	U.S. inferior
	Flexibility in lot size		
Italy	0	1	14
United Kingdom	0	2	8
India	0	3	6
Korea	0	4	4
Spain	0	2	5
Portugal	0	2	4
Mexico	0	3	2
Turkey	0	4	1
Canada	0	4	1
Uruguay	0	2	3
Chile	0	2	3
	Minimum quantity		
Italy	0	0	16
United Kingdom	0	1	9
India	0	3	6
Korea	0	4	4
Spain	0	1	6
Portugal	0	2	4
Mexico	0	3	2
Turkey	0	4	1
Canada	0	4	1
Uruguay	0	2	3
Chile	0	2	3

Source: Compiled from data submitted in response to the Commission purchaser questionnaire.

of these fabrics to Hickey-Freeman. Warren also said it will sell fabrics in 3-meter lengths from its stock program for custom tailoring. Warren stated that it ***.

Other U.S. fabric producers have minimum lot sizes ***. Burlington requires a lot size of *** linear yards (*** square meters) for standard orders ***.²² CTI reported having minimum lot sizes for its standard offerings of *** linear yards (*** square meters) ***, while Victor Forstmann has a minimum lot size of *** linear yards (*** square meters) *** (see chapter 4 for further information).

²² Burlington's short run facility, which was closed in 1996, made *** linear yards (*** square meters). Burlington Performance Wear, written submission to the Commission, June 15, 2001, p. 3.

U.S. clothing manufacturers stated that they are sometimes able to buy fabrics in much smaller minimum lot sizes from Italy and the UK at a standard price. Oxxford Clothes stated that it no longer buys fabrics from Burlington, partly because it had to buy at least 8 pieces (1,083 square meters)²³ of the same fabric, while it could buy as little as one piece (70 to 84 square meters) from Italian and UK mills, and that although it is able to buy one-piece quantities from 100 European mills, it cannot buy them from any U.S. mill.²⁴ Saint Laurie stated that for some fabrics, it sometimes orders as little as one-half piece (49 square meters) from foreign mills.²⁵

Regarding prices, 9 of the 17 clothing-manufacturer respondents indicated that the lowest prices offered by producers in Italy and the United States were comparable, while 7 stated that Italy's prices were lower and 1 indicated that Italy's prices were higher (table 5-8). For discounts, the responses were similarly mixed, with roughly one-half of the respondents stating that the discounts of mills in Italy and the United States were similar. In comparison with the UK, 5 of the 10 respondents indicated that U.S. mills offer the lowest price, while the other 5 stated that the prices are comparable. Most respondents consider Mexican mills to be comparable with U.S. mills in terms of lowest prices and discounts offered, while most respondents consider Korean mills to be superior to U.S. mills for the same price factors.

***.

²³ According to TCA, Burlington's "piece" is 100 yards in length. David A. Starr, Counsel to TCA, written submission to the Commission, June 7, 2001.

²⁴ Crittenden Rawlings, President and Chief Executive Officer, Oxxford Clothes, transcript of hearing, pp. 14, 42-43, and 71-72. Converted from 1,200 yards and 50 to 60 yards, respectively.

²⁵ Andrew Kozinn, President, Saint Laurie Ltd., transcript of hearing, p. 83. Converted from 35 linear yards.

Table 5-8
Number of firms rating U.S. versus imported fabrics from selected sources for lowest price and discounts

Source	U.S. superior	U.S. comparable	U.S. inferior
	Lowest price		
Italy	1	9	7
United Kingdom	5	5	0
India	0	0	9
Korea	0	1	7
Spain	0	4	4
Portugal	0	3	3
Mexico	1	5	0
Turkey	1	2	3
Canada	0	3	2
Uruguay	0	1	4
Chile	0	1	4
	Discounts		
Italy	1	7	8
United Kingdom	0	5	5
India	1	3	5
Korea	0	3	5
Spain	0	4	3
Portugal	0	4	2
Mexico	0	4	1
Turkey	0	1	4
Canada	0	3	2
Uruguay	0	2	3
Chile	0	2	3

Source: Compiled from data submitted in response to the Commission purchaser questionnaire.

CHAPTER 6

LOST SALES AND REVENUES

This chapter examines allegations of lost sales and revenues by (1) U.S. producers of worsted wool fabrics, due to imports of such fabrics benefiting from temporary duty reductions under the TRQs, and (2) U.S. tailored clothing manufacturers, due to their inability to purchase adequate supplies of such fabrics on a cost competitive basis.

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

The Commission questionnaire for U.S. producers of worsted wool fabrics requested that they provide information on any lost sales and revenues resulting from the temporary duty reductions under the TRQs for worsted wool fabrics. The TRQ in-quota quantities for calendar year 2001 were allocated among U.S. tailored clothing manufacturers in July 2001,¹ allowing each such manufacturer to import that share of the total TRQ quantity at reduced rates of duty while paying normal-trade-relations rates of duty on other imports. Because this action was taken at mid-year, *** of the four U.S. fabric producers responding to the questionnaire stated it was too early to determine if they had lost sales due to the temporary duty reductions, but that ***, ***.

Burlington Industries indicated that it ***. The firm stated that its business would be severely affected by any increase in TRQ levels because the TRQs are *** and that the TRQs are unmanageable because they take a great investment in equipment, people, and time to test fabrics and monitor imports.²

Victor Forstmann, Inc. stated it ***.

