

United States International Trade Commission

**Probable Economic
Effect of Modifications
to DR-CAFTA Rules of
Origin and Tariffs for
Certain Apparel Goods**

Investigation No. DR-CAFTA-103-16
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U.S. International Trade Commission

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ABSTRACT

This report assesses the probable economic effect (PE) of modifications to the rules of origin and tariff treatment in the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act (DR-CAFTA) on certain apparel goods, as set forth in letters of understanding signed in 2006 with the Dominican Republic and Costa Rica. Overall, the modifications will likely have a negligible impact on U.S. production and trade in the subject apparel goods because the DR-CAFTA region is not a major source of the subject apparel goods and these goods typically do not compete with domestically produced articles. The rules change requiring the use of pocket bag fabric produced in the territory of one or more of the Parties to the FTA, however, will likely help slow the decline in existing U.S. production and exports of pocket bag fabric to the DR-CAFTA region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua). It will also possibly help slow the growth in U.S. imports from Chinese and other lower-priced Asian suppliers that accelerated with the elimination of quotas on textile and apparel goods on January 1, 2005.

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EXECUTIVE SUMMARY

This report assesses the probable economic effect (PE) of modifications to the rules of origin and tariff treatment in the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act (DR-CAFTA) on certain apparel goods, as set forth in letters of understanding signed in 2006 with the Dominican Republic and Costa Rica. Overall, the modifications will likely have a negligible impact on U.S. production and trade in the subject apparel goods (table ES-1). The rules change for pocket bag fabric, however, may help to slow the decline in existing domestic production and exports of pocket bag fabric to the DR-CAFTA region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) and possibly help slow the growth in U.S. imports from Chinese and other lower-priced Asian suppliers that accelerated with the elimination of quotas on textile and apparel goods on January 1, 2005.

The other rules of origin changes to DR-CAFTA, i.e., the single transformation provision (also known as the “cut and sew rule”), the tariff reductions for certain non-originating apparel goods, the Costa Rica wool tariff preference level (TPL) changes, the new Costa Rica TPL for post-mastectomy women’s/girls’ knit swimwear, and the cumulation provision for wool apparel, will likely have a negligible impact on total U.S. trade and production. Although the rules of origin changes and tariff reductions (except the pocket bag fabric requirement) are liberalizing, any increase in U.S. imports of these goods from the region is expected to be negligible because the rules of origin changes affect only small volumes of apparel goods from the DR-CAFTA region and the tariff reductions are minor. Furthermore, the DR-CAFTA region is not a major source of the subject apparel goods and these goods typically do not compete with domestically produced articles. U.S. production of the subject apparel goods is limited and has been generally declining in recent years. Consequently, any increases in U.S. imports of the subject apparel goods from the DR-CAFTA region resulting from the modifications are expected primarily to displace U.S. imports from other foreign suppliers.

TABLE ES-1 Summary of advice concerning modifications to the DR-CAFTA rules of origin and tariffs for certain apparel goods

Product	Nature of modification and effect explanation	Probable economic effect
Pocket bag fabric	<p>Modification: Establishes a yarn-forward requirement – apparel containing pockets must use pocket bag fabric that is sourced from within the region to qualify as originating goods.</p> <p>Effect: The rule change may help to slow the decline in existing domestic production and have a negligible effect on total U.S. imports. It will likely enable U.S. producers to recapture some lost sales and to maintain existing sales.</p>	<p>U.S. total trade: Imports: negligible Exports: negligible</p> <p>U.S. production: negligible</p>
Women’s wool anoraks, men’s suit-type jackets of other textile materials, women’s/girls’ ensembles of synthetic fibers and other fibers	<p>Modification: Establish the single transformation provision, also known as “cut and sew” rule, for the subject apparel items.</p> <p>Effect: There will likely be a negligible effect on total U.S. imports and production. There is limited and declining domestic production of the subject apparel items.</p>	<p>U.S. total trade: Imports: negligible Exports: negligible</p> <p>U.S. production: negligible</p>
Certain wool, synthetic fiber, and cotton women’s coats and trousers and men’s suit-type jackets and trousers; certain men’s and women’s trousers and boys’ suits of synthetic fibers	<p>Modification: Provided they are assembled in the region, reduce duty by 0.5 percent for certain non-originating apparel products; reduce duty by 2.0 percent for certain other non-originating apparel products.</p> <p>Effect: There will likely be a negligible effect on U.S. imports and production. Domestic production of these items is limited and the tariff reductions are small.</p>	<p>U.S. total trade: Imports: negligible Exports: negligible</p> <p>U.S. production: negligible</p>

TABLE ES-1 Summary of advice concerning modifications to the DR-CAFTA rules of origin and tariffs for certain apparel goods—*Continued*

Product	Nature of modification and effect explanation	Probable economic effect
<p>Certain non-originating woven wool tailored clothing</p> <p>Certain non-originating worsted wool tailored clothing made of wool yarn having an average fiber diameter of greater than 18.5 microns</p>	<p>Modification: For the existing TPL for Costa Rica, establish duty-free treatment for a period of 10 years rather than a 50 percent reduction of the NTR duty rate for a period of 2 years.</p> <p>Modification: Create a new and separate TPL of 500,000 SMEs that will grant duty-free treatment for 10 years.</p> <p>Effect: There will likely be a negligible effect on U.S. imports and production. The rule change will likely also result in minor trade diversion to Costa Rican suppliers and duty savings for U.S. importers. The TPLs provide preferential access for a small quantity of the subject items and U.S. production of this apparel and fabric is limited.</p>	<p>U.S. total trade: Imports: negligible Exports: negligible</p> <p>U.S. production: negligible</p>
<p>Certain women’s post-mastectomy knit swimwear</p>	<p>Modification: Create a new and separate TPL for items imported from Costa Rica duty-free. The TPL limit will have an annual growth factor over a ten-year period.</p> <p>Effect: This modification will likely have a negligible effect on U.S. imports and production and provide duty savings for U.S. importers. The TPL provides preferential access for a small quantity of items that are not produced domestically in commercial quantities.</p>	<p>U.S. total trade: Imports: negligible Exports: negligible</p> <p>U.S. production: negligible</p>
<p>Certain worsted wool tailored clothing made of wool yarn having an average fiber diameter of greater than 18.5 microns and from fabric produced in NAFTA countries</p>	<p>Modification: No quantitative limit for the subject items.</p> <p>Effect: The rule change will likely have a negligible effect on U.S. imports and production. The rule change will likely also result in minor trade diversion to CAFTA countries and duty savings for U.S. importers. Domestic production of these items is limited.</p>	<p>U.S. total trade: Imports: negligible Exports: negligible</p> <p>U.S. production: negligible</p>

TABLE ES-1 Summary of advice concerning modifications to the DR-CAFTA rules of origin and tariffs for certain apparel goods—*Continued*

Product	Nature of modification and effect explanation	Probable economic effect
<p>Certain women's/girls' overcoats, suits, jackets, and track suits; certain men's/boy's suits; men's dress shirts; babies' cotton dresses; and certain worsted wool tailored clothing having an average fiber diameter of greater than 18.5 microns</p>	<p>Modification: Establish the single transformation provision, also known as "cut and sew" rule, for the subject apparel items. These specified articles containing non-originating fabric for visible linings and pocket bags, as well as sewing thread, qualify for duty-free treatment.</p> <p>Effect: There will likely be a negligible effect on total U.S. imports and production. Imports from DR-CAFTA account for a small share of total U.S. imports of these items. Current limited U.S. production of the subject products is generally of higher-end niche products that don't compete with imports.</p>	<p>U.S. total trade: Imports: negligible Exports: negligible</p> <p>U.S. production: negligible</p>

CHAPTER 1

Introduction

This report provides advice requested by the United States Trade Representative (USTR) on the probable economic effect (PE) of certain rules of origin and tariff modifications to the Dominican Republic–Central America–United States Free Trade Agreement (DR-CAFTA)¹ on domestic industries producing like or directly competing articles.² The report contains PE advice on U.S. imports, exports, and production of the subject goods as described in the annex to the request letter. As set forth in the annex, five of the modifications (rules of origin for pocket bag fabric, single transformation for certain apparel, tariff treatment for certain non-originating apparel, cumulation for wool, and new single transformation items) apply to all DR-CAFTA partners. The modifications to tariff preference levels apply only to Costa Rica.

Product and Industry Coverage

The articles subject to the DR-CAFTA modifications cover a broad variety of apparel goods made from wool, cotton, synthetic, and blended fabrics. They include outerwear, trousers, tailored clothing, swimwear, and pocket bag fabric. Although not explicitly covered by the modifications, certain wool fabric may be affected by certain modifications, and this report also provides PE analysis for the domestic industry that produces such fabric. A summary of the apparel and fabric items categorized by modification is provided in table 1-1.

Analytical Approach

The Commission's PE advice contained in this report employs qualitative and quantitative tools based on production, trade, and tariff data for the subject articles, and information gathered from U.S. and DR-CAFTA industry representatives. The analysis is based on the best available data from public and non-public sources, and contains information on U.S. production and imports of the subject articles gathered through interviews with U.S. producers, importers, and other apparel and textile industry representatives.³ The advice relies primarily on qualitative analysis, and, where sufficient data are available, is supplemented by quantitative partial equilibrium analysis.

¹ The DR-CAFTA partners include Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua. The United States ratified the DR-CAFTA treaty on August 2, 2005. Costa Rica has not yet ratified the treaty. For all other partners, the treaty is in force. The DR-CAFTA entered into force for El Salvador on March 1, 2006; Honduras and Nicaragua on April 1, 2006; Guatemala on July 1, 2006; and the Dominican Republic on March 1, 2007. Costa Rica is expected to ratify the treaty during 2007. *Dominican Republic-Central America FTA*. U.S. Trade Representative website. http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA/Section_Index.html (accessed various dates).

² See app. A for details of the request and app. B for the Commission's notices of investigation published in the Federal Register.

³ See app. C for a list of industry organizations contacted for this investigation.

TABLE 1-1 DR-CAFTA modifications by product

Subject products	Modification
Pocket bag fabric	Yarn-forward rule of origin for pocket bag fabric
Women's wool anoraks and windbreakers, men's/boys' suit-type jackets of other textile materials, and various women's/girls' ensembles	Single transformation establishes the "cut and sew" rule for certain apparel; fabric of any origin qualifies if apparel is cut/sewn/assembled in the region
Certain wool, synthetic fiber, and cotton women's coats and trousers and men's suit jackets and trousers; and certain synthetic fiber men's and women's trousers and boys' synthetic fiber suits	Tariff reduction for certain non-originating items
Certain woven wool apparel and certain coarse-micron worsted wool apparel made of fabric with yarn greater than 18.5 microns in diameter	Tariff reduction and time extension for Costa Rica wool tariff preference level and creation of new, separate tariff preference level for certain apparel
Women's knit swimwear specially designed to accommodate post-mastectomy breast prostheses	Creation of a new tariff preference level for Costa Rican swimwear
Certain coarse-micron worsted wool apparel made of fabric with yarn greater than 18.5 microns in diameter made of fabric produced in NAFTA countries	Quantitative limit on cumulation provision for wool does not apply to certain wool apparel
Certain women's/girls' overcoats, suits, jackets, and track suits; certain men's/boy's suits; men's dress shirts; babies' cotton dresses; and certain worsted wool tailored clothing having an average fiber diameter of greater than 18.5 microns	Single transformation establishes the "cut and sew" rule for certain apparel. These specified articles containing non-originating fabric for visible linings and pocket bags, as well as sewing thread, qualify for duty-free treatment.

Where employed, the quantitative analysis is based on 2005 production and trade data. Although full-year trade data are available for 2006, the DR-CAFTA was in force for all partner countries for only part of the year. Therefore, base data for 2005 are used in order to account for the most recent pre-DR-CAFTA import levels. Discussions of general trade trends in U.S. and DR-CAFTA industries and market conditions that support the PE analysis reflect the period 2002-06.

The partial-equilibrium model was employed in the analysis of the modifications for single transformation for certain items and the modification of tariff treatment for certain non-originating items. To estimate the change in imports and production resulting from the modification to a single transformation rule, the model estimated the impact of changing the duty rates from the NTR rate in the original DR-CAFTA agreement to a duty-free rate. To estimate the change in imports and production value resulting from the modification of tariff treatment of certain non-originating items, the model estimated the impact of reducing duty rates by the amounts prescribed in the annex to the request letter. See appendix D for further discussion of the modeling analysis.

CHAPTER 2

Probable Economic Effect Advice

Pocket Bag Fabric

The Commission's analysis¹ indicates that the modification to the rule of origin for pocket bag fabric in the DR-CAFTA would likely have a negligible effect on total U.S. imports and on U.S. pocket bag fabric producers (table 2-1). The rule change requiring the use of regional² or U.S. pocket bag fabric in order to qualify for duty-free treatment may help slow the decline in existing domestic production, U.S. exports of pocket bag fabric, and U.S. imports of certain apparel containing pockets from the DR-CAFTA region, thereby slowing the increase in sourcing of these goods from Chinese and other lower-priced Asian suppliers. By continuing the yarn-forward rule of origin treatment that had been established in the Caribbean Basin Trade Partnership Act (CBTPA),³ the modification may enable U.S. producers of pocket bag fabric to recapture some lost sales or maintain some existing sales to the DR-CAFTA region.

