



MEMORANDUM ON PROPOSED TARIFF LEGISLATION of the 112th Congress

Date approved

I. Background

Bill number:

Sponsor name:

Sponsor state:

Interested entity:

Name

City

State

Other bills on product (112th Congress only):

Nature of bill:

Expiration date:

Current or previous chapter 99 heading:

Retroactive date:

CAS number (if applicable):

Industry analyst:

Telephone:

Tariff Affairs contact:

Telephone:

Note:

1. Access to an electronic copy of this memorandum is available at http://www.usitc.gov/tariff_affairs/congress_reports/.
2. In regard to the country(ies) of origin listed in section III, this report focuses on dutiable imports and does not take into account any tariff preference programs or special rates of duty.

II. Suggested article description(s) for enactment (including appropriate HTS subheading(s)):

9902.52.08 Woven fabrics of cotton, of a type described in subheading 5208.21, of average yarn number exceeding 135 metric, certified by the importer to be suitable for use in men's and boys' shirts.

9902.52.09 Woven fabrics of cotton, of a type described in subheading 5208.22, of average yarn number exceeding 135 metric, certified by the importer to be suitable for use in men's and boys' shirts.

9902.52.10 Woven fabrics of cotton, of a type described in subheading 5208.29, of average yarn number exceeding 135 metric, certified by the importer to be suitable for use in men's and boys' shirts.

9902.52.11 Woven fabrics of cotton, of a type described in subheading 5208.31, of average yarn number exceeding 135 metric, certified by the importer to be suitable for use in men's and boys' shirts.

9902.52.12 Woven fabrics of cotton, of a type described in subheading 5208.32, of average yarn number exceeding 135 metric, certified by the importer to be suitable for use in men's and boys' shirts.

9902.52.13 Woven fabrics of cotton, of a type described in subheading 5208.39, of average yarn number exceeding 135 metric, certified by the importer to be suitable for use in men's and boys' shirts.

9902.52.14 Woven fabrics of cotton, of a type described in subheading 5208.41, of average yarn number exceeding 135 metric, certified by the importer to be suitable for use in men's and boys' shirts.

9902.52.15 Woven fabrics of cotton, of a type described in subheading 5208.42, of average yarn number exceeding 135 metric, certified by the importer to be suitable for use in men's and boys' shirts.

9902.52.16 Woven fabrics of cotton, of a type described in subheading 5208.49, of average yarn number exceeding 135 metric, certified by the importer to be suitable for use in men's and boys' shirts.

9902.52.17 Woven fabrics of cotton, of a type described in subheading 5208.51, of average yarn number exceeding 135 metric, certified by the importer to be suitable for use in men's and boys' shirts.

9902.52.18 Woven fabrics of cotton, of a type described in subheading 5208.52, of average yarn number exceeding 135 metric, certified by the importer to be suitable for use in men's and boys' shirts.

9902.52.19 Woven fabrics of cotton, of a type described in subheading 5208.59, of average yarn number exceeding 135 metric, certified by the importer to be suitable for use in men's and boys' shirts.

Description above compared with bill as introduced:

Same

Different (see Technical Comments section)

III. Other product information, including uses/applications and source(s) of imports

The bill covers woven cotton fabrics, generally of finer yarns, that are suitable for use in men's and boys' shirts and imported by or for U.S. shirt makers. Shirts made from these fabrics can command a higher price, and many, if not most, of these firms produce custom-made shirts. The general rates of duty on these fabrics range from 11.4 percent to 14.7 percent ad valorem and were suspended through the end of 2009. The proposed bill appears to be aimed at eliminating the requirement that certain quantities of these fabrics be made from U.S.-origin pima cotton. See Technical comments for additional information.

Based on official U.S. government statistics, U.S. imports under all of the provisions that were covered by the previous duty suspension totaled \$3.4 million in 2008 and \$2.0 million in 2009. Commission staff estimate that U.S. imports that would have qualified under these provisions had they been in place in 2011 would have totaled about \$1.2 million.

IV. Estimated effect on customs revenue

Subject product HTS subheading(s)	5208.21.60, 5208.22.80, 5208.29.80, 5208.31.80, 5208.32.50, 5208.39.80, 5208.41.80, 5				
Item	2013	2014	2015	2016	2017
Col.1-general rate of duty (%)	13.9	13.9	13.9	13.9	13.9
Estimated value of <i>dutiable</i> imports (\$)	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Customs revenue loss (\$)	180,700	180,700	180,700	180,700	180,700
Note: Customs revenue loss is provided for 5 years, although the effective period of the proposed legislation may differ. Regarding the HTS subheading listed in the article description of the bill, the Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only U.S. Customs and Border Protection is authorized to issue a binding ruling on this matter. The Commission believes that Customs should be consulted prior to enactment of the bill.					