Warren Corp. stated it ***. Warren Corp. stated the temporary duty reductions for the TRQ-covered fabrics have resulted in significant downward price pressure on U.S. mills and the firm has lost profits as a result of aggressively adjusting its prices to maintain sales.³ Warren Corp. claimed all

¹ The temporary duty reductions are retroactive—that is, they apply to imports of worsted wool fabrics entered, or withdrawn from warehouse for consumption, on or after January 1, 2001. On July 10, 2001, the U.S. Department of Commerce issued its “Notice of Allocation of Tariff Rate Quotas on the Import of Certain Worsted Wool Fabrics for Calendar Year 2001,” published in the *Federal Register* of July 31, 2001 (66 F.R. 39490). As required by Title V of the Trade and Development Act of 2000, the TRQs were allocated to firms which cut and sew men’s worsted wool tailored clothing in the United States and which apply for an allocation based on the amount of such suits cut and sewn during the prior calendar year.

² Harry G. Barto, President, Burlington Performance Wear, written submission to the Commission, June 15, 2001, p. 3.

³ Guy Birkhead, Vice President of Operations, Warren Corp., written submission to the Commission, Apr. 17, 2001.

additional imports resulting from any increase in the TRQ in-quota quantities for finer fabrics will come at its expense and duties are necessary to compensate for the strength of the dollar and the high cost of U.S. labor.⁴ Warren Corp. also stated that if the TRQ in-quota quantity for fine-micron fabrics is increased, the firm ***.⁵ According to U.S. clothing manufacturers, Warren Corp. would not necessarily lose sales as a result of any increase in the TRQ level for fine-micron fabrics, partly because many clothing manufacturers do not buy its fabrics.⁶ Hickey-Freeman Co. stated that it reduced its fabric purchases from Warren Corp. because of the quantity and quality of Warren Corp.'s swatches, and not because of pricing or purchases of imported fabrics benefiting from the duty reductions.⁷

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

The Commission questionnaire for U.S. tailored clothing manufacturers requested that they provide information on any lost sales and revenues resulting from the inability to purchase adequate supplies of the worsted wool fabrics on a cost-competitive basis. Of the 18 clothing manufacturers providing such information, 12 reported they had lost sales or revenues because of their inability to purchase adequate supplies of worsted wool fabrics on a cost-competitive basis. Six manufacturers provided data showing they have lost more than \$15.4 million in sales and more than \$1.0 million in revenues since January 1999, with four of the firms reporting lost sales, one reporting lost revenues and one reporting both lost sales and lost revenues (table 6-1).⁸ The clothing manufacturers stated that while some clothing manufacturers may have lost sales due to a shift in demand from suits to sport coats and trousers, most losses in sales and revenues are due to imports, particularly in low- to medium-price point goods.⁹

Hickey-Freeman Co. stated that U.S. tailored clothing manufacturers need access to a wide range of fabric patterns, styles, and colors in order to compete in the domestic market, but that U.S. fabric producers are not capable of producing the necessary variety. The firm also stated that U.S. import tariffs on men's wool tailored clothing are lower than those on the fabrics themselves, providing an economic incentive to import finished clothing. In addition, the firm stated that NAFTA permits clothing manufacturers in Canada and Mexico to ship large quantities (more than 6.5 million SMEs) of

⁴ Pier Luigi Loro Piana, Chief Executive Officer, Warren Corp., transcript of hearing, pp. 130-131, and Anne M. Costa, Accounting Supervisor, Warren Corp., written submission to the Commission, June 8, 2001.

⁵ Anne M. Costa, Accounting Supervisor, Warren Corp., written submission to the Commission, June 8, 2001.

⁶ David A. Starr, Counsel to TCA, written submission to the Commission, June 7, 2001, pp. 8-9.

⁷ Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., transcript of hearing, p. 108.

⁸ Because most lost sales and revenues reported by clothing manufacturers were general in nature, Commission staff did not attempt to verify any specific allegations. ***

⁹ Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., Andrew Kozinn, President, Saint Laurie Ltd., Crittenden Rawlings, President and Chief Executive Officer, Oxxford Clothes, and Howard Goldstein, Chief Financial Officer, Hartz & Co., transcript of hearing, pp. 105-107.

wool garments to the United States free of duty, even though the garments are made from non-NAFTA fabrics. Hickey-Freeman Co. stated that the NAFTA preferences, coupled with much lower duty rates levied by Canada (about 6 percent) and Mexico (about 18 percent) on non-NAFTA worsted wool fabrics, provide clothing manufacturers in Canada and Mexico with an enormous price advantage in the domestic market.¹⁰

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

* * * * *

¹⁰ Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., written submission to the Commission, Mar. 26, 2001.

CHAPTER 7

WOOL FIBERS AND YARNS

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

Wool Fibers

U.S. mill consumption of raw wool declined 47 percent during 1996-2000 to 33.9 million kilograms (kg), the lowest on record (table 7-1). U.S. wool production decreased for the 11th straight year in 2000, to 11.1 million kg (clean content), down 18 percent from 1996. U.S. raw wool imports fell 40 percent, to 20 million kg, 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 during 1996-2000 (carpet accounted for the remainder). Consumption of wool for apparel fell slightly more than one-half during the period to 27.3 million kg, with consumption of wool decreasing 50 percent for worsted apparel and 57 percent for woolen apparel, to about 14 million kg each.²

One-half of U.S. imports of raw wool in 2000 consisted of fibers having an average diameter of 25 microns or less; Australia supplied 90 percent of these imports. Although current data are not available on U.S. production of wool fibers by micron count, wool fibers having an average diameter of 18 to 19 microns reportedly account for less than 0.5 percent of total U.S. wool production.³

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

² 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.

³ 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."