TABLE 2-1 Summary of advice concerning modification of the rules of origin for apparel containing pocket bag fabric

Item	Current treatment under DR-CAFTA	Modification	Probable economic effect
Articles of apparel in Chapter 61 and Chapter 62 (knit and woven apparel, respectively)	Tariff shift requirement and yarn-forward rule applies only to the visible lining fabric in the main body of the garment. (Chapter Rule 2 in Chapters 61 and 62 of Annex 4.1.)	Yarn-forward rule for pocket bag fabric. (Addition of Chapter Rule 5 to Chapter 61 and Chapter Rule 6 to Chapter 62)	U.S. total trade: Imports: negligible Exports: negligible U.S. production: negligible

¹ Quantitative tools were not used to assess the modification to the rules of origin for pocket bag fabric because the Commission was not able to estimate the amount of pocket fabric that was exported to DR-CAFTA countries or the degree to which this fabric was used for pockets as opposed to other uses. U.S. fabric producers generally do not know how much of their fabric is eventually used for pocketing and U.S. purchasers of such fabric for pocketing generally ship the fabric or cut pockets to the DR-CAFTA region. Information based on telephone interviews with several producers of pocket bag fabric by Commission staff in January-March 2007.

² The DR-CAFTA countries are not major producers of textile products; their production of pocket lining fabric is believed to be minimal.

³ To be eligible for duty-free treatment under the CBTPA, most apparel is subject to a "yarn-forward" rule of origin, i.e., the yarn must have been spun or extruded, the fabric woven or knit, and the goods cut and assembled in the United States or the region.

Existing Rules of Origin and Modification

The existing rule of origin⁴ states that, for determining whether a good in Chapter 61 or 62 is originating, “the rule applicable to that good shall only apply to the component that determines the tariff classification of the good and such component must satisfy the tariff change requirements set out in the rule for that good. If the rule requires that the good must also satisfy the tariff change requirements for visible lining fabric listed in Chapter 1, such requirements shall only apply to the visible lining fabric in the main body of the garment, excluding sleeves, which covers the largest surface area, and shall not apply to removable linings.”⁵ This Chapter Rule 2 allows apparel components, other than visible lining fabric, to be sourced from third-country fabric.

The modifications to the rules of origin in the DR-CAFTA for pocket bag fabric would establish two new Chapter Rules, Chapter Rule 5 and Chapter Rule 6, for Chapters 61 and 62 (covering knit and woven apparel), respectively, in Annex 4.1 (Specific Rules of Origin) of the DR-CAFTA. New Chapter Rules 5 and 6 state that “notwithstanding Chapter Rule 2, a good of this chapter that contains a pocket or pockets shall be considered originating only if the pocket bag fabric has been formed and finished in the territory of one or more of the Parties from yarn wholly formed in the territory of one or more of the Parties.” The modified rules of origin would require that pocket bag fabric also be sourced from within the DR-CAFTA region or the United States.

Description of Subject Products

Pocket bag fabric is used in any garments with pockets, most of which are bottoms, such as jeans and a variety of slacks and pants, but also garments such as women’s skirts and men’s suit-type jackets. Most pocket bag fabric produced domestically is made from a blend of polyester and cotton fibers⁶ and is classified in HTS subheadings 5513.13.0020; 5513.19.0020; 5513.21.0040; 5514.11.0030; and 5407.81.0090.⁷ Pocketing for fine men’s suit-type pants or women’s skirts is made from finished high-end polyester and rayon fabric,⁸ whereas pocketing for jeans is usually made from open-weave, undyed cotton fabric. Import and export data for pocket bag fabric are not available because they are grouped with similar fabrics including those used in other apparel components such as waistbands and interlinings. The 2007 NTR rate of duty on pocket bag and other fabric entering under each of these HTS subheadings is 14.9 percent *ad valorem*. Pocket bag fabric varies in quality and price. Depending on the garment, an estimated one-third to one-half of a square yard of fabric is used in pocket bag lining for a pair of pants,⁹ and pocket bag fabric accounts for about 5 percent or less of the cost of a garment.¹⁰ Pocket bag fabric is sold on rolls and is dyed and finished in the United States and exported to offshore assembly plants. Most

⁴ The rule of origin is established in Chapter Rule 2 in Chapters 61 and 62 of Annex 4.1 (Specific Rules of Origin).

⁵ DR-CAFTA, Annex 4.1-49, Annex 4.1-57.

⁶ ***, telephone interview with Commission staff, January 4, 2007.

⁷ ***, email to Commission staff, January 8, 2007.

⁸ ***, telephone interview with Commission staff, March 15, 2007.

⁹ ***, telephone interview with Commission staff, March 2, 2007.

¹⁰ ***, telephone interview with Commission staff, January 5, 2007 and ***, telephone interview with Commission staff, January 8, 2007.

pockets are cut out by hand on a table with an electric knife in the United States or in the DR-CAFTA region; some are punched out by cutting machines.¹¹

U.S. Industry and Market Conditions

The U.S. industry producing pocket bag fabric comprises textile mills that weave the fabric and ship it to converters that dye, finish, and cut the fabric into pockets domestically or in the DR-CAFTA region. Alice Manufacturing, Mount Vernon Mills, Wade Manufacturing, Inman Mills, Cotswold Industries, Inc., and Hamrick Mills, Inc., are the leading domestic textile producers of pocket bag fabric. They export most of their greige goods¹² to the DR-CAFTA region indirectly through converters - such as QST Industries, Copen Associates, and Copland Fabrics - which dye and finish the fabric. Production of pocket bag fabric is largely capital intensive.¹³ Nevertheless, because of higher U.S. labor rates, domestically produced fabric tends to be priced slightly higher than fabric produced in Asia.¹⁴ Industry sources state that profit margins on pocket bag fabric are slim and that pricing is a key factor driving apparel producers' purchases.¹⁵ Domestically produced and foreign produced pocket bag fabric are believed to be about equal in quality.¹⁶

Although, as stated previously, U.S. production data for pocket bag fabric are not reported separately in Department of Commerce data, overall U.S. production of broadwoven cotton and man-made fiber fabric has reportedly declined in recent years.¹⁷ Concerning U.S. production of pocket bag fabric, one textile mill representative estimated a 30-percent decline during the past five years¹⁸ and representatives of several U.S. mills that weave pocket bag fabric reported sharp declines in domestic production of pocket bag fabric during 2005-06.¹⁹ A representative of one firm, *** stated ***.²⁰ Some weavers and converters of pocket bag fabric have downsized, closed plants, or gone out of business, leading to job losses.²¹ Current domestic production of pocket bag fabric is estimated to range from \$80

¹¹ ***, telephone interview with Commission staff, March 3, 2007, and ***, telephone interview with Commission staff, March 3, 2007.

¹² Greige goods are unfinished goods such as fabric that are sent off for additional processing (e.g., dyeing and finishing).

¹³ ***, telephone interview by Commission staff, March 2, 2007.

¹⁴ ***, telephone interview by Commission staff, March 1, 2007. Another industry representative claims that fabric imported from Asian suppliers such as China and Pakistan has been sold at prices as much as 50 percent lower than those for fabric produced domestically and, as such, demand for U.S. pocket bag fabric has declined. ***, telephone interview by Commission staff, March 15, 2007.

¹⁵ ***, telephone interview by Commission staff, March 2, 2007 and ***, telephone interview by Commission staff, March 1, 2007.

¹⁶ Commission staff telephone interviews with various industry representatives, January-March 2007.

¹⁷ U.S. production of broadwoven cotton fabric fell by 43 percent from 4.4 billion yards to 2.4 billion yards during 2000-04, and U.S. production of broadwoven manmade fiber fabric fell by 22 percent from 10.8 billion yards to 8.5 billion yards during the same period. U.S. Bureau of the Census, *Broadwoven Fabric*. This was the last summary report for broadwoven fabric; publication of this report has been discontinued. Selected broadwoven fabric production data will be included with the Bureau of Census quarterly report, MQ313A, "Textiles."

¹⁸ ***, telephone interview by Commission staff, January 4, 2007.

¹⁹ ***, telephone interview by Commission staff, January 8, 2007. ***, telephone interview by Commission staff, January 5, 2007.

²⁰ ***, telephone interview by Commission Staff, March 6, 2007.

²¹ ***, telephone interview by Commission staff, January 5, 2007.

million to \$200 million,²² almost all of which is exported to the DR-CAFTA region and Mexico.²³

According to an industry source, the decrease in domestic demand for and production of pocket bag fabric is largely attributable to the sharp rise in U.S. imports of ready-made apparel (particularly pants, which use the most pocketing) from Chinese and other low-cost Asian suppliers after the elimination of quotas on January 1, 2005.²⁴ During 2004-06, U.S. imports of women's and men's pants from China rose by 433 percent and 268 percent, respectively, to \$861 million and \$406 million; from Indonesia by 112 and 111 percent, respectively, to \$425 million and \$202 million; and from Vietnam by 40 and 41 percent, respectively, to \$404 and \$208 million. During the same period, U.S. imports of men's and women's pants from DR-CAFTA countries fell by 35 percent and 23 percent, respectively, to \$494 million and \$809 million. In addition, apparel companies such as Hagggar and others reportedly have shifted their cutting facilities from Mexico and the DR-CAFTA region to Asia, thereby further shrinking demand for U.S. pocket bag fabric.²⁵

Although pockets represent a small share of the entire cost of a garment, representatives of some U.S. apparel companies contend that the required use of higher-priced U.S. pocket bag fabric will exacerbate rising costs and declining production in countries such as the Dominican Republic²⁶ (a significant supplier of trousers to the U.S. market) and prompt producers to move out of the region, leading to millions of dollars in lost sales for all types of U.S. fabric producers.²⁷ Published U.S. export data show a 71 percent decline from \$2.8 million in 2004 to \$813,000 in 2006 in U.S. exports of broadwoven cotton and man-made fabric to the Dominican Republic.²⁸ It is likely that U.S. exports of pocket bag fabric experienced similar declines. Without the proposed rule change requiring the use of domestically produced pocket bag fabric, U.S. fabric producers predict even greater losses of sales to Asian suppliers and an adverse impact on their industry, because apparel producers will likely increase their purchases of price-competitive Asian fabric.²⁹

²² Several U.S. textile mill representatives stated that they can only roughly estimate how much of their fabric production is used for pocketing, since such fabric has multiple end uses. A representative of *** stated that the firm produced about *** in pocket bag fabric in 2006, which he believes accounts for about *** of the market. Some U.S. textile firms mix imported fabric with their own fabric and cannot accurately estimate their total production. ***, telephone interview by Commission staff, March 2, 2007, ***, telephone interview by Commission staff, January 4, 2007, and ***, telephone interview by Commission staff, March 2, 2007.

²³ ***, telephone interview by Commission staff, March 2, 2007.

²⁴ ***, telephone interview by Commission staff, March 2, 2007.

²⁵ ***, telephone interview by Commission staff, January 5, 2007.

²⁶ Industry sources report that increases in minimum salary rates have boosted labor costs in U.S. dollar terms in the free trade zones where apparel is produced, adversely affecting the competitiveness of the Dominican Republic's apparel industry. *Business Latin America*, "Dominican Republic: Free Fall."

²⁷ Helga Ying (Director, Worldwide Government Affairs and Public Policy, Levi Strauss & Co.), written submission to the Commission, March 16, 2007. Other representatives of apparel companies agree that the modified pocketing requirement will likely result in higher apparel prices because of higher-priced U.S. pocket bag fabric inputs and reduce sourcing flexibility for U.S. apparel companies. ***, email to Commission staff, March 5, 2007. One apparel industry representative noted, however, the rule of origin modification for pocket bag fabric is a concern due to the limited quantities of U.S. pocket bag fabric and the staggered and complex implementation of the DR-CAFTA which has generally discouraged business in the region. ***, telephone interview with Commission staff, February 7, 2007.

²⁸ This fabric is classified under Schedule B headings under which pocket bag fabric is classified 5407.81; 5513.13; 5513.19; 5513.21 and 5514.11.

²⁹ Commission staff telephone interviews with various industry representatives, January-March 2007.

Views of Interested Parties

The Commission received a written submission expressing concern about the proposed rule-of-origin change for pocket bag fabric from Levi Strauss & Co. (Levi Strauss), a leading branded-apparel company that designs and markets its products (jeans-related pants, casual and dress pants, shirts, jackets, and related accessories) worldwide. Levi Strauss indicated that the requirement to use U.S. originating pocketing material in qualifying apparel imports from the Dominican Republic under the DR-CAFTA would dramatically increase the cost of that apparel far above any offsets provided by the duty-rate reductions proposed by the USTR. Levi Strauss noted that trouser exports from the Dominican Republic are primarily made from cotton fabric rather than wool, and therefore the modest tariff reductions provide even less relief for Dominican producers. Levi Strauss stated that the pocket bag fabric requirement would increase the costs of cotton trousers by 8-25 cents per pair compared with a duty savings of only 4-6 cents per pair. Levi Strauss asserted that this significant cost increase will exacerbate the already steady decline in trouser production in the Dominican Republic. Levi Strauss has already reduced its orders from the Dominican Republic by about half. Levi Strauss suggested adopting an offset mechanism that would establish that for every three dozen pairs of DR-CAFTA qualifying trousers shipped to the United States, Dominican suppliers could ship one dozen pairs of trousers made from non-qualifying outer shell fabric duty-free. Levi Strauss suggested that this plan could help preserve pant production in the Dominican Republic and prevent the loss of millions of dollars in sales for U.S. textile producers.