Dutiable imports were based on (more than one may apply):

- Official statistics of the U.S. Department of Commerce
- Provided by industry sources
- Industry information
- Commission estimates

Duty reduction notes:

- This bill is not a duty reduction
- This bill is a temporary duty reduction. Rates are shown below.

Col.1-general duty rate (%) Temporary rate (%) Percentage point reduction (%)

V. Technical comments

First, the changes to the article descriptions set forth above are recommended to accomplish the bill's intent, simplify the applicable tariff provisions, and prevent duplication under the chapter 99 headings by deleting extraneous language that no longer applies. Second, because the proposed bill is deleting references to U.S. notes 18 and 19 from the article descriptions of expired headings 9902.52.08–9902.52.31, the notes would no longer have legal force or significance and the second set of headings is not needed. Therefore, it is suggested that these two notes and headings 9902.52.20 through 9902.52.31 be deleted from the HTS.

As background, U.S. note 18 to subchapter II of chapter 99 of the HTS had defined the term “manufacturer.” U.S. note 19 to that subchapter provided for an aggregate quantitative limit on fabrics that were woven from cotton grown outside the United States and imported under HTS headings 9902.52.08–9902.52.19. Fabrics certified by the importer as wholly made from U.S.-grown pima cotton, imported under HTS headings 9902.52.20–9902.52.31, were not subject to any quantitative limits with respect to the duty suspension. Without U.S. note 19, it is no longer necessary to include HTS headings 9902.52.20–9902.52.31, because the distinction relating to fabrics certified to be of pima cotton grown in the United States is irrelevant.

VI. Continuation

IV. Estimated effect on customs revenue:

Note that the data for HTS headings 9902.52.08–9902.52.19 are combined to avoid disclosing confidential business information. The estimated trade-weighted average duty rate is 13.9 percent, with col. 1-general rates of duty ranging from 11.4 percent to 14.7 percent.

VII. Contacts with domestic firms/organizations

#	Firm/organization and contact name	Telephone number	Claims same or competing product made in the United States	Submission attached	Opposition noted
1	IAG Apparel, Inc./Gitman & Co./Individualized Shirts (Interested Entity) John Kortenhoven	570-875-3100	No	Yes	No
2	American Manufacturing Trade Action Coalition Sarah Beatty	202-452-0739	No	No	No
3	Anto Beverly Hills Jack Sepjan	310-652-5870	No	No	No
4	Brooks Brothers Dan Teel	910-529-1811	No	No	No
5	Buhler Quality Yarns Corp. Werner Bieri	706-367-3900	No	Yes	No
6	CEGO Custom Shirtmakers Carl Goldberg	212-620-4512	No	No	No
7	Kenneth Gordon Company Gordon Denney	615-771-1122	No	No	No
8	Measure Up Melissa Wooten	800-388-0801	No	Yes	No
9	National Council of Textile Organizations Mike Hubbard	704-215-4540	No	No	No
10	New England Shirt Company Robert Kidder	508-672-2223	No	No	No
11	SEAMS Association Sarah Friedman	803-772-5861	No	Yes	No

G I T M A N & C O . / I . A . G .

Re: ITC Bill S-S29 Temporary Duty Suspension on Certain Cotton Fabrics

To Whom It May Concern:

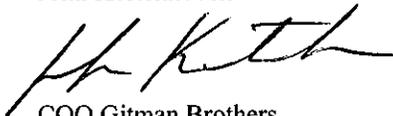
Gitman Brothers Shirt Company is strongly in favor of the legislation to extend the temporary duty suspension on certain cotton shirting fabrics.

This bill will greatly benefit our company by removing significant cost advantages that foreign manufacturers have over our company. By removing this duty we will be able to compete profitably, selling more shirts, which in turn causes us to buy more fabric. In the past few years, we have developed a growing export business. This legislation will help us increase the export part of our business.

The North American Free Trade Agreement (NAFTA) included a special cotton shirt exemption that has had very damaging consequences to our company. NAFTA included a special trade concession. For example, certain cotton duty fabric is imported into Canada duty free and finished shirts produced from this fabric have been imported into the U.S. duty free. Gitman Company pays duty to import fabrics used to produce shirts. These trade benefits were also extended to other non NAFTA countries including Central America and African countries under other free trade agreements. There are no domestic producers of the classes of fabric which proposed legislation seeks temporary duty suspension.