Table 7-1
Wool: U.S. production, imports, and mill consumption by end uses, 1999-2000, January-May 2000, and January-May 2001

(1,000 kilograms, clean content)

Item	1999	2000	January-May--	
			2000	2001
Production	11,159	11,123	(¹)	(¹)
Imports:				
25 microns or less ²	9,042	10,048	5,673	3,635
All other	10,496	10,364	4,354	5,165
Total imports	19,538	20,412	10,027	8,800
Mill consumption:				
Worsted apparel	15,596	13,656	³ 3,898	³ 3,568
25 microns or less ²	12,442	9,857	(¹)	(¹)
All other	3,155	3,798	(¹)	(¹)
Woolen apparel	13,223	13,693	³ 3,877	³ 3,958
Total apparel	28,819	27,349	³ 7,775	³ 7,525
Carpet	6,328	6,583	³ 1,716	³ 1,940
Total U.S. wool consumption	35,147	33,932	³ 9,492	³ 9,466

¹ Not available.

² Represents wool finer than 58s (equivalent to average fiber diameters of 24.94 microns or less).

According to the USDA, imports of such fine wool include all imports under HTS statistical reporting numbers 5101.11.6060, 5101.19.6060, 5101.21.4060, and 5101.29.4060, and 50 percent of those under HTS subheadings 5101.21.70, 5101.29.70, and 5101.30.70; the remaining 50 percent of imports under these subheadings are included in "other."

³ Data are for January-March of the specified year.

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

Source: Data on production and mill consumption derived from statistics of the U.S. Department of Agriculture (USDA), Economic Research Service, *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.

Data submitted in response to the Commission yarn questionnaire by five firms show that the largest buyers of wool fibers used in worsted wool yarns for apparel applications are Prouvost USA, Inc., Jamestown, SC, and Burlington Industries, which together accounted for *** percent of total reported purchases of domestic and imported wool fibers in 2000.⁴ Total reported purchases that year rose *** percent over the 1999 level, but were down *** percent in January-March 2001 from the year-earlier level (table 7-2). The increase in 2000 and decrease in the 2001 period largely reflected changes in purchases of imported fibers, which accounted for *** percent of total reported purchases in 1999

⁴ Data on wool fiber purchases collected from questionnaire responses may include some wools used for markets other than that used in the manufacture of worsted wool fabrics for men's tailored clothing.

Table 7-2
Wool fiber: Domestic and imported purchases, by fiber diameter, 1999-2000, January-March 2000, and January-March 2001

(In kilograms)

Item	1999	2000	January-March--	
			2000	2001
Domestic:				
Wool fiber having an average diameter:				
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Total domestic purchases	***	***	***	***
Imported:				
Wool fiber having an average diameter:				
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Total imported purchases	***	***	***	***
Grand total:				
Wool fiber having an average diameter:				
18.5 microns or less	***	***	***	***
Greater than 18.5 microns	***	***	***	***
Total purchases	***	***	***	***

Source: Compiled from data submitted in response to the Commission yarn questionnaire.

and *** percent in 2000. Import purchases rose *** percent in 2000, but fell *** percent in the 2001 period. In contrast, reported purchases of domestic wool fibers rose *** percent in 2000, and were up *** percent in the 2001 period.

Coarse-micron fibers (average fiber diameter greater than 18.5 microns) accounted for *** percent of total reported purchases of wool fibers in 2000 (table 7-2). Purchases of coarse-micron fibers rose *** percent in 2000, but fell *** percent in the 2001 period. Imports accounted for *** percent of the purchased coarse-micron fibers in 2000. Purchases of fine-micron fibers (18.5 microns or less) fell in both 2000 (by *** percent) and the 2001 period (by *** percent). Imports accounted for *** percent of the fine-micron wool fibers purchased in 2000.

Worsted Wool Yarns

Apparent U.S. consumption of worsted wool yarns declined 39 percent during 1996-2000 to 15.8 million kg, as domestic production fell 54 percent to 10.7 million kg and imports rose by 88 percent to 5.6 million kg (table 7-3). As such, the import share of U.S. consumption tripled during the period to 35 percent. The decline in U.S. consumption and production during 1996-2000 largely reflected weak demand resulting from a decrease in U.S. output of apparel fabrics and an increase in U.S. imports of goods containing worsted wool yarns--namely, worsted wool fabrics and

Table 7-3
Worsted wool yarns: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1996-2000, January-May 2000, and January-May 2001

Year	U.S.	U.S.	U.S.	Apparent	Ratio of
	production	imports	exports	U.S. consumption	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	15,936	4,660	172	20,424	23
2000	10,670	5,593	494	15,769	35
Jan.-May:					
2000	(¹)	2,480	175	(¹)	(¹)
2001	(¹)	1,957	312	(¹)	(¹)

¹ Not available.

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* (MA313F(00)-1, 2000 and prior years; trade data compiled from official statistics of the U.S. Department of Commerce.

and tailored clothing, which often are made from foreign materials. The production decline is also attributable to a switch by some mills to making yarns of acrylic and other fibers.

Based on questionnaire data, U.S. production capacity for worsted wool yarns fell *** percent in 2000 to *** million kg. U.S. production of such yarns fell *** percent in 2000 to 5.0 million kg, while the production level in January-March 2001 was unchanged from the year-earlier level of *** million kg. An industry source stated that U.S. yarn producers may benefit from provisions in the newly enacted United States-Caribbean Basin Trade Partnership Act (CBTPA) that 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. exports of wool yarns in January-May 2001 rose 78 percent over the year-earlier level (table 7-3), and those to CBTPA beneficiary countries rose from zero to 37,000 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 major U.S. producers of worsted wool yarns used in fabrics for men's tailored clothing are believed to be Kent Manufacturing (*** percent of total U.S. production of such yarns in 2000),

Burlington (***) percent), Hanora Spinning, Jagger Brothers, and Warren.⁵ ***. The yarn producers purchase raw materials (wool tops and fibers) from either domestic sources (Burlington and Prouvost are believed to be the only U.S. producers of wool tops) or foreign suppliers. Purchases of raw materials from U.S. producers totaled *** million kg in 2000, up *** percent from 1999, and purchases of imported raw materials totaled *** million kg, up *** percent. Prouvost stated that ***.⁶

U.S. production of worsted wool yarns consists mostly of coarse-micron yarns. According to questionnaire data, coarse-micron yarns accounted for at least *** percent of U.S. worsted wool yarn production in 1999 and 2000; the remainder consisted of fine-micron yarns. Hanora Spinning stated it ***.