Single Transformation for Certain Apparel Items

The Commission's analysis²⁹ indicates that the impact of the single transformation modification for certain apparel items on total U.S. imports and production of the specified apparel will likely be negligible (table 2-2). The modification would also likely lead to a negligible increase in U.S. imports of the subject products from the DR-CAFTA region. U.S. production of the subject products, most of which are highly labor intensive, appears limited,³⁰ and has generally declined in recent years as U.S. apparel companies moved sewing operations offshore to countries with lower labor rates. Any increase in U.S. imports of these items prompted by the preferential treatment provided by the single transformation modification would likely represent a slow-down in the shift of suppliers from DR-CAFTA to other foreign suppliers. However, the increase in U.S. imports of the subject products from the DR-CAFTA region would likely be relatively small, because competition from Chinese and other price-competitive suppliers has intensified since the elimination of quotas on January 1, 2005.

²⁹ To estimate the change in imports and production resulting from the modification to a single transformation rule for certain items, the partial-equilibrium model estimated the impact of reducing duty rates from the non-CAFTA rate to the CAFTA rate (which was free of duty in all cases).

³⁰ U.S. production of apparel in this category is likely limited to high-end products which do not compete directly with imports. ***, telephone interview with Commission staff, February 28, 2007.

Item	Current treatment under DR-CAFTA	Modification	Probable economic effect
Women's wool anoraks and windbreakers, men's/boys' suit-type jackets of other textile materials, and various women's/girls' ensembles. ^a	Yarn-forward rule (fiber of any origin). For apparel articles to receive duty-free treatment, they must be made from fabric that is formed and finished in the region and made from yarns wholly formed in the United States or the region.	Establish the "cut and sew" rule for additional types of apparel - i.e., the fabric can be imported from anywhere if the apparel is both cut and sewn or otherwise assembled in the region.	U.S. total trade: Imports: negligible Exports: negligible U.S. production: negligible

^aSee table 2-3 for more detailed product descriptions and specific tariff rates.

Single Transformation Modification and Subject Products

The single transformation modification changes the specific rule of origin, set out in Annex 4.1, for women's wool anoraks and windbreakers, men's/boys' suit-type jackets of other textile materials subject to wool restraints, women's/girls' ensembles of synthetic fibers, of artificial fibers and of other than artificial fibers, women's/girls' suit-type jackets of synthetic fibers containing 36 percent or more by weight of flax fibers, and women's/girls' suit-type jackets of textile fibers, not elsewhere specified or indicated (table 2-3).

Also known as the "cut and sew" rule, single transformation allows certain apparel articles to qualify for duty-free treatment regardless of the source of the fabric from which they are made as long as the apparel is cut and sewn or otherwise assembled in the DR-CAFTA region. Currently, the single transformation provision in the DR-CAFTA applies only to brassieres (HTS subheading 6212.10), certain woven boxer shorts and pajamas (found in HTS headings 6207 through 6208), and certain woven women's/girls' dresses (found in HTS subheadings 6204.42 through 6204.44).

The modification would insert the following language in Annex 4.1 of the DR-CAFTA: "A change to tariff items 6202.91.2011, 6203.39.9020, 6204.23.00, 6204.29.20, 6204.29.40, 6204.33.20, or 6204.39.80 from any other chapter, provided that the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or more of the Parties." Consequently, the subject apparel articles would qualify for duty-free treatment regardless of the source of the fabric from which they are made.

U.S. Industry and Market Conditions

No production data are publicly available for the subject apparel items, either because they are grouped with other apparel or because they cannot be disclosed because so few U.S. producers exist. According to one leading U.S. apparel company, there is no domestic production of women's/girls' wool anoraks and windbreakers in commercial quantities

TABLE 2-3 Single transformation modification: Product description and tariff rates

Tariff line	Product description	NTR tariff	Modified tariff
6202.91.2011	Women's/girls' anoraks (including ski-jackets), windbreakers and similar articles of wool or fine animal hair, other than with padded, sleeveless jackets.	36¢/kg + 16.3%	Duty-free
6203.39.9020	Men's/boys' suit-type jackets and blazers of other textile materials subject to wool restraints.	6.5%	Duty-free
6204.23.00	Women's/girls' ensembles, not knitted or crocheted, of synthetic fibers (the duty rates are those that apply to each garment in the ensemble, if separately entered).	Duty-free to 16%	Duty-free
6204.29.20	Women's/girls' ensembles, not knitted or crocheted, of artificial fibers (the duty rates are those that apply to each garment in the ensemble, if separately entered).	13.6% to 28.6%	Duty-free
6204.29.40	Women's/girls' ensembles, not knitted or crocheted, of textile materials, nesoi (the duty rates are those that apply to each garment in the ensemble, if separately entered).	1.1% to 7.1%	Duty-free
6204.33.20	Women's/girls' suit-type jackets and blazers, not knitted or crocheted, of synthetic fibers containing 36 percent or more by weight of flax fibers.	2.8%	Duty-free
6204.39.80	Women's/girls' suit-type jackets and blazers, not knitted or crocheted, of textile materials, nesoi.	6.3%	Duty-free

because such production is highly labor intensive and costly since such coats contain many zippers and pockets.³¹ U.S. domestic production of all women's/girls' wool coats (OTEXA apparel category 435, of which wool anoraks are a subset) has been declining in recent years, falling 86 percent from 873,000 dozen in 2000 to 124,000 dozen in 2005, and accounted for just under 8 percent of U.S. consumption of these items in 2005.³² During the same period, U.S. production of men's/boys' suit-type coats (apparel category 433) fell 65 percent from 243,000 dozen to 86,000 dozen.

U.S. imports of women's/girls' wool anoraks and windbreakers accounted for 83 percent of U.S. imports of all the subject articles from the DR-CAFTA region, totaling \$8.9 million in 2005. Men's/boys' suit-type jackets and blazers of other textile materials subject to wool restraints accounted for 15 percent (\$1.7 million) of the subject articles imported from the DR-CAFTA region. U.S. imports of the five remaining subject apparel groups combined (there were no U.S. imports for some of these items from the region) totaled less than \$1 million in 2005.

The single transformation modification may lead to a negligible increase in U.S. imports of the subject products from the DR-CAFTA region in the short-term because the duty savings may lead to lower prices. However, rising labor costs in the region may offset the duty savings in the long-term, because competition from China and other suppliers has intensified

³¹ ***, telephone interview with Commission staff, February 28, 2007.

³² It is likely that the production of women's wool anoraks experienced similar declines in production. U.S. Department of Commerce, December 2006.

substantially since the elimination of quotas on January 1, 2005. Numerous U.S. textile companies interviewed for this report noted that labor rates and other production costs have been rising in the DR-CAFTA region and that despite this modification, future sales may still be lost to Chinese and other lower-cost Asian suppliers. ***³³ U.S. imports of women's/girls' wool anoraks from the DR-CAFTA region declined 79 percent from \$16.4 million in 2004 to \$3.5 million in 2006, whereas U.S. imports of these apparel items from China rose over 1,000 percent during 2004-06 to \$15.9 million in 2006.

Tariff Treatment of Certain Non-Originating Items

The Commission's analysis³⁴ indicates that the modification of DR-CAFTA tariffs for certain non-originating apparel articles will likely have a negligible effect on U.S. imports and production of these items (table 2-4) due to the small size of the tariff reductions. Therefore, any increase in U.S. imports of the subject products as a result of the modification would likely be small in value terms and have little effect on overall U.S. trade or production.

TABLE 2-4 Summary of advice concerning tariff treatment of certain non-originating items

Item ^a	Current treatment under DR-CAFTA	Modification	Probable economic effects
Certain wool, synthetic fiber, and cotton women's coats and trousers and men's suit jackets and trousers	Subject to NTR tariff of 16.6 - 22% ^b	Reduction of the NTR duty by 0.5 percentage point	U.S. total trade: Imports: negligible Exports: negligible U.S. production: negligible
Certain synthetic fiber men's and women's trousers and boys' synthetic fiber suits	Subject to NTR tariff of 27.3 - 28.6% ^b	Reduction of the NTR duty by 2.0 percentage points	U.S. total trade: Imports: negligible Exports: negligible U.S. production: negligible

^aSee table 2-5 for detailed product descriptions.

^bNTR tariffs for subject products are both *ad valorem* and compound rates. For individual tariff rates, see table 2-5.

Tariff Modification and Subject Products

The tariff modifications consist of two distinct tariff reductions for two groups of apparel assembled in DR-CAFTA countries from fabric produced outside the region. Provided that the subject articles are "cut or knit to shape, or sewn or otherwise assembled" in the region, the tariff modification will lower the NTR (Column 1- General) rate of duty by 0.5 percentage points for certain wool, synthetic fiber, and cotton women's coats and trousers and men's suit jackets and trousers, and by 2.0 percentage points for certain synthetic fiber men's and women's trousers and boys' synthetic fiber suits (table 2-5).

³³ ***, telephone interview with Commission staff, February 28, 2007.

³⁴ To estimate the change in imports and production value resulting from the modification of tariff treatment of certain non-originating items, the model estimated the impact of reducing duty rates by the amounts prescribed in the annex to the request letter.

TABLE 2-5 Modification to tariff treatment for certain non-originating items: description of subject products and tariff rates

Tariff line	Product description	NTR tariff	Modified tariff
0.5 percentage point tariff cut			
6202.11.00	Wool or fine animal hair women's or girls' overcoats, carcoats, capes, cloaks, anoraks, windbreakers and similar articles not knitted/crocheted.	41¢/kg + 16.3%	41¢/kg + 15.8%
6203.31.90	Wool or fine animal hair men's or boys' suit-type jackets and blazers not knitted/crocheted having an average wool yarn fiber diameter of 18.5 microns or more.	17.5%	17%
6203.33.10	Synthetic fiber men's or boys' suit-type jackets and blazers not knitted/crocheted containing 36% or more by weight wool or fine animal hair.	22%	21.5%
6203.41.18	Wool or fine animal hair men's or boys' trousers and breeches not knitted/crocheted other than 6203.41.05. With average wool yarn fiber diameter 18.5 microns or greater.	41.9¢/kg + 16.3%	41.9¢/kg + 15.8%
6203.42.40	Cotton men's or boys' trousers, breeches and shorts (not bib and brace overalls) not knitted/crocheted other than 6203.42.10.	16.6%	16.1%
6203.43.30	Synthetic fibers men's or boys' trousers, breeches and shorts not knitted/crocheted containing 36% or more wool or fine animal hair by weight other than certified hand-loomed and folklore products.	49.6¢/kg + 19.7%	49.6¢/kg + 19.2%
6204.62.40	Cotton women's or girls' trousers, breeches and shorts (not bib and brace overalls) not knitted/crocheted other than 6204.62.10-30 nor certified handloom/folklore products.	16.6%	16.1%
2.0 percentage point tariff cut			
6203.12.20	Synthetic fiber boys' suits not knitted/crocheted of containing less than 36% wool or fine animal hair.	27.3%	25.3%
6203.43.40	Synthetic fiber men's or boys' trousers, breeches and shorts not knitted/crocheted containing 36% or less wool or fine hair other than water resistant trousers or breeches.	27.9%	25.9%
6204.63.35	Synthetic fiber women's or girls trousers, breeches and shorts other than 6204.63.10-30 and contains 36% or less wool or fine animal hair by weight and not water resistant.	28.6%	26.6%

U.S. Industry and Market Conditions

Total U.S. production of the items subject to this modification declined by approximately one-third since 2000, and totaled approximately \$2.0 billion in 2006.³⁵ Men's/boys' and women's/girls' synthetic and cotton trousers account for nearly 95 percent of the category. According to a representative of ***, a major importer of cotton trousers, the domestic industry has largely moved overseas. The few companies that still produce in the United States do so primarily in limited quantities for the premium market.³⁶ One domestic producer

³⁵ Based on Commission estimates using Department of Commerce International Trade Administration Office of Textiles and Apparel (OTEXA) data.

³⁶ ***, telephone interview with Commission staff, April 2, 2007.

contacted by Commission staff, ***, confirmed that the U.S. domestic industry for production of trousers is limited to only a few producers who produce premium/high-end products. *** produces trousers that often sell in excess of \$500 (retail). Reportedly, the premium trouser market is also under heavy pressure from low-priced imports. In addition to production of high-end items, *** also performs “re-work” services, which involve mending, stitching, and other corrections to imported items with various defects.³⁷

During 2000-06, U.S. imports of the subject items increased by 26 percent. The United States imported \$14.6 billion of the subject products in 2006, of which \$8.1 billion (55 percent) originated from Asia (primarily, China, Bangladesh, Hong Kong, Indonesia, and Vietnam) and \$1.5 billion (10 percent) from DR-CAFTA countries.³⁸ Despite the implementation of DR-CAFTA,³⁹ U.S. imports of these articles from the region decreased in 2006, most likely because of increased competition in the U.S. market from Chinese and other Asian suppliers since the elimination of quotas on January 1, 2005. According to U.S. industry representatives, the tariff rate reductions are primarily meant to help DR-CAFTA textile mills compete better with lower-cost producers in Asia.⁴⁰ However, representatives of *** stated that many of the apparel manufacturers in the Dominican Republic, which primarily produce trousers, thought that a larger percentage tariff reduction than was granted under the modification was necessary to remain competitive.⁴¹

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³⁷ ***, telephone interview with Commission staff, April 2, 2007.

³⁸ These data are based on CIF value.

³⁹ Not all DR-CAFTA members implemented the agreement at the same time. Costa Rica has not yet ratified the agreement.

⁴⁰ Industry representatives, telephone interviews by Commission staff, February 13-14, 2007.

⁴¹ ***, telephone interview by Commission staff, February 14, 2007.