Estimated dutiable imports of fabrics related to this legislation for 2012 totals \$560,000. This is about the same as our 2011 estimate. The 2012 estimate is a little less than 2007 and 2008 and is an upward trend in comparison to 2009 and 2010, which were years with less business and fabric purchases. Please treat this information as business confidential.

John Kortenhoven



COO Gitman Brothers

Individualized Shirts

INDIVIDUALIZED SHIRTS

Dear Ms. Freund;

Thank you for taking the time to contact us concerning Bill S.529. As you may already know Individualized Shirts is a leading shirt manufacturing facility who employs over 225+ individuals in Perth Amboy, New Jersey.

Individualized Shirts is most definitely in favor of this legislation and the relief it will provide will benefit our facility tremendously, if passed.

Our company was unfairly harmed when the "North American Free Trade Agreement" decided on duty-free admission to the U.S. market for cotton shirts manufactured in Canada and Mexico not considering where the fabric actually originated from. Then to enhance its competitive position, Canada did away with duties on cotton shirting material and created a program to reduce them. What was the outcome? It is now less expensive to import shirts than to manufacture them domestically.

Between 2008 and 2011 (information is business confidential) we have purchased approx \$13.5 million in fabrics, of which \$4.7 million were dutiable imports. We are estimating to purchase close to one million yards or \$6.4 million of fabric this year. The dutiable imports will amount to approximately \$2.25 million this year alone.

Individualized Shirts needs a level playing field that will make us more cost effective and economically stronger. In addition, we also have an export business which we would like to see develop and grow. Bill S.529 will preserve our manufacturing jobs at Individualized Shirts and ultimately help this stagnant economy. Help us promote "Made in the USA".

Sincerely,



Rich Gonzalez
Chief Financial Officer

From: Werner Bieri [mailto:wbieri@buhleryarns.com]

Sent: Wednesday, April 18, 2012 4:59 PM

To: Freund, Kimberlie

Subject: This email is in support of S. 529, a bill to re-instate duty suspensions on certain fine cotton fabrics and the cotton trust fund.

Dear Kim:

This email is in support of S. 529, a bill to re-instate duty suspensions on certain fine cotton fabrics and the cotton trust fund.

Buhler Quality Yarns Corp. is a fine count yarn spinner which is using American grown Supima cotton fiber to spin in part into fine counts, such as NE 70/1 and NE 80/1 and finer. About 50% of our yarns are exported around the globe and are used to weave shirting fabrics, some of which are imported back into the USA by domestic shirting manufacturers. Unfortunately, those imported fabrics are subject to duty now since the duty suspensions have expired. This import duty makes it harder for our domestic shirting manufacturers to compete with their products against the duty-free imported shirts coming from Canada, Mexico and other countries which don't have to pay duty on fabric they use in their production and enjoy therefore a competitive edge over domestic manufacturers.

While our company located here in the United States in part to take advantage of certain yarn forward rules that exist in various trade preference programs, we believe that S. 529 strike an appropriate balance in protecting investments made by companies such as ours, and the domestic shirt makers who face a duty inversion. The program as a whole has made every stakeholder stronger and should be extended.

We know of no domestic supplier or manufacture who would be harmed by the enactment of S. 529.

The 150 employees of Buhler Quality Yarns are fully in support of the legislation.

regards

yours sincerely

WERNER BIERI, President & CEO

BUHLER QUALITY YARNS CORP.

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Jefferson, GA 30549, USA

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www.buhleryarns.com



M E A S U R E U P
CUSTOM SHIRTS

700 Freeman Street
Lafayette, TN 37083
Phone (615) 666-6664
Fax (615) 666-6780

April 30, 2012

Kimberly Freund
U.S. International Trade Commission
500 E. Street SW
Washington, DC 20436

Dear Ms. Freund;

Measure Up is proud to manufacture shirts in our Lafayette, TN plant. Our 73 employees produce some of the world's highest quality dress and sport shirts.

I am writing to confirm our strong support for bill S. 529 – To extend temporary suspension on certain cotton fabrics, and for other purposes. Measure Up will definitely benefit from this legislation.