Industry sources report 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. Imports from Mexico ***.

Based on questionnaire data, purchases of worsted wool yarns from U.S. producers *** in 2000.⁷ Purchases of coarse-micron yarns accounted for most of the increase, rising *** percent to *** kg; purchases of fine-micron yarns rose *** percent to *** kg. Total purchases of imported worsted wool yarns rose *** percent in 2000 to *** million kg; all of the increase in total purchases of imported worsted wool yarns was accounted for by purchases of imported coarse-micron yarns; purchases of imported fine-micron yarns declined *** percent to *** kg in 2000.

⁵ ***

⁶ Jim Hiers, Prouvost USA, Inc.

⁷ ***

CHAPTER 8

POSITION OF INTERESTED PARTIES

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

Representatives of the U.S. Tailored Clothing Industry and Its Workers

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

- Hickey-Freeman,² a subsidiary of the Hartmarx Corp.³ and a producer of men's 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. It said U.S. producers of the subject fabrics are currently not capable of making fabrics in the patterns, styles, and colors required by the U.S. tailored clothing industry.
- According to Hickey-Freeman, because U.S. import tariffs are much higher on the subject fabrics (28.3 percent ad valorem in 2001) than on clothing made from such fabrics (e.g., the 2001 duty rate on wool sport coats is 18.8 percent), much incentive exists to expand imports of such apparel. It said that NAFTA duty-free treatment for U.S. imports of wool clothing made in Canada and Mexico from non-North American fabrics has given suit producers in these countries a price advantage over U.S. tailored clothing manufacturers in the domestic market. 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. It noted that whereas U.S. manufacturers made 1.9 million wool suits in 1999, Canadian and Mexican firms are exporting almost 2.5 million suits annually to the United States.

¹ See appendix C for a list of witnesses appearing at the public hearing held by the Commission in connection with this investigation on May 31, 2001.

² Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., Inc., Rochester, NY, and President, TCA, written submission to the Commission, Mar. 26, 2001, and testimony before the Commission, May 31, 2001.

³ Hartmarx believes it is the largest U.S. manufacturer and marketer of men's tailored clothing and offers its goods under a number of owned and licensed trademarks (e.g., Hart Schaffner & Marx and Hickey-Freeman). See Form 10-K filed by Hartmarx with the U.S. Securities and Exchange Commission (SEC), Feb. 26, 2001. The Form 10-K is available from the SEC website at <www.sec.gov/Archives/edgar/data>.

- 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 U.S. consumption of wool tailored clothing rose from 47.1 million square meter equivalents (SMEs) in 1997 to 49.6 million SMEs in 1999 and that U.S. imports of such clothing rose from 33.3 million SMEs in 1999 to 36.4 million SMEs in 2000. It stated that although lower labor costs and currency valuation differences partly explain why U.S. clothing manufacturers are losing market share to imports, the major reasons are high U.S. tariffs on the subject fabrics and the lack of an adequate domestic fabric industry.
- Hickey-Freeman stated the temporary duty reductions on the subject fabrics represented the first concerted U.S. Government effort to enable U.S. clothing manufacturers to compete more effectively with foreign producers. Nevertheless, the firm 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 the U.S. tailored clothing industry.
- Hickey-Freeman stated that since enactment of Title V of the Trade and Development Act of 2000, U.S. production of the subject fabrics has fallen substantially, whereas imports of such fabrics have risen rapidly. The firm noted that specific company activities point to a decline in U.S. production of the fabrics. The firm stated that Burlington Industries implemented significant decreases in its fabric production (a 25-percent reduction in overall U.S. fabric capacity in 1999, and a 14-percent reduction in worsted wool fabric capacity at its facility in Clarksville, VA) and that these declines cannot be replaced by any other U.S. producer of the subject fabrics.
- Hickey-Freeman stated that, despite the decline in U.S. production of the subject fabrics, the U.S. market continues to demand tailored clothing made from fine-micron worsted wool fabrics, prompting U.S. clothing manufacturers to import such fabrics. Hickey-Freeman stated that a survey of 1998 fabric purchases of TCA members showed about 60 percent of tailored clothing sales and domestic production were in these fine-micron wool fabrics.

***American Apparel & Footwear Association (AAFA) and
National Retail Federation (NRF)***

- AAFA,⁴ an industry association whose members include U.S. producers of men's tailored clothing, and NRF, a retail trade association whose members include retailers of such clothing, submitted a joint statement in which they indicated the domestic market for men's tailored clothing has been affected by (1) the decline in domestic sources of worsted wool fabrics for use in tailored clothing; (2) the tariff inversion on imports of such fabrics (U.S. duties are higher on the fabrics than on the finished garments), which encourages imports of the finished garments by making it cheaper to import them rather than make the same garments domestically from the imported fabrics; and (3) the effect, since passage of NAFTA, of trade policies that allow tailored clothing producers in

⁴ Stephen Lamar, Director of Government Relations, AAFA, Arlington, VA, written submissions to the Commission, Apr. 13, May 21 (joint AAFA-NRF statement), and June 7, 2001.

Canada and Mexico to import worsted wool fabrics at low duty rates, make the clothing there, and export the finished garments to the United States free of duty under NAFTA.