⁴² These data are based on CIF value.

⁴³ Not all DR-CAFTA members implemented the agreement at the same time. Costa Rica has not yet ratified the agreement.

⁴⁴ Industry representatives, telephone interviews by Commission staff, February 13-14, 2007.

⁴⁵ ***, telephone interview by Commission staff, February 14, 2007.

Costa Rica Wool Tariff Preference Level

The Commission's analysis⁴⁶ indicates that the modifications to the Costa Rica wool tariff preference level (TPL) will likely have a negligible effect on U.S. production and total U.S. imports of the specified woven wool apparel items and on wool fabric (table 2-6). This is likely because the resulting two separate TPLs provide preferential access for only a small portion of the U.S. market of the subject apparel items and because the existing TPL has nearly filled prior to the modifications taking place. In addition, most domestically produced apparel does not compete with U.S. imports from Costa Rica. Therefore, the modifications could result in minor trade diversion in the U.S. market from Asian and/or DR-CAFTA imports to Costa Rican imports of certain coarse-micron wool apparel. It could also result in duty savings for the limited amount of Costa Rican imports of such products.

Existing TPL Provisions and Modifications

TPLs under DR-CAFTA provide preferential tariff treatment to specified quantities of goods that do not meet the rules of origin of the Agreement.⁴⁷ For apparel, a TPL allows non-originating goods (manufactured from fabric produced outside the DR-CAFTA region) to receive the same duty preference as qualifying goods (manufactured from fabric produced within the region) up to a specified quantity.⁴⁸ Non-originating goods above this level are subject to NTR duties.

The existing Costa Rica wool TPL⁴⁹ allows certain non-originating woven wool tailored clothing to receive preferential tariff treatment (50 percent of the NTR duty) for two years, up to 500,000 SME annually, if it is cut and sewn or otherwise assembled in Costa Rica, regardless of the origin of the fabric.

The modifications to the existing Costa Rica Wool TPL are as follows: (1) create a separate, additional TPL limit of 500,000 SME for a subset of the existing wool TPL for Costa Rica, namely, certain worsted wool⁵⁰ tailored clothing made of wool yarn having an average fiber diameter of greater than 18.5 microns (coarse-micron fabric); (2) grant duty-free treatment rather than a duty equaling 50 percent of the NTR duty, for goods entering under both TPLs; and (3) extend both TPLs from 2 to 10 years.

⁴⁶ Quantitative tools were not used to examine the TPL modifications because the TPL is assumed to be effectively filled with the existing 50 percent duty and the partial equilibrium model does not account for changes in timing of the policy, in this case the extension of the TPL from 2 to 10 years. In addition, quantitative tools were not used to examine the creation of a separate TPL for coarse-micron wool apparel because the Commission could not estimate trade flows for this class of apparel for women.

⁴⁷ For a detailed description of the existing TPL provisions, see Annex 3.27 of the DR-CAFTA.

⁴⁸ The general rule of origin requirement for wool apparel items under DR-CAFTA is a fabric-forward rule, which means that wool apparel items receive preferential treatment only if the apparel is made from fabric manufactured in the region. This differs from the yarn-forward rule under the Caribbean Basin Trade Promotion Act, which preceded the DR-CAFTA. For an analysis comparing the DR-CAFTA to CBTPA, see American Apparel and Footwear Association, "CAFTA vs. CBTPA: A Comparison of the Apparel, Footwear and Travel Goods Rules of Origin and Market Access Provisions."

⁴⁹ The existing TPL refers to the TPL provisions in the unmodified DR-CAFTA.

⁵⁰ Worsteds wool is a tightly woven fabric with a smooth, hard surface made from worsted yarn having long wool fibers that have been carded and combed.

TABLE 2-6 Summary of advice concerning modifications to the Costa Rica wool TPL

Item	Current treatment under DR-CAFTA	Modification	Probable economic effect
Certain non-originating woven wool tailored clothing. ^a	Subject to TPL of 500,000 square meter equivalent (SME) limit for Costa Rica only. Duty of 50 percent of the NTR rate for 2 years after entry into force of DR-CAFTA.	Subject to TPL of 500,000 SME for Costa Rica only. Duty-free for 10 years after entry into force of DR-CAFTA.	U.S. total trade: Imports: negligible Exports: negligible U.S. production: negligible
Certain non-originating worsted wool tailored clothing made of wool yarn having an average fiber diameter of greater than 18.5 microns. ^b	Included in the existing TPL of 500,000 SME for Costa Rica only. Duty of 50 percent of the NTR rate for 2 years after entry into force of DR-CAFTA.	Creation of an additional and separate TPL of 500,000 SME for Costa Rica only. Duty-free for 10 years after entry into force of DR-CAFTA.	U.S. total trade: Imports: negligible Exports: negligible U.S. production: negligible

^aSee table 2-7 for a description of the worsted and woolen apparel items subject to this modification.

^bSee table 2-8 for a description of the worsted wool apparel items made of yarn greater than 18.5 microns subject to this modification.

Description of Subject Products

The wool apparel items subject to the existing TPL are tailored woven wool apparel made from both worsted and woolen fabric.⁵¹ Specifically, the wool apparel subject to the existing TPL are those items classified in the wool textile categories⁵² within HTS headings 6203 and 6204.⁵³ They include men's/boys' and women's/girls' suit-type jackets, suits, shorts, trousers, breeches; and women's/girls' skirts (table 2-7). The existing TPL includes apparel made from both fine-micron and coarse-micron fabric. U.S. NTR tariffs for these products range from 7.5 percent to over 20 percent *ad valorem* equivalent.⁵⁴

The modification creates a separate limit (new TPL) for a subset of the items in the existing TPL, namely for certain men's/boys' and women's/girls' apparel made from worsted wool yarn having an average fiber diameter of greater than 18.5 microns (coarse-micron fabric). These items are classified under the HTS codes listed in table 2-8. Men's and boys' apparel made from coarse-micron wool fabric are separately classified under specific HTS subheadings. At present, there are no such specific subheadings in the HTS for women's and girls' wool apparel.⁵⁵

⁵¹ Woolen fabric is a loosely woven fabric with a fuzzy or napped surface made from loosely twisted yarn containing short wool fibers that have been carded but not combed.

⁵² U.S. Department of Commerce, Office of Textiles and Apparel (OTEXA) textile categories.

⁵³ DR-CAFTA, Annex 3.27. 3-7.

⁵⁴ The NTR duties include both *ad valorem* and compound tariffs.

⁵⁵ New tariff codes will be established to classify women's/girls' wool apparel items made from fabric with an average fiber diameter greater than 18.5 microns. Chief, Textiles Division, National Import Specialist, U.S. Customs and Border Protection, interview by Commission staff, February 13, 2007.

TABLE 2-7 Existing Costa Rica wool TPL: OTEXA textile categories and product description

Textile category	Product description
433	Men's/boys' suit-type jackets
435 ^a	Women's/girls' suit-type jackets
442	Women's/girls' wool skirts
443	Men's/boys' wool suits
444	Women's/girls' wool suits
447	Men's/boys' wool shorts, trousers, and breeches
448	Women's/girls' shorts, trousers, and breeches

Note: For a concordance of OTEXA categories and HTS tariff codes see OTEXA website: U.S. Textile Category System at <http://www.otexa.ita.doc.gov/corr.htm>. (accessed January 15, 2007).

^aPreferential tariff treatment applies only to suit-type jackets classified under subheading 6204.31 and tariff items 6204.33.40, 6204.39.20, and 6204.39.8020.

U.S. Industry and Market Conditions

Over the last decade, the U.S. market for tailored wool clothing experienced a significant decline, owing to a trend toward casual clothing in the workplace, and the substitution of synthetic fabrics for worsted wool. There has also been a shift in consumer demand toward fine-micron wool garments (from wool yarn having an average fiber diameter of less than 18.5), particularly in men's tailored clothing.⁵⁶ In addition, most U.S. apparel manufacturing has moved offshore. Remaining domestic production is focused primarily on higher-end garments and niche production and accounts for a small share of the total U.S. apparel market.

Effects of Changes to the Existing TPL Limit for Certain Wool Apparel

The probable economic effect on U.S. production and total trade of certain wool apparel and fabric (worsted and woolen, fine- and coarse-micron) resulting from modifications to the existing TPL limit would likely be negligible, because the existing limit represents a negligible share of the total U.S. market for wool tailored clothing. Dutiable imports of these apparel items are already near the TPL limit; therefore, it is unlikely that imports would increase significantly because of the duty reduction under the TPL. The modification providing duty-free access would likely result in duty savings for importers of these Costa

⁵⁶ U.S. International Trade Commission. *U.S. Market Conditions for Certain Wool Articles in 2002-2004*.

TABLE 2-8 New Costa Rica wool TPL: Product description and tariff rates

Item	Product description	NTR tariffs ^a	Modified tariff
6203.11.90	Men's/boys' suits of worsted wool made from yarn having an average fiber diameter of 18.5 microns or more.	17.5%	Duty free
6203.29.1520	Men's/boys' trousers of worsted wool made from yarn having an average fiber diameter of 18.5 microns or more.	41.9 cents +16.3%	Duty free
6203.31.90	Men's/boys' suit-type jackets and blazers of worsted wool made from yarn having an average fiber diameter of 18.5 microns or more.	17.5%	Duty free
6203.41.18	Men's/boys' trousers of worsted wool fabric made of wool yarn having an average fiber diameter of 18.5 microns or more.	41.9 cents +16.3%	Duty free
6203.29.1560	Men's/boys' other apparel (vests) of worsted wool fabric made of wool yarn having an average fiber diameter of 18.5 microns or more.	17.5%	Duty free
6204.21.0030	Women's/girls' wool skirts as part of ensembles of wool.	14%	Duty free
6204.21.0040	Women's/girls' wool trousers as part of ensembles of wool.	13.6%	Duty free
6204.21.0070	Women's/girls' other wool apparel as part of ensembles of wool.	13.6%	Duty free
6204.11.00	Women's/girls' suits of worsted wool fabric, made of wool yarn.	14%	Duty free
6204.31.20	Women's/girls' suit-type jackets and blazers of wool and silk.	17.5%	Duty free
6204.51.00	Women's/girls' wool skirts.	14%	Duty free
6204.61.10	Women's/girls' wool trousers.	7.6%	Duty free
6204.61.90	Women's/girls' wool apparel, other (vests).	13.6%	Duty free

Note: Women's/girls' apparel HTS codes do not specify the average diameter of wool fiber. Therefore, not all imports from Costa Rica under these codes enter under the newly created TPL.

^aApparel imports from Costa Rica entering under the TPL are currently subject to 50 percent of the NTR rate.

Rican products. For the same reason, the modification to extend the TPL from 2 to 10 years⁵⁷ also would likely have a negligible impact on trade and output. However, the extension of the duty reduction for 8 additional years may allow for adjustment and investment in the Costa Rican wool apparel sector.⁵⁸

⁵⁷ ***, telephone interview by Commission staff, February 16, 2007.

⁵⁸ The new TPL is not considered large, and a small number of companies could reportedly fill it. ***, telephone interview by Commission staff, February 20, 2007.

Apparel

The U.S. wool apparel manufacturers contacted for this investigation commented that the duty reduction modifications to the existing TPL would likely have a negligible effect on U.S. wool apparel production.⁵⁹ The existing annual TPL limit of 500,000 SME is estimated to have accounted for less than 0.5 percent of total U.S. imports and less than 0.5 percent of the total U.S. market for these products in 2005.⁶⁰ U.S. imports of all wool apparel from Costa Rica totaled 875,000 SME in 2005, and dutiable imports are estimated to have totaled 473,000 SME.⁶² As dutiable imports are already close to the quantitative limit, the net result of additional duty-free access would likely be a negligible increase in U.S. imports of the subject apparel. In addition, the value of U.S. imports of wool tailored clothing from Costa Rica totaled \$8 million in 2005, a small amount compared to total U.S. imports of \$2.3 billion.⁶³

For men's/boys' apparel, U.S. production is concentrated in the high-end segment of the retail market, so the marginal additional access for Costa Rican imports, which are sold in the low- and medium-end of the retail market, is not likely to create competition with U.S.-produced apparel.⁶⁴ Moreover, representatives of the leading tailored clothing companies indicated they want additional tariff liberalization to expand overseas sourcing opportunities.⁶⁵ For the women's/girls' apparel sector, there is little domestic production of wool apparel items. Most U.S. women's apparel companies source product overseas. The modifications to the existing TPL may influence sourcing decisions based on changing tariff preferences,⁶⁶ but, the size of the TPL is small and would likely lead to only minor trade diversion.⁶⁷

Fabric

Several U.S. producers of wool fabric commented that the modifications to the existing TPL would have a negligible effect on their operations. The principal reason is the small share of the market affected by the TPL. Most U.S. wool fabric producers stated that the increase in imports that would come from reducing the tariff from 50 percent of the NTR rate to zero, and extending the TPL from 2 to 10 years, would be so small relative to the U.S. market that it likely would not affect their operations. However, most commented that the Costa Rica

⁵⁹ Commission staff telephone interviews with various industry representatives, December 2006 - March 2007.

⁶⁰ The percentage estimation is based on total U.S. imports of apparel in the OTEXA wool categories divided by U.S. imports from Costa Rica. Calculated by Commission staff using data from the U.S. Department of Commerce, OTEXA.

⁶¹ The base year for the analysis in this investigation is 2005.