Our company and other domestic companies like us were severely harmed when NAFTA (North American Free Trade Agreement) granted duty-free access to the U.S. market for cotton shirts manufactured in Canada and Mexico regardless of country source of the fabric that was used. This provision was an exception from the rule that duty-free apparel required fabrics made in one of the NAFTA countries. This exception was allowed on the basis that no such fabric was produced in any NAFTA country. There are not any fabric makers of these specific fabrics in a NAFTA country to protect.

To enhance its competitive position, Canada eliminated its duties on cotton shirting fabric and created a duty remission program. U.S. manufacturers, including us, continued to pay tariffs on imported shirting fabric. Subsequently, U.S. Trade agreements with African, Caribbean, and Central American countries granted parallel concessions. The result is a trade policy has made it less expensive to import shirts than to make shirts domestically. Measure Up is strongly in favor of this trade legislation that creates a level playing field with our competitors.

The benefits to Measure Up from this legislation are important. Being cost competitive will make us stronger financially and allow us better opportunity to grow our business. We have a small export business that this legislation will help us increase.

Sincerely,

Melissa Wooten,
President, Measure Up



SEAMS Association

The National Association for the Sewn Products Industry

Web: www.seams.org Email: info@seams.org

4921-C Broad River Road, Columbia, SC 29212-3566

Tel: 803-772-5861 Fax: 803-731-7709

Board of Directors - 2012

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Spartanburg, SC
Vice President Jeff Crisco
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Asheboro, NC
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Champion Thread Company
Gastonia, N.C.

Executive Director:

Sarah Y. Friedman
Columbia, SC

To whom it may concern,

SEAMS is a not for profit association headquartered in Columbia, SC that was established in 1967. The mission of the SEAMS Association is to support the US sewn products industry.

SEAMS is dedicated to promoting a business climate which will enhance and support the retention of sound economic growth throughout the entire United States. The Association is constantly working to develop solutions to many of the challenges facing the sewn products industry. SEAMS member companies are located throughout the United States and encompass over 170 companies.

Tariff S-529

- A need to level the competitive "playing Field" for domestic mfg.
- Need to strengthen domestic apparel mfg. For jobs, taxes and infrastructure, and government/military support.
- Bill will allow opportunities for additional apparel manufacturers and entrepreneurs to enter and compete more effectively.
- Bill will allow more work to be domestically produced and bring work back to the US.

We feel that this should be a priority in the decision making.

Sincerely,

Sarah Y Friedman
Executive Director
SEAMS Association
803-772-5861
sarah@seams.org

Brooks Brothers

Garland, NC

20 April 2012

RE: S. 529

Dear Sir / Madam:

I am writing today to indicate our support for S. 529, a bill to reinstate duty suspensions on certain cotton shirting fabrics and the duty refund program.

I would like to share with you the reasons for our support of this bill:

We have 250 employees working in the BROOKS BROTHERS – Garland, North Carolina facility. We are a Union shop, and the only domestic supplier of BROOKS BROTHERS shirts. Initially working with several State of North Carolina agencies, we are implementing a re-engineering program that includes replacing all production equipment and implementing advanced real time systems to create a World Class manufacturing facility capable of competing globally and positioning this plant to not only retain jobs, but generate new jobs for our domestic workers. If we are required to pay the duty on the fabrics needed for our production, it will eliminate the savings that we are striving to achieve and place us in a non-competitive position. We have no protection from manufacturers from other countries, because our trade programs allow them to Import their foreign made Dress Shirts to the USA Duty Free.

There are no domestic manufacturers of the fabrics that we use that are subject to the duty suspensions. Canada has already established and extended comparable duty remission programs.

To save the jobs we have, and allow us the opportunity to create jobs in the future, the people in this facility need you to support them by supporting S. 529.

Yours in Trust,



Dan R. Teel
Manager

Brooks Brothers - Garland
910.529.1811



John Martynec
Vice President of Mfg.

Brooks Brothers
978.738.0810

112TH CONGRESS
1ST SESSION

S. 529

To extend the temporary duty suspensions on certain cotton shirting fabrics,
and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 9, 2011

Mr. MENENDEZ (for himself, Mr. ALEXANDER, and Mr. CASEY) introduced
the following bill; which was read twice and referred to the Committee
on Finance

A BILL

To extend the temporary duty suspensions on certain cotton
shirting fabrics, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. EXTENSIONS OF DUTY SUSPENSIONS ON COT-**
4 **TON SHIRTING FABRICS AND RELATED PRO-**
5 **VISIONS.**

6 (a) EXTENSIONS.—Each of the following headings of
7 the Harmonized Tariff Schedule of the United States is
8 amended by striking everything after “suitable for use in
9 men’s and boys’ shirts” in the article description column

1 and by striking the date in the effective date column and
2 inserting “12/31/2013”:

3 (1) Heading 9902.52.08 (relating to woven fab-
4 rics of cotton).