- AAFA and NRF stated that two other factors together will likely reduce even further the amount of U.S.-made worsted wool fabrics available for use in U.S. production of men's tailored clothing. They stated that Title V of the Trade and Development Act of 2000 provides tariff relief on imported worsted wool fabrics only for U.S. manufacturers of men's tailored clothing, not U.S. producers of other garments such as women's clothing. AAFA and NRF noted that these producers compete with the men's clothing manufacturers for the limited supply of domestically available worsted wool fabrics and that their consumption will further reduce the supply of fabrics available for men's clothing. They also noted that several new U.S. trade programs that promote the use of U.S. fabrics (through preferential access to the U.S. market for apparel made in the Caribbean Basin, sub-Saharan Africa, and Southeastern Europe) will further strain availability of U.S.-produced worsted wool fabric supplies.
- AAFA stated there is insufficient U.S. production of the subject fabrics in the styles and appropriate quantities (short runs) needed by U.S. clothing manufacturers. It stated that AAFA members have been increasingly unable to rely upon U.S. mills to meet their fabric needs, that U.S. mills are no longer making sufficient quantities of the subject fabrics, and that the quantities that are made are not varied enough or marketed in small enough runs to meet their needs.

Oxford Clothes Inc.

- Oxford Clothes,⁵ a manufacturer of hand-tailored worsted wool clothing, stated that the market for tailored clothing has changed in such a way, over the past several decades, that U.S. mills are no longer able to meet the needs of clothing manufacturers. It stated that since World War II, foreign mills have been increasingly making more creative wool fabrics of higher quality than those traditionally made in the United States. Oxford stated that while U.S. mills are producing some of these fabrics, the mills do not offer the necessary range of selection and quality. Oxford stated that foreign mills are more willing to accommodate specific purchaser needs than U.S. mills, which often require minimum purchase amounts that exceed manufacturer needs. The firm stated that Burlington and Loro Piana (Warren Corp.) ask for much higher quantities than mills in Europe, where it can purchase one piece of cloth from 100 different mills. Oxford said that as demand for fabrics has grown, manufacturers have had to choose between selling items made with the same fabrics that U.S. mills have always made or importing from foreign mills and paying the duties.
- Oxford stated that the determination to allow duty-free imports of clothing made from non-NAFTA fabrics indicates U.S. Government awareness of the inability to sufficiently source fabrics from mills in Canada, Mexico, or the United States. It stated that because U.S. clothing manufacturers do not enjoy similar tariff relief, the firms are at a disadvantage vis-a-vis their counterparts in Canada and Mexico and that fact has resulted in a reduction of the U.S. industry by half in the last 10 years.

⁵ Crittenden Rawlings, President and Chief Executive Officer, Oxford Clothes, Chicago, IL, testimony before the Commission, May 31, 2001.

- Oxxford stated that it is impossible for U.S. textile mills to adequately supply the tailored clothing industry that annually produces 16 to 22 million SMEs of worsted wool clothing. It stated that even if the annual TRQs for 2001-03 were increased by the maximum amount permitted under Title V, the result would be 10 million SMEs of imported fabric at reduced duties with firms still needing to import significant amounts of fabric at duty rates in excess of 25 percent ad valorem.

Hartz & Co., Inc.

- Hartz,⁶ a manufacturer of men's worsted wool apparel priced from the middle range to the beginning of the higher range, stated that the firm must source its fabrics from abroad to be competitive because there are no U.S. mills that serve its market niche. It stated that Burlington Industries had been its largest supplier of the subject fabrics until February 1999, when Burlington announced it would no longer make the same quantity and variety of fabrics available. Hartz indicated it does not buy significant quantities of the subject fabrics from Warren Corp., because Warren's fabrics are for the high end of the market.
- Hartz stated that in 2001 almost all its fabrics would have been imported regardless of whether or not Title V was enacted. The firm stated that it sources fabrics abroad just as its Canadian and Mexican competitors do, yet it is subject to high U.S. tariffs. Hartz stated that a reduced duty rate would not harm U.S. fabric mills, citing the example of the Canadian mill Cleyn & Tinker that has remained successful more than 10 years after Canada reduced duty rates to about 6 percent ad valorem.

Saint Laurie Ltd.

- Saint Laurie,⁷ a manufacturer of men's custom tailored clothing, stated that because it must purchase most of its fabrics in small, varied lots, the high minimum order requirements imposed by Burlington and Warren preclude it from sourcing fabrics from these mills. The firm also said it buys high-end fabrics of a kind that are not made by U.S. mills. The firm stated that mills in England are willing to sell short runs of many different fabric types and designs with the option for reordering with immediate delivery, a service not offered by U.S. mills.
- Saint Laurie stated that because of competition from Canadian and other foreign manufacturers, its capacity to survive is contingent on its ability to maintain a market niche in which it is subject to a 30 percent duty rate on worsted wool fabrics. The firm stated that this tariff makes it less competitive against foreign manufacturers that are not subject to such duties on imports of the same fabrics.
- Saint Laurie stated its concern over U.S. government policies that grant Canadian and Mexican firms the right to ship to U.S. markets duty-free tailored clothing made from more than 6.5 million SMEs of non-NAFTA fabrics -- while offering U.S. clothing manufacturers only 4 million SMEs

⁶ Howard Goldstein, Treasurer and Chief Financial Officer, Hartz & Co., Inc., Frederick, MD, testimony before the Commission, May 31, 2001.

⁷ Andrew Kozinn, President, Saint Laurie Ltd., New York, NY, testimony before the Commission, May 31, 2001.

of fabric imports subject to duty rates of 6 percent and 19 percent ad valorem. The firm also stated its concern about policies that tax U.S. fabric importers more than they tax their competitors who make tailored clothing offshore.