⁶² After subtracting the coarse-micron apparel items that will enter under the new TPL limit, which are estimated to number about 244,000 SME in 2005, and subtracting the items that enter under tariff preference programs (principally CBTPA), dutiable imports of the subject wool apparel items imports are estimated to be 473,000 SME. OTEXA category 41, *Wool Apparel Products*. Calculated by Commission staff using data from, *Trade Preferences by Category*, U.S. Department of Commerce, OTEXA.

⁶³ U.S. Department of Commerce, OTEXA.

⁶⁴ ***, telephone interview by Commission staff, February 15, 2007; ***, telephone interview by Commission staff, December 18, 2006; and ***, telephone interview by Commission staff, December 20, 2006.

⁶⁵ Telephone interviews by Commission staff with representatives of ***, January-March 2007.

⁶⁶ ***, telephone interview by Commission staff, February 20, 2007.

⁶⁷ ***, telephone interview by Commission staff, February 20, 2007.

wool TPL is one more negative factor affecting their business.⁶⁸ An industry source reported that Costa Rica is not a significant producer of wool apparel or fabric, but the TPL may provide some incentive for the industry to develop.⁶⁹

Effects of New TPL for Certain Coarse-micron Worsted Wool Apparel

The probable economic effect on total U.S. trade and production of certain coarse-micron wool apparel and fabric resulting from the new TPL limit would likely be negligible, because the new limit is very small relative to the total U.S. market for such apparel. The modification providing duty-free access would likely result in duty savings for importers of the subject Costa Rican apparel. The extension of the TPL will provide duty reductions for 8 additional years, which may provide more time for adjustment and investment in the Costa Rican wool apparel sector.

Apparel

Costa Rica is a minor supplier of wool apparel to the United States. Although U.S. NTR duties are relatively high, averaging over 15 percent *ad valorem*, the duty preference applies to a relatively small quantity of clothing. The new TPL limit of 500,000 SME is estimated to represent just 0.6 percent of the 78 million SME in total U.S. imports of coarse-micron worsted wool apparel in 2005.⁷⁰ Moreover, Costa Rica's exports have declined in recent years. In 2006, U.S. imports of the subject apparel from Costa Rica totaled \$2.5 million, down from \$11 million in 2002, while total U.S. imports reached \$1.5 billion in 2006, up from \$1.3 billion at the beginning of the period. Since the elimination of quotas on January 1, 2005, low-cost Asian suppliers, such as China, Vietnam, the Philippines, Thailand, and Indonesia, experienced strong export growth to the U.S. market. Traditional suppliers such as Italy, Canada, and Mexico are still among the leading suppliers by value, but their share of the U.S. market declined during the period as a result of the shift to low-cost Asian suppliers.

There are no official U.S. production data for coarse-micron worsted wool garments. Moreover, U.S. Government shipment data for all wool garments are not publicly available, owing to the small number of domestic manufacturers. Evidence suggests that U.S. production of coarse-micron apparel is small and declining. According to the latest available survey data, U.S. output of coarse-micron apparel declined substantially since 2000.⁷¹

According to representatives of leading U.S. wool tailored-clothing companies,⁷² domestic production of worsted wool apparel has shifted out of coarse-micron apparel and is almost

⁶⁸ *** Telephone interview by Commission staff, February 20, 2007. *** Telephone interview by Commission staff, February 20, 2007.

⁶⁹ ***, telephone interview by Commission staff, February 16, 2007.

⁷⁰ Calculated by Commission staff using data from USITC Dataweb, and U.S. Department of Commerce, OTEXA. U.S. imports of these apparel items totaled 244,000 SME in 2005. For women's and girls' apparel, there are no separate tariff codes for garments made from fabric with an average fiber diameter greater than 18.5 microns. However, the overall small share of the new TPL limit of total U.S. imports is not likely to change.

⁷¹ U.S. International Trade Commission. *U.S. Market Conditions for Certain Wool Articles in 2002-2004*.

⁷² The largest U.S. tailored wool clothing manufacturers include Hickey Freeman, Hartmarx Corp., Tom James, Hugo Boss, and J.A. Apparel. ***, telephone interview by Commission staff, February 5, 2007.

solely focused on fine-micron apparel sold in the higher end of the retail market.⁷³ Most lower-value apparel is sourced abroad. For example, ***⁷⁴ Another of the few remaining U.S. producers of tailored men's clothing, Hartz & Company, closed its manufacturing operations in the United States October 2006, in part because it was one of the few U.S. apparel manufacturers that did not outsource manufacturing operations.⁷⁵

Women's/girls' apparel is typically made from a greater variety of fabric types than men's tailored clothing. These include woolen, synthetic, and blended fabrics that do not qualify for the TPL. . Industry sources also report that the market for women's wool apparel, particularly worsted wool suits, is increasingly shifting to fine-micron fabric.⁷⁶ Moreover, there is little women's/girls' worsted wool apparel manufacturing in the United States. Most women's/girls' wool apparel fashions are produced offshore and are increasingly being sourced in Asia, particularly China, which is the leading volume supplier of wool apparel.⁷⁷ ***⁷⁸

Fabric

U.S. production of coarse-micron fabric used in the domestic apparel market is small and declining. Domestically-produced coarse-micron worsted wool fabric is increasingly only being used by apparel manufacturers that produce uniforms for the U.S. Department of Defense, which requires 100-percent U.S. content under the Buy-America provisions of the Berry Amendment.⁷⁹ The principal reason for the decline is both a shift in consumer demand for fine-micron worsted wool apparel, and strong competition from lower-priced Asian suppliers. Until recently, U.S. textile manufacturers were able to maintain some U.S. market share through production sharing arrangements in which U.S. fabric was used in offshore apparel manufacturing. This apparel benefitted from preferential tariff arrangements such as CBTPA (the precursor to DR-CAFTA) and NAFTA, but a substantial increase in lower-priced imports has eroded this market.

The dramatic growth of Asian imports in recent years has had the greatest impact on the market. For the subject apparel in the new TPL, U.S. imports from DR-CAFTA decreased in value by 27 percent to \$49 million during 2002-06, while imports from Asia increased nearly 400 percent to \$565 million since quotas were eliminated. In the case of Costa Rica, the share of wool apparel that is manufactured using U.S. fabric and enters under CBTPA preferential tariffs has declined substantially in recent years. In 2006, this apparel represented just 14 percent of total wool apparel imports from Costa Rica.⁸⁰ Consequently, even with tariff preferences, wool apparel made with U.S. fabric is losing market share to Asian imports that face relatively high NTR import tariffs in the U.S. market.

⁷³ For suits, the high end starts at over \$600 per suit. U.S. International Trade Commission. *U.S. Market Conditions for Certain Wool Articles in 2002-2004*.

⁷⁴ ***, telephone interview by Commission staff, February 15, 2007.

⁷⁵ Shay, Kevin J. "Clothing Maker Plans Shutdown."

⁷⁶ ***, telephone interview by Commission staff, February 27, 2007.

⁷⁷ U.S. Department of Commerce, OTEXA. *Major Shippers Report*.

⁷⁸ ***, telephone interview by Commission staff, February 21, 2007.

⁷⁹ For more information on the Berry Amendment, see U.S. Department of Defense, "Defense Procurement and Acquisition Policy."

⁸⁰ Calculated by Commission staff using data from U.S. Department of Commerce, OTEXA.

Commission staff contacted all *** existing U.S. commercial producers of wool fabric for this investigation.⁸¹ These firms reported that domestically produced coarse-micron worsted wool fabric destined for the apparel market has declined substantially, particularly over the last 5 years. The firms stated that they have either stopped producing coarse-micron worsted wool fabric⁸² or are rapidly downsizing production, ***.⁸³

U.S. industry representatives reported that U.S. wool fabric manufacturers are shifting out of coarse-micron production because there is little tariff protection under the various FTAs.⁸⁴ ***⁸⁵ Summarizing the general tenor of comments from the U.S. industry, ***⁸⁶

Swimwear TPL for Costa Rica

The Commission's analysis⁸² indicates that the creation of a separate TPL in the DR-CAFTA for specialized women's swimwear imported from Costa Rica will likely have a negligible impact on total U.S. imports or on U.S. producers of fabrics from which the swimwear is made (table 2-9). Costa Rica is a small supplier of such garments⁸³ and the Commission is unaware of any current domestic production of the subject swimwear in commercial quantities. Domestic production of post-mastectomy swimsuits reportedly has become cost prohibitive in recent years and is limited to custom-made suits sewn in small shops which do not compete with imports.⁸⁴ The creation of the TPL will likely result in a benefit to U.S. importers of the subject swimwear from Costa Rica through duty savings.⁸⁵

Modification and Subject Products

The original language of the DR-CAFTA has no special provisions for the subject women's or girls' swimwear. Consequently, these swimsuits are subject to the yarn-forward rule and must use originating yarns and fabrics to qualify for duty-free treatment. The creation of the proposed TPL for Costa Rica would allow the subject swimwear to enter duty-free, regardless of the source of the fabric, up to specified limits (with a built-in annual growth factor) for each year over a 10-year period.

⁸¹ ***.

⁸² ***, telephone interview by Commission staff, February 20, 2007.

⁸³ ***, telephone interview by Commission staff February 22, 2007; and ***, telephone interview by Commission staff, February 21, 2007.

⁸⁴ ***, telephone interview by Commission staff, February 16, 2007.

⁸⁵ ***, telephone interview by Commission staff, February 22, 2007.

⁸⁶ ***, telephone interview by Commission staff, February 21, 2007.

⁸² Quantitative tools were not used to estimate the effect of the new swimwear TPL for Costa Rica because the Commission was not able to estimate trade flows for such swimwear.

⁸³ Although maintaining the existing textile and apparel trade is important for preserving jobs in Costa Rica, during the past 20 years, the Government of Costa Rica has focused on attracting foreign direct investment for other industries such as telecommunications and electronics. ***, telephone interview with Commission staff, February 21, 2007. Consequently, the new TPL is not expected to prompt a major increase in post-mastectomy swimwear exports from Costa Rica made from regional fabric.

⁸⁴ ***, telephone interview by Commission staff, January 5, 2007, and ***, telephone interview by Commission staff, January 4, 2007.

⁸⁵ Costa Rican apparel producers will consequently benefit from the new TPL as will U.S. apparel companies that currently source the specialized post mastectomy swimwear from Costa Rica.

TABLE 2-9 Summary of advice concerning creation of separate TPL for certain swimwear from Costa Rica

Item	Current treatment under DR-CAFTA	Modification	Probable economic effect
Women's knit swimwear that is specially designed to accommodate post mastectomy breast prostheses	24.9%	Duty-free Year 1 - 100,000 SME Year 2 - 106,000 SME Year 3 - 112,360 SME Year 4 - 119,102 SME Year 5 - 126, 248 SME Years 6 -10 - 133,823 SME	U.S. total trade: Imports: negligible Exports: negligible U.S. production: negligible

The subject women's/girls' knit swimwear is classified in HTS subheading 6112.41.00, which covers women's/girls' swimwear knit from a blend of synthetic fibers - - spandex,⁸⁶ nylon, and polyester. It is defined in the DR-CAFTA modified language as "women's knit swimwear [that] is specially designed to accommodate post-mastectomy breast prostheses and contains two full size interior pockets with side openings, two preformed cups, a supporting elastic band below the breast, and vertical center stitching that separates the two pockets, if such goods meet the applicable conditions for preferential tariff treatment other than the condition that they be originating goods, and are both cut or knit to shape, and sewn or otherwise assembled, in the territory of Costa Rica."

Industry sources report that a woman's swimsuit uses approximately 2.18 meters of fabric and that 100,000 square meters of fabric, the level for the first year that the TPL is in place, can be used to produce about 45,800 women's swimsuits.⁸⁷ The post-mastectomy suits covered by the TPL are specialty, high-end products (selling at prices ranging from \$110 to \$190 per suit⁸⁸) with a particular design, i.e., full interior pockets and vertical center stitching, that distinguishes them from other less expensive post-mastectomy suits.⁸⁹

U.S. Industry and Market Conditions

In 2005, domestic production of women's swimwear accounted for 44 percent of total U.S. apparent consumption of women's swimwear.⁹⁰ However, domestic production of women's swimwear, considered a fashion business with a short season,⁹¹ has declined in recent years, falling from \$790 million (48 million units) in 2001 to \$600 million (36 million units), respectively, in 2005. The decline can largely be attributed to the steady growth in imported swimwear, which rose 78 percent from \$358 million in 2000 to \$638 million in 2006. U.S. imports from Mexico and China, the leading suppliers of women's swimwear to the U.S.

⁸⁶ Leading U.S. producers of spandex are Invista, Radici, and Asahi. Swimsuits account for the second largest end use for spandex and nylon, following foundation and undergarments. Spandex fabric is known for its elasticity - its stretch and recovery and is frequently referred to by one of its trade names, Lycra.® Denverfabrics, "Fabrics for Swimwear," and ***, interview by Commission staff, January 9, 2007.

⁸⁷ ***, e-mail to Commission staff, March 6, 2007.

⁸⁸ ***, telephone interview with Commission staff, February 21, 2007; and ***, email to Commission staff, March 14, 2007.

⁸⁹ Kenneth Reidlinger (National Import Specialist, U.S. Customs and Border Protection), telephone interviews by Commission staff, January 16, 2007 and February 12, 2007.

⁹⁰ U.S. Census Bureau, U.S. Department of Commerce, *Apparel 2005 - Summary, Current Industrial Reports*.

⁹¹ ***, interview by Commission staff, January 9, 2007.

market in 2006, totaled \$128 million and \$121 million, respectively, compared with less than \$1 million from Costa Rica. Individual import data for the subject post-mastectomy swimwear are not available because such imports are identified under the same HTS subheading as other women's swimwear.