5 (2) Heading 9902.52.09 (relating to woven fab-
6 rics of cotton).

7 (3) Heading 9902.52.10 (relating to woven fab-
8 rics of cotton).

9 (4) Heading 9902.52.11 (relating to woven fab-
10 rics of cotton).

11 (5) Heading 9902.52.12 (relating to woven fab-
12 rics of cotton).

13 (6) Heading 9902.52.13 (relating to woven fab-
14 rics of cotton).

15 (7) Heading 9902.52.14 (relating to woven fab-
16 rics of cotton).

17 (8) Heading 9902.52.15 (relating to woven fab-
18 rics of cotton).

19 (9) Heading 9902.52.16 (relating to woven fab-
20 rics of cotton).

21 (10) Heading 9902.52.17 (relating to woven
22 fabrics of cotton).

23 (11) Heading 9902.52.18 (relating to woven
24 fabrics of cotton).

- 1 (12) Heading 9902.52.19 (relating to woven
2 fabrics of cotton).
- 3 (13) Heading 9902.52.20 (relating to woven
4 fabrics of cotton).
- 5 (14) Heading 9902.52.21 (relating to woven
6 fabrics of cotton).
- 7 (15) Heading 9902.52.22 (relating to woven
8 fabrics of cotton).
- 9 (16) Heading 9902.52.23 (relating to woven
10 fabrics of cotton).
- 11 (17) Heading 9902.52.24 (relating to woven
12 fabrics of cotton).
- 13 (18) Heading 9902.52.25 (relating to woven
14 fabrics of cotton).
- 15 (19) Heading 9902.52.26 (relating to woven
16 fabrics of cotton).
- 17 (20) Heading 9902.52.27 (relating to woven
18 fabrics of cotton).
- 19 (21) Heading 9902.52.28 (relating to woven
20 fabrics of cotton).
- 21 (22) Heading 9902.52.29 (relating to woven
22 fabrics of cotton).
- 23 (23) Heading 9902.52.30 (relating to woven
24 fabrics of cotton).

1 (24) Heading 9902.52.31 (relating to woven
2 fabrics of cotton).

3 (b) EXTENSION OF DUTY REFUNDS AND PIMA COT-
4 TON TRUST FUND; MODIFICATION OF AFFIDAVIT RE-
5 QUIREMENTS.—Section 407 of title IV of division C of the
6 Tax Relief and Health Care Act of 2006 (Public Law 109–
7 432; 120 Stat. 3060) is amended—

8 (1) in subsection (b)—

9 (A) in paragraph (1), by striking
10 “amounts determined by the Secretary” and all
11 that follows through “5208.59.80” and insert-
12 ing “amounts received in the general fund that
13 are attributable to duties received since Janu-
14 ary 1, 2004, on articles classified under heading
15 5208”; and

16 (B) in paragraph (2), by striking “October
17 1, 2008” and inserting “December 31, 2013”;
18 (2) in subsection (c)—

19 (A) in the matter preceding paragraph (1),
20 by striking “beginning in fiscal year 2007” and
21 inserting “beginning in fiscal year 2011”;

22 (B) by striking “grown in the United
23 States” each place it appears; and

24 (C) in paragraph (2), in the matter pre-
25 ceding subparagraph (A), by inserting “that

1 produce ring spun cotton yarns in the United
2 States” after “of pima cotton”;

3 (3) in subsection (d)—

4 (A) in the matter preceding paragraph (1),
5 by inserting “annually” after “provided”; and

6 (B) in paragraph (1), by inserting “during
7 the year in which the affidavit is filed and”
8 after “imported cotton fabric”; and

9 (4) in subsection (f)—

10 (A) in the matter preceding paragraph (1),
11 by inserting “annually” after “provided”; and

12 (B) in paragraph (1)—

13 (i) by striking “grown in the United
14 States” and inserting “during the year in
15 which the affidavit is filed and”; and

16 (ii) by inserting “in the United
17 States” after “cotton yarns”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall take effect on the date of the enactment
20 of this Act and apply with respect to affidavits filed on
21 or after such date of enactment.

○