The Union of Needletrades, Industrial and Textile Employees (UNITE)

- UNITE,⁸ representing over 85 percent of the workers in the U.S. tailored clothing industry, stated that the significant job loss in this industry is due entirely to an inverted duty structure, whereby finished suits could be imported at tariff rates one-third less than the basic material from which they were made, as well as the consequences resulting from international trade agreements (e.g., NAFTA). It stated that differences in labor costs between fabric mills in the United States and Italy, a major foreign supplier of the subject fabrics, have not significantly influenced the growth of fabric imports from Italy. UNITE stated that labor costs of the textile industry in Italy were 103 percent of U.S. costs, based on data prepared by Werner International for the period summer-autumn 2000.
- According to UNITE, its members reported only about 25 percent of the fabrics they work on are made domestically, and in many shops nearly all the fabrics are imported. UNITE said the major effect of high U.S. duty rates on the subject fabrics is to give a cost advantage to foreign competitors while protecting the U.S. fabric industry. It stated that if U.S. clothing manufacturers are not able to buy imported fabrics close to the low or zero duty rates of their foreign competitors, the U.S. firms will have to cease production in the United States and source elsewhere.
- UNITE stated that the large quantities of worsted wool fabrics from Mexico likely consist of low-quality fabrics used primarily for outward processing production. According to UNITE, the fabrics are cut in the United States, sent offshore for assembly (mainly into trousers), and then re-exported to the United States.

⁸ Edward W. Clark, Jr., Executive Vice President, UNITE, New York, NY, accompanied by Diane Justian, former employee of Joseph Pietrafesa Co., Liverpool, NY, and President, Local 220, UNITE; Norberto Gonzalez, an employee of H. Freeman & Son, Philadelphia, PA; and Arthur Gundersheim, Director, International Trade, UNITE; testimony before the Commission, May 31, 2001. Arthur Gundersheim, written submission to the Commission, June 5, 2001.

Representatives of the U.S. Worsted Wool Fabric Industry

American Textile Manufacturers Institute (ATMI)

- ATMI,⁹ an industry association whose members include U.S. producers of worsted wool fabrics and yarns, stated its support for monitoring the domestic market for worsted wool fabrics. However, ATMI indicated it is not feasible for the Commission to determine the effects of the TRQs by September 17, 2001 (the date on which the Commission's first annual report is scheduled to be submitted to the USTR), because sufficient data regarding the impact of the TRQs will not be available, given that the TRQs had not been allocated as of March 7, 2001.

American Sheep Industry Association (ASI)

- ASI¹⁰ contends that U.S. wool producers would be adversely affected by any increase in the TRQ in-quota quantities for worsted wool fabrics. ASI states it is impossible to calculate the impact of the TRQ duty reductions because the TRQs had not been allocated.

Burlington Industries, Inc.

- Burlington¹¹ stated it is the largest U.S. producer of the subject fabrics and that it opposes any increase in the TRQ in-quota quantities for the fabrics because it will have a negative effect on the already depressed U.S. worsted wool fabric industry. It stated that U.S. producers of the fabrics employ thousands of U.S. workers whose jobs will be jeopardized by increases in the TRQs. The firm stated that all of the subject fabrics are made domestically and that existing U.S. capacity should be used before the U.S. Government provides greater incentives to import the subject fabrics at reduced duties.
- Burlington stated it has capacity in its U.S. facilities to produce 40 million linear yards of the subject fabrics and has significant unused capacity that could easily be dedicated to the production of such fabrics. The firm stated that, due to a decline in orders, it had to lay off more than 1,500 workers in the worsted wool fabric division during the past 2 years.
- 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 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.

⁹ Carlos Moore, Executive Vice President, ATMI, Washington, DC, written submission to the Commission, Mar. 7, 2001.

¹⁰ Cindy Siddoway, President, ASI, Englewood, CO, written submission to the Commission, Apr. 17, 2001.

¹¹ John D. Englar, Senior Vice President, Burlington Industries, Inc., Greensboro, NC, written submission to the Commission, Apr. 16, 2001, and Jim Leonard, Jim Leonard and Associates (former Burlington employee and now a consultant on international trade issues), on behalf of Burlington, testimony before the Commission, May 31, 2001, and written submission to the Commission, June 15, 2001.

- Burlington stated that a major problem in trying to deal with the supply and demand issue is the size of the market for fine-micron fabrics. Burlington stated that by its estimate, along with several trade publication quotes, 10 to 20 percent of the men's suit market was using fine-micron fabrics and the U.S. fabric industry was supplying more than 60 percent of the demand for such fabrics. According to Burlington, U.S. production of men's wool suits had fallen to about 2.8 million units in 2000. If the share of suits accounted for by fine-micron fabrics is 20 percent, there should be a demand of about 2 million yards of these fine-micron fabrics, assuming 3.5 linear yards of fabric per suit. Burlington stated U.S. mills in that segment of the business have significantly more capacity than that and actually produced more than that in 2000. For coarse-micron fabrics, Burlington stated the U.S. industry in 1998 had the capacity to produce significant volumes of these fabrics. Burlington claimed it alone has capacity to produce 40 million yards of worsted fabrics. The firm also noted it is developing a new line of fabrics using wool fiber having an average diameter of 19.3 microns, which will be marketed at competitive prices and will have the same luxurious characteristics as fine-micron fabrics. According to Burlington, this effort is being undertaken to provide its customers with a wider range of fabrics, at more competitive prices.
- Burlington stated that, several years ago, it temporarily suspended any new business for part of its line, which included some fancy high-end fabrics. It stated this was a temporary move dictated by production changes associated with the merger of the wool fabric and synthetic fabric divisions. Burlington noted there was some reduction in capacity associated with that move, but it continues to have unused capacity for the production of the subject fabrics.