U.S. production data for the subject specialized swimsuits are not separately available because they are grouped with all types of women's swimwear of synthetic fibers. Furthermore, there is no known current production of the subject post-mastectomy swimsuits in commercial quantities. Post-mastectomy women's swimwear reportedly account for as little as one-tenth of one percent of the entire women's swimwear market.⁹² Although some companies' sales of post-mastectomy swimwear have risen recently,⁹³ the overall market has narrowed, as less radical medical treatments for breast cancer have increased.⁹⁴ Leading U.S. swimwear companies like Warnaco, which markets brands such as Speedo, Anne Cole, Calvin Klein, Michael Cors, and OceanPacific,⁹⁵ typically distribute swimwear to wholesale customers via various channels, including department and specialty stores, independent retailers, chain stores, membership clubs, mass merchandisers, and the Internet.⁹⁶ In contrast, post-mastectomy swimsuits are marketed primarily by referrals from retail fitters and hospitals as well as on the Internet.⁹⁷ Advertising of post-mastectomy suits is usually avoided because of the "fear" factor associated with breast cancer.⁹⁸

***⁹⁹ Because of China's strength in developing specialty fabrics, however, future production of the subject post-mastectomy suits reportedly could expand in China.¹⁰⁰ Besides Hanesbrands, other companies that market post-mastectomy suits in the United States include Amoena, Penbrooke, T.H.E., It Figures, Maxine, and Anita Sunfair (a Canadian firm).¹⁰¹

Despite the detailed language describing the specialized post-mastectomy swimsuits covered by the new TPL, one representative of a spandex producer expressed concern that the language in the TPL is broad and describes many types of women's fashion swimwear, not just post-mastectomy suits; the representative contends that such broad language could lead to fraud.¹⁰² However, U.S. Customs officials noted that the description of the subject women's post-mastectomy swimwear was crafted narrowly after extensive research and interviews with hospitals that sell and market the subject swimsuits to describe only the subject, high-end post-mastectomy swimsuits.¹⁰³ Moreover, to qualify for the TPL, the subject

⁹² ***, telephone interview by Commission staff, February 15, 2007.

⁹³ Changes and enhancements in the construction and design of post-mastectomy suits have resulted from the evolution of breast surgery in recent years. Key features and benefits of such suits include designs that enhance healing, a lifelike, natural and aesthetic look, comfortable and secure fit and hold, and symmetrical support and appearance. Make Me Heal. "Mastectomy, Breast Cancer, Reconstruction, Lumpectomy."

⁹⁴ ***, telephone interview by Commission staff, February 15, 2007.

⁹⁵ Warnaco. *Annual Report 2005*.

⁹⁶ Warnaco. "Warnaco Group Inc. - Business Overview."

⁹⁷ ***, telephone interview by Commission staff, January 5, 2007 and ***, telephone interview by Commission staff, January 4, 2007.

⁹⁸ ***, telephone interview by Commission staff on January 5, 2007.

⁹⁹ ***, telephone interview by Commission staff on January 5, 2007.

¹⁰⁰ ***, telephone interview by Commission staff on January 5, 2007.

¹⁰¹ ***, e-mail to Commission staff, January 4, 2007.

¹⁰² ***, e-mail to Commission staff, January 3, 2007, stated that women's fashion swimwear are often made with pockets into which "cookies" or foam pads can be inserted that consequently can enable them to meet the criteria of the TPL.

¹⁰³ Kenneth Reidlinger (National Import Specialist, U.S. Customs and Border Protection), telephone interview by Commission staff, January 16, 2007 and February 12, 2007.

swimwear must include relevant marketing literature to validate its intended use for post-mastectomy patients.

Cumulation for Wool

The Commission’s analysis¹⁰⁴ indicates that the modifications to the DR-CAFTA cumulation provision for wool will likely have a negligible effect on total U.S. imports and production of certain worsted wool apparel made from coarse-micron fabric¹⁰⁵ and coarse-micron wool fabric (table 2-10). This is likely because the price of NAFTA fabric is relatively high and current U.S. imports from the DR-CAFTA region are small. The modifications could lead to minor trade diversion in the U.S. market from Asian to DR-CAFTA imports of certain coarse-micron wool apparel and duty savings for the U.S. importers of such products.

TABLE 2-10 Summary of advice concerning modification to cumulation for wool

Item	Current treatment under DR-CAFTA	Modification	Probable economic effect
Certain worsted wool tailored clothing ^a made of wool yarn having an average fiber diameter of greater than 18.5 microns and produced from fabric produced in NAFTA countries.	Included in the existing quantitative limit of 1 million square meter equivalents (SME) for certain wool apparel ^b from all DR-CAFTA countries. Duty-free	No quantitative limit. Duty-free	U.S. total trade: Imports: negligible Exports: negligible U.S. production: negligible

^aSee table 2-12 for a description of worsted wool apparel items made of yarn greater than 18.5 microns.

^bSee table 2-11 for a description of worsted and woolen apparel items.

Existing Cumulation Provisions and Modifications

Cumulation¹⁰⁶ allows inputs, such as fabric, from common FTA partners (e.g., DR-CAFTA and NAFTA countries) to be incorporated into qualifying products.¹⁰⁷ Under the DR-CAFTA cumulation provisions, apparel produced in any DR-CAFTA country that contains fabric or other inputs produced in Mexico or Canada can receive duty-free treatment up to a combined limit of 100 million SME.¹⁰⁸ Sub-limits apply to certain apparel categories within the total;¹⁰⁹ for certain wool apparel, the limit is 1 million SME.

¹⁰⁴ Quantitative tools were not used to examine the modification to the cumulation provision because the Commission was not able to estimate trade flows for this class of apparel for women.

¹⁰⁵ For this analysis, coarse-micron wool fabric is defined as made of wool yarn having an average fiber diameter of greater than 18.5 microns.

¹⁰⁶ The language from DR-CAFTA defines cumulation as: “materials used in the production of *** that are produced in Canada or Mexico and that would be originating under this Agreement if produced in the territory of a Party shall be considered as having been produced in the territory of a Party.” USTR, “DR-CAFTA Final Text.” *Cumulation in Chapter 62 of the Harmonized System*. Appendix 4.1-B. 137.

¹⁰⁷ Bivens Collinson, J. Nicole. “DR-CAFTA: Opportunities and Rules of Origin.”

¹⁰⁸ USTR. “DR-CAFTA Final Text.” *Cumulation in Chapter 62 of the Harmonized Tariff System*. Appendix 4.1B.

¹⁰⁹ USTR. “DR-CAFTA Final Text.” *Cumulation in Chapter 62 of the Harmonized Tariff System*. Appendix 4.1B. Annex 4.1-39.

The modification to the cumulation provision for wool states that “the 100 million SME cumulation limit shall not apply to certain men’s and women’s worsted wool¹¹⁰ tailored clothing made from yarn having an average fiber diameter of greater than 18.5 microns.” In effect, the modification allows unlimited quantities of coarse-micron worsted wool apparel manufactured in any DR-CAFTA country using NAFTA-produced fabric to receive duty-free access into the U.S. market.

Description of Subject Products

The wool apparel items subject to the existing cumulation provisions are woven wool tailored clothing made from both worsted wool and woolen fabric.^{111 112} Specifically, the apparel subject to the cumulation provision consists of those items classified in the wool textile categories¹¹³ and within U.S. HTS headings 6203 and 6204.¹¹⁴ The apparel items subject to existing cumulation include men’s/boys’ and women’s/girls’ suit-type jackets, suits, shorts, trousers, breeches, and women’s/girls’ skirts (table 2-11) made from both fine-micron and coarse-micron fabric. U.S. NTR tariffs for these products range from 7.5 percent to over 20 percent *ad valorem* equivalent.¹¹⁵

The wool apparel items subject to the cumulation modification (i.e., unlimited, duty-free access) are a subset of the apparel in the existing cumulation provision, and include men’s/boys’ and women’s/girls’ suits, trousers, suit-type jackets and blazers, vests, and women’s/girls’ skirts made from worsted wool yarn having an average fiber diameter of greater than 18.5 microns (coarse-micron fabric). These items are classified under the HTS codes listed in table 2-12. Men’s/boys’ apparel made from coarse-micron wool fabric is already classified under specific HTS subheadings. However, women’s/girls’ wool apparel is not currently classified by fiber diameter.¹¹⁶

¹¹⁰ Worsted wool is a tightly woven fabric with a smooth, hard surface made from worsted yarn having long wool fibers that have been carded and combed.

¹¹¹ Woolen fabric is loosely woven with a fuzzy or napped surface made from loosely twisted yarn containing short wool fibers that have been carded but not combed.

¹¹² The category of wool apparel items subject to the existing cumulation provision for wool is identical to the category of wool apparel subject to the existing TPL for Costa Rica discussed previously. Similarly, the subset of coarse-micron wool apparel subject to the modification of the cumulation provision for wool is identical to the category of wool apparel subject to the newly created TPL for Costa Rica discussed previously.

¹¹³ OTEXA textile categories.

¹¹⁴ DR-CAFTA, Annex 3.27, p 3-7.

http://www.ustr.gov/assets/Trade_Agreements/Bilateral/CAFTA/CAFTA-DR_Final_Texts/asset_upload_file_721_3920.pdf (accessed various dates).

¹¹⁵ The NTR duties include *ad valorem* and compound tariffs.

¹¹⁶ New tariff codes will be established to classify women’s/girls’ wool apparel items made from fabric with an average fiber diameter greater than 18.5 microns. Chief, Textiles Division, National Import Specialist, U.S. Customs and Border Protection, interview by Commission staff, February 13, 2007.

TABLE 2-11 Existing cumulation provision for wool: OTEXA textile categories and product description

Textile category	Product description
433	Mens'/boys' suit-type jackets
435 ^a	Women's/girls' suit-type jackets
442	Women's/girls' wool skirts
443	Mens'/boys' wool suits
444	Women's/girls' wool suits
447	Mens'/boys' wool shorts, trousers, and breeches
448	Women's/girls' shorts, trousers, and breeches

Note: For a concordance of OTEXA categories and HTS tariff codes see OTEXA website: U.S. Textile Category System at <http://www.otexa.ita.doc.gov/corr.htm>. (accessed January 15, 2007).

^aPreferential tariff treatment applies only to suit-type jackets classified under HTS subheadings 6204.31, 6204.33.40, 6204.39.20, and 6204.39.8020.

TABLE 2-12 Modification to cumulation provision for wool: Product description and tariff rates

Item	Product description	NTR tariffs	Modified tariff
6203.11.90	Mens'/boys' suits of worsted wool made from yarn having an average fiber diameter of 18.5 microns or more.	17.5	Duty free
6203.29.1520	Mens'/boys' trousers of worsted wool made from yarn having an average fiber diameter of 18.5 microns or more.	41.9 cents + 16.3 %	Duty free
6203.31.90	Mens'/boys' suit-type jackets and blazers of worsted wool made from yarn having an average fiber diameter of 18.5 microns or more.	17.5%	Duty free
6203.41.18	Mens'/boys' trousers of worsted wool fabric made of wool yarn having an average fiber diameter of 18.5 microns or more.	41.9 cents +16.3%	Duty free
6203.29.1560	Mens'/boys' other apparel (vests) of worsted wool fabric made of wool yarn having an average fiber diameter of 18.5 microns or more.	17.5%	Duty free
6204.21.0030	Women's/girls' wool skirts as part of ensembles of wool.	14%	Duty free
6204.21.0040	Women's/girls' wool trousers as part of ensembles of wool.	13.6%	Duty free
6204.21.0070	Women's/girls' other wool apparel as part of ensembles of wool.	13.6%	Duty free
6204.11.00	Women's and girls' suits of worsted wool fabric, made of wool yarn.	14%	Duty free
6204.31.20	Women's/girls' suit-type jackets and blazers of wool and silk.	17.5%	Duty free
6204.51.00	Women's/girls' wool skirts.	14%	Duty free
6204.61.10	Women's/girls' wool trousers.	7.6%	Duty free
6204.61.90	Women's/girls' wool apparel, other (vests)	13.6%	Duty free

Note: Women's/girls' apparel U.S. HTS codes do not specify the average diameter of wool fiber.

U.S. Industry and Market Conditions¹¹⁷

Over the last decade, the U.S. market for tailored wool clothing experienced a significant decline, owing to a trend toward casual clothing in the workplace, and the substitution of synthetic fabrics for worsted wool. There has also been a shift in consumer demand toward fine-micron wool garments, particularly in men's tailored clothing.¹¹⁸ In addition, most U.S. apparel manufacturing has moved offshore. Remaining domestic production is focused primarily on higher-end garments and niche production and accounts for a small share of the total U.S. apparel market.

The probable economic effect on total U.S. trade and production of certain coarse-micron wool apparel and fabric resulting from the modification outlined above would be negligible because the U.S. industry produces wool apparel and fabric that do not compete directly with the wool products that are being granted preferential treatment. In addition, the DR-CAFTA region is a relatively small U.S. supplier of these garments. Moreover, industry sources report that Mexican and Canadian fabric prices are higher than those for comparable Asian fabrics, so that, even with the tariff preference, it is unlikely that a significant number of DR-CAFTA producers would source fabric for coarse-micron apparel production from the NAFTA region. Therefore, this modification would likely result in minor displacement in the U.S. market from Asian to DR-CAFTA suppliers of certain coarse-micron wool apparel and duty savings for U.S. importers of these DR-CAFTA products.