Northern Textile Association (NTA)

- NTA,¹² representing U.S. producers of wool fabric and yarn, stated that a TRQ increase would harm U.S. producers of worsted wool fabrics and yarns. It stated that the TRQs have created uncertainty in the U.S. worsted wool fabric industry, which had made production plans and large investments based on an understanding that U.S. tariffs on the fabrics would remain stable following significant tariff reductions in the Uruguay Round. NTA stated that the U.S. fabric industry is capable of making all of the subject fabrics needed by the U.S. clothing industry, that the fabric industry makes a large amount of the fabrics in a variety of colors, styles, and grades, and that the industry has invested in additional fabric-production capacity. However, NTA stated that a substantial portion of extant capacity is currently idle due to a decrease in production caused, in turn, by a decline in demand from U.S. customers.
- NTA stated that an examination of the effects of the TRQs required under Title V is not currently possible, as the TRQs must be in place for a period of time in order to assess their impact. However, NTA stated that prior to their implementation, anticipation of the TRQs had already led to decreased sales and downward pressure on domestic fabric prices.
- NTA stated that an analysis of U.S. clothing manufacturers' ability to source the subject fabrics at competitive prices should account for those fabrics being imported from NAFTA partners at reduced duty rates. NTA also stated that the strong U.S. dollar represents a de facto tariff

¹² Karl Spilhaus, President, NTA, Boston, MA, written submission to the Commission, Apr. 24, 2001, and testimony before the Commission, May 31, 2001.

reduction, as it enables foreign producers of the subject fabrics to sell their fabrics at lower prices than U.S. mills.

Warren Corp.

- Warren,¹³ a U.S. producer of the subject fabrics and an affiliate of Loro Piana & C.s.p.a. of Italy, stated that it opposes any increase in the TRQ in-quota quantities because it would have a negative impact on the U.S. wool fabric industry, exacerbate current market instability, and jeopardize the firm's ability to employ U.S. workers. Warren stated its core business (fine-micron worsted wool fabrics) "will be definitively jeopardized by the current TRQ levels during 2001" and that U.S. tariffs "remain absolutely necessary to compensate part of the dollar strength effect and the high cost of U.S. labor." Warren stated that an increase in the TRQ in-quota quantities would encourage fabric imports and further increase the competitive advantage of European fabric producers as a result of the relatively high value of the U.S. dollar.
- Warren stated that, unlike the gradual tariff reductions of the Uruguay Round that gave U.S. wool fabric producers an opportunity to adjust to new market conditions, the temporary duty reductions on the subject fabrics under Title V of the Trade and Development Act of 2000 were put into effect immediately. Warren stated these tariff reductions have had a significant impact on prices and the value of recent investments in production capacity. As a result, Warren has abandoned several short- and long-term business plans.
- Warren stated that declining orders have led to decreased sales and production, despite its efforts to maintain production and sales levels by adjusting prices. Warren stated these price adjustments have, in turn, affected profit margins and it cannot continue to offer these reduced prices indefinitely.
- Warren stated the TRQ in-quota quantity for fine-micron wool fabrics (1.5 million SMEs) accounts for over half of U.S. demand for such fabrics. Also, U.S. production of men's tailored clothing, the primary source of demand for fabrics made by Warren, has been decreasing since the mid-1990s. Warren said this trend will likely continue because of increased casual dressing.
- Warren said U.S. capacity should be utilized before any TRQ increase is contemplated and that U.S. firms currently produce large quantities of the subject fabrics. Warren stated that 50 percent of its production capacity is currently unused and that it could significantly expand production if its orders justified such an increase. Warren stated it offers high-quality fabric in a wide range of designs and styles, and is willing to satisfy consumer demand for unique styles and small orders.

¹³ Warren Corp., Stafford Springs, CT, Guy Birkhead, Vice President of Operations, written submission to the Commission, Apr. 17, 2001; Pier Luigi Loro Piana, Chief Executive Officer, testimony before the Commission, May 31, 2001; and Anne Costa, Accounting Supervisor, written submission to the Commission, June 11, 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

Rec'd
1/2/01
ER
BC
Comm

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

DOCKET
NUMBER

2/68

Office of the
Secretary
Int'l Trade Commission

Dear Chairman Koplan:

DOCKET

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;

* Original 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.

Sincerely,


Charlene Barshefsky

Appendix B
Federal Register Notice

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

Background

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

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

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

Issued: February 13, 2001.
By order of the Commission.
Donna R. Koehnke,
Secretary.
[FR Doc. 01-4435 Filed 2-22-01; 8:45 am]
BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-427]

U.S. Market Conditions for Certain Wool Articles

AGENCY: United States International Trade Commission.

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

EFFECTIVE DATE: February 12, 2001.
SUMMARY: Following receipt of a request from the United States Trade Representative (USTR) on January 22, 2001, the Commission instituted Investigation No. 332-427, U.S. Market Conditions for Certain Wool Articles, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to monitor U.S. market conditions for certain wool articles.

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

Background

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

the Commission will provide, to the extent possible, data on:

(1) Increases or decreases in sales and production of the subject domestically-produced worsted wool fabrics;
(2) Increases or decreases in domestic production and consumption of the subject apparel items;
(3) The ability of domestic producers of the subject worsted wool fabrics to meet the needs of domestic manufacturers of the subject apparel items in terms of quantity and ability to meet market demands for the apparel items;

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

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

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

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

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

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

Public Hearing

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

1806) after May 17, 2001, to determine whether the hearing will be held.

Written Submissions

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

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

List of Subjects

Tariffs, imports, wool, fabric, and suits.

By order of the Commission.

Issued: February 13, 2001.

Donna R. Koehnke,
Secretary.

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

BILLING CODE 7020-02-P

DEPARTMENT OF JUSTICE

Notice of Lodging of Consent Decree Under the Clean Air Act

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

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

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

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

Robert D. Brook,

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

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

BILLING CODE 4410-15-M

Appendix C
Calendar of Public Hearing

CALENDAR OF PUBLIC HEARING

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

Subject: U.S. Market Conditions for Certain Wool Articles
Inv. No.: 332-427
Date and Time: May 31, 2001 - 9:30 a.m.