Apparel

There are no official U.S. production data for coarse-micron worsted wool garments. Moreover, U.S. Government shipment data for all wool garments are not disclosed owing to the small number of domestic manufacturers. Available information suggests that there is little domestic production of coarse-micron wool apparel. According to the latest available survey data, U.S. output of coarse-micron apparel has declined substantially since 2000.¹¹⁹ According to industry representatives of the leading U.S. tailored clothing companies,¹²⁰ domestic production of men's worsted wool apparel has shifted out of coarse-micron apparel and is almost solely focused on fine-micron apparel sold in the high-end segment of the retail market. Apparel companies reported that lower-value apparel is mostly manufactured offshore.¹²¹

The U.S. market for women's/girls' apparel is primarily supplied by imports. Domestic production of women's garments is focused on high-value and niche production, and typically uses a wider variety of fabric types than men's tailored clothing. These include woolen, synthetic, and blended fabrics that are not included in the cumulation modification. Industry sources also report that the market for women's wool apparel, particularly worsted wool suits, is increasingly shifting to fine-micron fabric.

¹¹⁷ Since the subject products affected by the cumulation provision for wool are identical to those affected by the modification to the wool TPL for Costa Rica, many of the same U.S. industry and market conditions described previously relating to the Costa Rica wool TPL are presented here in support of the Commission's PE analysis for the cumulation modification.

¹¹⁸ U.S. International Trade Commission. *U.S. Market Conditions for Certain Wool Articles in 2002-2004*.

¹¹⁹ U.S. International Trade Commission. *U.S. Market Conditions for Certain Wool Articles in 2002-2004*.

¹²⁰ The largest U.S. manufacturers of tailored wool clothing include Hickey Freeman, Hartmarx Corp., Tom James, Hugo Boss, and J.A. Apparel. ***, interview by Commission staff, February 5, 2007.

¹²¹ ***, telephone interview by Commission staff, February 15, 2007.

The DR-CAFTA region is a relatively minor supplier of the subject apparel to the U.S. market. In 2006, U.S. imports from the region totaled \$49 million, compared to total U.S. imports of \$1.5 billion. Regional exports were 3.7 million SMEs in 2006, or 5 percent of total U.S. imports of 78 million SMEs.¹²² During 2002-06, both the value and quantity of shipments to the U.S. market declined. Since the termination of textile quotas on January 1, 2005, there has been a dramatic rise in U.S. imports of apparel from Asia, while the DR-CAFTA region has become relatively less important. For the subject apparel, U.S. imports from DR-CAFTA decreased in value by 27 percent to \$49 million during 2002-06, while imports from Asia rose nearly 400 percent to \$565 million after quotas were eliminated.

No U.S. wool apparel firms reported that the cumulation modification would significantly affect U.S. production.¹²³ Moreover, the sourcing patterns of the U.S. apparel industry, which is dominated by imports, are not likely to change because of unlimited, duty-free access for coarse-micron wool apparel. For women's wool garments, Asian countries are the leading suppliers; whereas for men's apparel, leading suppliers are Mexico and Canada, which already receive preferential access. The cumulation modification could provide additional sourcing opportunities for U.S. apparel companies and will provide duty savings to importers for the small amount of U.S. imports of the subject apparel from the region.

Fabric

Domestically produced coarse-micron worsted wool fabric is increasingly being used only by apparel manufacturers that produce uniforms for the U.S. Department of Defense (DOD), which requires 100-percent U.S. content under the Buy-America provisions of the Berry Amendment.¹²⁴ Except for DOD sales, U.S. production of coarse-micron fabric used in the domestic apparel market is small and declining. The reasons for the decline are the trend toward fine-micron worsted wool apparel in the domestic market and strong competition from Asian suppliers of wool fabric.

Commission staff contacted all *** existing U.S. commercial producers of wool fabric for this investigation.¹²⁵ No firms reported that domestically produced coarse-micron worsted wool fabric would be negatively affected by the cumulation modification. The firms stated that they either have stopped producing coarse-micron worsted wool fabric¹²⁶ or are rapidly downsizing production.¹²⁷

U.S. industry sources reported that the modification would provide only a small benefit to Mexican wool mills.¹²⁸ The sources reported that, in general, Mexican wool fabric prices are lower than U.S. prices, yet quality factors tend to offset the price differential.¹²⁹ As in the United States, Mexican mills are few in number and under strong competitive pressure from

¹²² Calculated by Commission staff using data from USITC Dataweb.

¹²³ Various U.S. apparel company representatives, telephone interviews by Commission staff, December-March 2007.

¹²⁴ For more information on the Berry Amendment, see U.S. Department of Defense, "Defense Procurement and Acquisition Policy."

¹²⁵ ***.

¹²⁶ ***, telephone interview by Commission staff, February 20, 2007. ***, telephone interview by Commission staff February 22, 2007.

¹²⁷ ***, telephone interview by Commission staff, February 21, 2007.

¹²⁸ ***, telephone interview by Commission staff, February 20, 2007. ***, telephone interview by Commission staff, February 22, 2007.

¹²⁹ ***, telephone interview by Commission staff, February 16, 2007.

Asian suppliers, owing to the reportedly significant price differential between Mexican and Chinese fabric of similar type and quality.¹³⁰

Modification to Chapter Rules for New Single Transformation Items

The Commission's analysis¹³¹ indicates that the modifications to the chapter rules for new single transformation items in the DR-CAFTA would likely have a negligible effect on total U.S. imports and production of certain worsted wool tailored clothing, certain women's/girls' overcoats, suits, men's dress shirts, and babies' cotton dresses (table 2-13). This is because imports from DR-CAFTA account for only a small share of total U.S. imports of these items (3 percent in 2006). In addition, U.S. production of the subject products has generally declined in recent years so that remaining U.S. production is generally of higher-end, niche products that do not compete with imports. Many of these products (i.e., suit-type jackets) are highly labor intensive, and U.S. apparel companies have moved sourcing and sewing operations off-shore to countries with lower labor rates. Domestic production of another large group of the subject products (i.e., certain worsted wool tailored clothing) has declined over the last decade because of the trend toward casual clothing in the workplace and the substitution of synthetic fabrics for worsted wool. Currently, U.S. imports of the subject products are sourced mainly from Asian countries. Consequently, this modification may merely slow the current shift in sourcing from other foreign suppliers whose products tend to be more price competitive than similar articles from the DR-CAFTA region.

Existing Rules of Origin and Modification

This modification changes the product-specific rules of origin, set out in Annex 4.1, for certain apparel articles in chapters 61 and 62 of the USHTS. This modification is a further clarification of the single transformation provision described earlier in this report and applies to a larger group of apparel items including those specified under the previous single transformation modification. Under DR-CAFTA, these articles are subject to the "yarn-forward" rule; all fabric used in their production had to be made from yarn formed and finished in the United States or the region in order to receive duty-free treatment. In addition, the articles must be produced with sewing thread formed and finished in the United States or the region in order to receive duty-free treatment. The current modification establishes the "cut and sew" rule for this group of apparel articles; that is, it provides that these apparel articles will be considered originating goods, and qualify for duty-free treatment, regardless of where the fabrics, yarns, or fibers used in their production are produced. This modification further clarifies that duty-free treatment will be extended to these articles regardless of the origin of the sewing thread and all fabrics contained in the article, including that for visible linings and pocket bags.

¹³⁰ ***, telephone interview by Commission staff, February 21, 2007.

¹³¹ Quantitative analysis was used to examine the modification to the chapter rules for new single transformation items for only two product groups (HTS subheading 6104.32, women's/girls' cotton suit-type jackets and blazers, and HTS item 6204.12.0010, women's/girls' cotton jackets imported as parts of suits) due to the availability of production data. Production data for some of the remaining items are no longer collected. For the others, data may not be disclosed because of the small number of producers.

TABLE 2-13 Summary of advice concerning modification to chapter rules for new single transformation items

Item	Current treatment under DR-CAFTA	Modification	Probable economic effect
Certain women's/girls' overcoats, suits, jackets, and track suits; certain men's/boy's suits; men's dress shirts; babies' cotton dresses; and certain worsted wool tailored clothing having an average fiber diameter of greater than 18.5 microns. ^a	Yarn-forward rule (fiber of any origin). For apparel articles to receive duty-free treatment, they must be made from fabric that is formed and finished in the region and made from yarns wholly formed in the United States or the region.	Establish the "cut and sew" rule for additional types of apparel - i.e., the fabric can be imported from anywhere if the apparel is both cut and sewn or otherwise assembled in the region. These specified articles containing non-originating fabric for visible linings and pocket bags, as well as sewing thread, qualify for duty-free treatment.	U.S. total trade: Imports: negligible Exports: negligible U.S. production: negligible

^aSee table 2-14 for more detailed product descriptions and specific tariff rates.

Description of subject products

This single transformation modification applies to certain women's/girls' overcoats, suits, jackets, and track suits; certain men's/boy's suits; men's dress shirts; babies' cotton dresses; and certain worsted wool tailored clothing having an average fiber diameter of greater than 18.5 microns, or coarse-micron fabric. This group of items includes the items subject to the single transformation modification described earlier in this report, as well as some additional types of overcoats, jackets, men's dress shirts, and babies' cotton dresses. This group of items also includes the coarse-micron wool items subject to the cumulation modification described earlier in this report. The tariff items subject to this modification are presented in table 2-14.

U.S. Industry and Market Conditions

Production data for most of the subject apparel items are not publicly available; they are grouped with other apparel or they cannot be disclosed because so few U.S. producers exist. Several apparel and textile industry representatives stated that they believe that many of the subject women's/girls' apparel articles are no longer produced domestically in commercial quantities because such production (particularly of outerwear and tailored clothing, which accounts for a large share of the U.S. imports of the subject articles) is highly labor intensive and therefore costly.¹³² Production of such garments has largely moved off-shore to lower-cost locations, or the finished items are sourced from Asian suppliers that can produce the apparel at competitive prices.¹³³ Similarly, most U.S. manufacturing of tailored wool clothing (which accounts for a major share of the balance of U.S. imports of the subject articles from

¹³² ***, telephone interview with Commission staff, June 28, 2007.

¹³³ ***, telephone interview with Commission staff, June 19, 2007 and ***, telephone interview with Commission staff, June 19, 2007.

TABLE 2-14 Single transformation modification: Product description and tariff rates

Tariff line	Product description	NTR tariff	Modified tariff
6102.20	Women's/girls' cotton overcoats, carcoats, capes, cloaks, anoraks, and similar articles, knitted or crocheted	15.9%	Duty free
6102.90.9005	Women's/girls' overcoats, carcoats, capes, cloaks, anoraks, and similar articles of other textile materials, containing less than 70 percent by weight of silk or silk waste, subject to cotton restraints, knitted or crocheted	5.7%	Duty free
6104.13.20	Women's/girls' suits of synthetic fibers, containing less than 23 percent by weight of wool or fine animal hair, knitted or crocheted	14.9%	Duty free
6104.19.15	Women's/girls' suits, of artificial fibers, containing less than 23 percent by weight of wool or fine animal hair, knitted or crocheted	Free	Duty free
6104.19.6010	Women's/girls' cotton jackets, imported as parts of suits, knitted or crocheted	9.4%	Duty free
6104.19.8010	Women's/girls' jackets, of textile materials other than cotton, imported as parts of suits, subject to cotton restraints, knitted or crocheted	5.8%	Duty free
6104.19.8060	Women's/girls' jackets, of textile materials other than cotton, imported as parts of suits, subject to man-made fiber restraints, knitted or crocheted	5.8%	Duty free
6104.22.0010	Women's/girls' cotton overcoats, carcoats, capes, cloaks, anoraks, and similar articles and cotton jackets and blazers, of ensembles, knitted or crocheted	8.3% to 19.7%	Duty free
6104.29.2010	Women's/girls' overcoats, carcoats, capes, cloaks, anoraks, and similar articles and jackets and blazers, of ensembles, of other textile materials, subject to cotton restraints, knitted or crocheted	5.6%; 5.7%	Duty free
6104.32	Women's/girls' cotton suit-type jackets and blazers, knitted or crocheted	14.9%	Duty free
6104.39.2010	Women's/girls' suit-type jackets and blazers, of materials, nesoi, subject to cotton restraints, knitted or crocheted	Free	Duty free
6112.11.0020	Women's/girls' cotton track suits, knitted or crocheted	14.9%	Duty free
6113.00.9020	Women's/girls' cotton coats and jackets, of textiles impregnated, coated, covered or laminated with plastics or rubberized textile fabrics, knitted or crocheted	7.1%	Duty free
6117.90.9040	Parts of cotton coats and jackets containing less than 70 percent by weight of silk or silk waste, knitted or crocheted	14.6%	Duty free
6202.12.20	Women's/girls' cotton overcoats, carcoats, capes, cloaks, anoraks, and similar articles, containing less than 15 percent by weight of down and waterfowl plumage and of which down comprises less than 35 percent by weight; containing less than 10 percent by weight of down, not knitted or crocheted	8.9%	Duty free

TABLE 2-14 Single transformation modification: Product description and tariff rates—*Continued*