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

ORGANIZATION AND WITNESS:

PANEL 1:

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

Tailored Clothing Association (TCA)

Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Company,
Rochester, New York

Howard Goldstein, Chief Financial Officer, Hartz & Company,
Frederick, Maryland

Andrew Kozinn, President, Saint Laurie, Limited, New York,
New York

Crittenden Rawlings, President & Chief Executive Officer,
Oxford Clothes XX, Incorporated, Chicago, Illinois

David A. Starr)--OF COUNSEL

- MORE -

ORGANIZATION AND WITNESS:

PANEL 1 (continued):

UNITE!, New York, New York

Edward W. Clark, Jr., Executive Vice President, UNITE!

Arthur Gundersheim, Director of International Trade, UNITE!

Diane Justian, President of Local 220, Liverpool, New York

Norberto Gonzalez, Worker at H. Freeman Company,
Philadelphia, Pennsylvania

PANEL 2:

Northern Textile Association, Boston, Massachusetts

Karl Spilhaus, President, Northern Textile Association

Jim Leonard, Jim Leonard & Associates Representing
Burlington Industries

Pier Luigi Loro Piana, Chief Executive Officer, Warren
Corporation

- END -

Appendix D
Questionnaire Data on Production,
Shipments, Inventory, Imports, and Exports

Tables

D-1. Men's and boys' tailored clothing: U.S. capacity and production, 1999-2000, January-March 2000, and January-March 2001

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D-2. Men's and boys' tailored clothing: U.S. shipments and exports, 1999-2000, January-March 2000, and January-March 2001

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D-3. Worsted wool fabrics: U.S. tailored clothing manufacturers' purchases for use in men's and boys' suits, sport coats, and trousers, 1999-2000, January-March 2000, and January-March 2001

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D-4. Worsted wool fabrics: U.S. producers' capacity, production, shipments, exports, and inventories, 1999-2000, January-March 2000, and January-March 2001

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D-5. Worsted wool fabrics: U.S. imports and importers' U.S. shipments, exports, and inventories, 1999-2000, January-March 2000, and January-March 2001

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D-6. Combed wool yarns: U.S. production, shipments, exports, imports, and inventories, 1999-2000, January-March 2000, and January-March 2001

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D-7. Wool fibers, tops, and combed yarns: U.S. purchases, 1999-2000, January-March 2000, and January-March 2001

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Appendix E
Questionnaire Data on Prices

Tables

E-1. Fancy worsted wool fabric having an average fiber diameter of 18.5 microns or less, 100-percent wool: Weighted-average f.o.b. purchase prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

* * * * *

E-2. Fancy worsted wool fabric having an average fiber diameter of 18.5 microns or less, 85-percent wool by weight, and 15-percent other fibers: Weighted-average f.o.b. purchase prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

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E-3. Solid-color worsted wool fabric having an average fiber diameter of 18.5 microns or less, 100-percent wool: Weighted-average f.o.b. purchase prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

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E-4. Solid-color worsted wool fabric having an average fiber diameter of 18.5 microns or less, 85-percent wool by weight, and 15-percent other fibers: Weighted-average f.o.b. purchase prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

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E-5. Fancy worsted wool fabric having an average fiber diameter greater than 18.5 microns, 100-percent wool: Weighted-average f.o.b. purchase prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

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E-6. Fancy worsted wool fabric having an average fiber diameter greater than 18.5 microns, 85-percent wool by weight, and 15-percent other fibers: Weighted-average f.o.b. purchase prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

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Tables-Continued

E-7. Solid-color worsted wool fabric having an average fiber diameter greater than 18.5 microns, 100-percent wool: Weighted-average f.o.b. purchase prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

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E-8. Solid-color worsted wool fabric having an average fiber diameter greater than 18.5 microns, 85-percent wool by weight, and 15-percent other fibers: Weighted-average f.o.b. purchase prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

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E-9. Fancy worsted wool fabric having an average fiber diameter of 18.5 microns or less, 100-percent wool: Weighted-average f.o.b. selling prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

* * * * *

E-10. Fancy worsted wool fabric having an average fiber diameter of 18.5 microns or less, 85-percent wool by weight, and 15-percent other fibers: Weighted-average f.o.b. selling prices and quantities of imported product, by quarters, January-March 1999-January-March 2001

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E-11. Solid-color worsted wool fabric having an average fiber diameter of 18.5 microns or less, 100-percent wool: Weighted-average f.o.b. selling prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

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E-12. Solid-color worsted wool fabric having an average fiber diameter of 18.5 microns or less, 85-percent wool by weight, and 15-percent other fibers: Weighted-average f.o.b. selling prices and quantities of imported product, by quarters, January-March 1999-January-March 2001

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Tables—Continued

E-13. Fancy worsted wool fabric having an average fiber diameter greater than 18.5 microns, 100-percent wool: Weighted-average f.o.b. selling prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

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E-14. Fancy worsted wool fabric having an average fiber diameter greater than 18.5 microns, 85-percent wool by weight, and 15-percent other fibers: Weighted-average f.o.b. selling prices and quantities of imported product, by quarters, January-March 1999-January-March 2001

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E-15. Solid-color worsted wool fabric having an average fiber diameter greater than 18.5 microns, 100-percent wool: Weighted-average f.o.b. selling prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

* * * * *

E-16. Solid-color worsted wool fabric having an average fiber diameter greater than 18.5 microns, 85-percent wool by weight, and 15-percent other fibers: Weighted-average f.o.b. selling prices and quantities of domestic and imported products, by quarters, January-March 1999-January-March 2001

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