Tariff line	Product description	NTR tariff	Modified tariff
6202.19.9010	Women's/girls' cotton overcoats, carcoats, capes, cloaks, anoraks, and similar articles, of other textile materials, nesoi, containing less than 70 percent or more by weight of silk or silk waste, not knitted or crocheted	2.8%	Duty free
6202.91.2011	Women's wool anoraks, windbreakers and similar articles, other than padded, sleeveless jackets, not knitted or crocheted	36¢/kg + 16.3%	Duty free
6202.92.15	Women's/girls' water resistant cotton overcoats, carcoats, capes, cloaks, anoraks and similar articles containing less than 15 percent by weight of down and waterfowl plumage and of which down comprises 35 percent or more by weight; containing less than 10 percent or more by weight of down, not knitted or crocheted	6.2%	Duty free
6202.92.2010	Women's/girls' padded, sleeveless cotton jackets, other than water resistant, containing less than 15 percent by weight of down and waterfowl plumage, not knitted or crocheted	8.9%	Duty free
6202.92.2026	Women's cotton overcoats, carcoats, capes, cloaks, anoraks other than water resistant, containing less than 15 percent by weight of down and waterfowl plumage, of corduroy, other than padded, sleeveless jackets, not knitted or crocheted	8.9%	Duty free
6202.92.2031	Girls' cotton overcoats, carcoats, capes, cloaks, anoraks other than water resistant, containing less than 15 percent by weight of down and waterfowl plumage, of corduroy, other than padded, sleeveless jackets, not knitted or crocheted	8.9%	Duty free
6202.92.2061	Women's cotton overcoats, carcoats, capes, cloaks, anoraks other than water resistant, containing less than 15 percent by weight of down and waterfowl plumage, other than of corduroy, other than padded, sleeveless jackets, not knitted or crocheted	8.9%	Duty free
6202.92.2071	Girls' cotton overcoats, carcoats, capes, cloaks, anoraks other than water resistant, containing less than 15 percent by weight of down and waterfowl plumage, other than of corduroy, other than padded, sleeveless jackets, not knitted or crocheted	8.9%	Duty free
6202.93.45	Women's/girls' water resistant overcoats, carcoats, capes, cloaks, anoraks of man-made fibers, containing less than 36 percent or more by weight of wool or fine animal hair and less than 15 percent or more by weight of down and waterfowl plumage, not knitted or crocheted	7.1%	Duty free
6202.99.9011	Women's/girls' overcoats, carcoats, capes, cloaks, anoraks of other textile materials containing less than 70 percent by weight of silk or silk waste, subject to cotton restraints, not knitted or crocheted	2.8%	Duty free
6203.39.9020	Men's or boys' suits, ensembles, suit-type jackets, blazers, and trousers, containing less than 70 percent by weight of silk or silk waste, subject to wool restraints, not knitted or crocheted	6.5%	Duty free
6204.12.0010	Women's/girls' cotton jackets imported as parts of suits, not knitted or crocheted	14.9%	Duty free

TABLE 2-14 Single transformation modification: Product description and tariff rates—*Continued*

Tariff line	Product description	NTR tariff	Modified tariff
6204.13.20	Women's/girls' suits of synthetic fibers containing less than 36 percent by weight of wool or fine animal hair, not knitted or crocheted	35.3¢/kg + 25.9%	Duty free
6204.19.20	Women's/girls' suits of artificial fibers containing less than 36 percent by weight of wool or fine animal hair, not knitted or crocheted	35.3¢/kg + 25.9%	Duty free
6204.19.8010	Women's/girls' jackets imported as parts of suits, of textile materials other than artificial fibers, of other textile materials, nesoi, containing less than 70 percent by weight of silk or silk waste, subject to cotton restraints, not knitted or crocheted	6.5%	Duty free
6204.19.8060	Women's/girls' suits of textile materials other than artificial fibers, containing less than 70 percent by weight of silk or silk waste, subject to man-made fiber restraints, not knitted or crocheted	6.5%	Duty free
6204.22.3010	Women's/girls' cotton overcoats, carcoats, capes, anoraks, and jackets and blazers that are part of ensembles, other than martial arts uniforms, not knitted or crocheted	4.4% to 16.6%	Duty free
6204.23	Women's/girls' ensembles of synthetic fibers, not knitted or crocheted	7.1% to 28.6%	Duty free
6204.29	Women's/girls' ensembles of artificial fibers, not knitted or crocheted	free to 28.6%	Duty free
6204.32	Women's/girls' cotton suit-type jackets and blazers, not knitted or crocheted	2.8%; 9.4%	Duty free
6204.33.20	Women's/girls' suit-type jackets of synthetic fibers, containing 36 percent or more by weight of flax fibers, not knitted or crocheted	2.8%	Duty free
6204.39.80	Women's/girls' suit-type jackets and blazers of other textile materials, nesoi, containing less than 70 percent by weight of silk or silk waste, not knitted or crocheted	6.3%	Duty free
6205.20.2016	Men's cotton dress shirts with two or more colors in the warp and/or filling, not knitted or crocheted	19.7%	Duty free
6205.30.2010	Men's man-made fiber dress shirts with two or more colors in the warp and/or filling, not knitted or crocheted	29.1¢/kg + 25.9%	Duty free
6209.20.1000	Babies' cotton dresses, not knitted or crocheted	11.8%	Duty free
6210.30.9020	Women's coats, overcoats, cloaks, capes, anoraks, of other than man-made fibers, other than of linen, not knitted or crocheted	6.2%	Duty free
6210.50.9050	Other women's/girls' anoraks (including ski-jackets), windbreakers, and similar articles having a fiber content of less than 70 percent by weight of silk or silk waste and other than having an outer surface impregnated, coated, covered or laminated with rubber or plastics material which completely obscures the underlying fabric, not knitted or crocheted	6.2%	Duty free

TABLE 2-14 Single transformation modification: Product description and tariff rates—*Continued*

Tariff line	Product description	NTR tariff	Modified tariff
6211.20.1540	Women's/girls' water-resistant, cotton anoraks (including ski-jackets), windbreakers, and similar articles, imported as part of ski-suits, not knitted or crocheted	7.1%	Duty free
6211.20.5810	Women's/girls' cotton anoraks (including ski-jackets), windbreakers and similar articles (including padded, sleeveless jackets) imported as parts of ski-suits, not knitted or crocheted	28%	Duty free
6211.41.0055	Women's/girls' other wool jackets and jacket-type garments, not knitted or crocheted	12%	Duty free
6211.42.0040	Women's/girls' other cotton track suits other than trousers, not knitted or crocheted	8.1%	Duty free
6211.42.0075	Women's/girls' other cotton jackets and jacket-type garments, not knitted or crocheted	8.1%	Duty free
6217.90.9025	Women's/girls' other cotton parts of coats and jackets, not knitted or crocheted	14.6%	Duty free
6203.11.90	Men's/boys' suits of worsted wool made from yarn having an average fiber diameter of 18.5 microns or more.	17.5	Duty free
6203.29.1520	Men's/boys' trousers of worsted wool made from yarn having an average fiber diameter of 18.5 microns or more.	41.9 cents + 16.3 %	Duty free
6203.31.90	Men's/boys' suit-type jackets and blazers of worsted wool made from yarn having an average fiber diameter of 18.5 microns or more.	17.5%	Duty free
6203.41.18	Men's/boys' trousers of worsted wool fabric made of wool yarn having an average fiber diameter of 18.5 microns or more.	41.9 cents +16.3%	Duty free
6203.29.1560	Men's/boys' other apparel (vests) of worsted wool fabric made of wool yarn having an average fiber diameter of 18.5 microns or more.	17.5%	Duty free
6204.21.0030	Women's/girls' wool skirts as part of ensembles of wool	14%	Duty free
6204.21.0040	Women's/girls' wool trousers as part of ensembles of wool.	13.6%	Duty free
6204.21.0070	Women's/girls' other wool apparel as part of ensembles of wool.	13.6%	Duty free
6204.11.00	Women's/girls' suits of worsted wool fabric, made of wool yarn.	14%	Duty free
6204.31.20	Women's/girls' suit-type jackets and blazers of wool and silk.	17.5%	Duty free
6204.51.00	Women's/girls' wool skirts.	14%	Duty free
6204.61.10	Women's/girls' wool trousers.	7.6%	Duty free
6204.61.90	Women's/girls' wool apparel, other (vests)	13.6%	Duty free

the DR-CAFTA region) has moved off-shore, and remaining domestic production is focused primarily on higher-end garments and niche production and accounts for a small share of the total U.S. apparel market.¹³⁴

Domestic production of most of the subject apparel articles has declined steadily since 2000. Domestic production of all women's/girls' cotton coats (OTEXA apparel category 335, of which women's/girls' cotton coats are a subset) fell 26 percent during 2000-2006, from 698,000 dozen to 496,000 dozen, and accounted for just 3 percent of U.S. consumption of these items in 2006. During the same period, U.S. production of men's/boys wool suits (OTEXA apparel category 443, of which men's/boys' coarse-micron worsted wool suits are a subset) fell 25 percent from 240,000 dozen to 181,000 dozen. U.S. production of men's and boys' suit-type coats (OTEXA apparel category 433, of which men's/boys' coarse-micron worsted wool suit-type jackets and blazers are a subset) fell just over 75 percent from 243,000 dozen to 56,000 dozen between 2000 and 2006.

Four product groups accounted for almost 80 percent of total U.S. imports of the subject articles from the DR-CAFTA region in 2006. U.S. imports of women's/girls' cotton overcoats, coats, and anoraks (HTS 6102.20) from the DR-CAFTA region totaled just under \$41 million in 2006 (up more than eight-fold from \$5 million in 2002), representing 37 percent of the subject articles imported from the DR-CAFTA region and 8 percent of total U.S. imports of the subject products. Men's and boys' coarse-micron worsted wool suits (HTS 6203.11.90) accounted for 18 percent of the subject articles imported from the DR-CAFTA region and 5 percent of total U.S. imports of the subject articles from the world. Men's and boys' coarse-micron worsted wool trousers (HTS 6203.41.18) accounted for 12 percent of U.S. imports of the subject articles from the DR-CAFTA region and 5 percent of total U.S. imports of the subject articles. Men's and boys' coarse-micron worsted wool suit-type jackets accounted for 11 percent of the subject articles imported from the DR-CAFTA region and 4 percent of total U.S. imports of the subject articles from the world.

Because the leading four groups of the subject apparel articles imported from the DR-CAFTA region have high U.S. tariff rates (15.9 percent and higher), it is likely that the extension of the single transformation rule to the additional apparel articles will lead to a small increase in U.S. imports of the subject products from the DR-CAFTA region in the short term because of a shift away from some U.S. imports from Asian suppliers. This is because the duty savings for DR-CAFTA suppliers may lead to lower prices.¹³⁵ However, as stated earlier in this report, rising labor costs in the DR-CAFTA region may offset the duty savings in the long term and despite the single transformation modification, sales to the United States may still be lost to China and other lower-cost Asian suppliers.

¹³⁴ See discussion of U.S. industry and market conditions for tailored wool clothing in the previous section, *Cumulation for Wool*.

¹³⁵ In 2006, DR-CAFTA countries paid \$6.3 million in duties on their exports of these articles to the United States.

APPENDIX A
REQUEST LETTERS

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

The Honorable Daniel R. Pearson
Chairman
U.S. International Trade Commission
500 E Street, S.W.
Washington, DC 20436

DOCKET NUMBER
JAN 22 2007
DN 2522
Office of the Secretary Int'l Trade Commission

RECEIVED
OFC OF THE SECRETARY
US INTL TRADE COM
2007 JAN 24 AM 10:50

Dear Chairman Pearson:

Section 1634(b) of the Pension Protection Act of 2006 authorizes the President, subject to the consultation and layover requirements of section 104 of the Dominican Republic – Central America – United States Free Trade Agreement Implementation Act (the Act), to proclaim such modifications to the Harmonized Tariff Schedule of the United States as are necessary to implement amendments to the Dominican Republic – Central America – United States Free Trade Agreement (the Agreement), the terms of which are set forth in a letter of understanding between the United States and the Dominican Republic or between the United States and Costa Rica relating to the rule of origin for apparel containing pocket bag fabric under the Agreement. One of the requirements set out in section 104 of the Act is that the President obtain advice regarding the proposed action from the U.S. International Trade Commission.

We have recently signed such letters of understanding with the Dominican Republic and Costa Rica. Pursuant to this letter, the United States, the Dominican Republic, and Costa Rica have agreed to formally seek amendments to the Agreement after the Agreement enters into force for those countries that would modify certain rules of origin in the Agreement as well as the tariff treatment of certain non-originating goods imported from Parties to the Agreement.

Under authority delegated by the President, and pursuant to section 104 of the Act, I request that the Commission provide advice on the probable economic effect of the modifications to the Agreement's rules of origin and other modifications to tariff treatment under the Agreement reflected in the Annex to this letter. I request that the Commission provide this advice at the earliest possible date, but not later than four months after receipt of this letter. The Commission should issue, as soon as possible thereafter, a public version of its report with any business confidential information deleted.

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

Sincerely,



Susan C. Schwab

Enclosure

ANNEX

DOMINICAN REPUBLIC – CENTRAL AMERICA – UNITED STATES
FREE TRADE AGREEMENT

Proposed Modifications to the Agreement

to implement pocketing letters with Dominican Republic and Costa Rica

1. Pocket Bag Fabric

- (a) Modify the Chapter Rules for Chapter 61 in Annex 4.1 of the Agreement by adding the following at the end:

“Chapter Rule 5

Notwithstanding Chapter Rule 2, a good of this chapter that contains a pocket or pockets shall be considered originating only if the pocket bag fabric has been formed and finished in the territory of one or more of the Parties from yarn wholly formed in the territory of one or more of the Parties.”

- (b) Modify the Chapter Rules for Chapter 62 in Annex 4.1 of the Agreement by adding the following at the end:

“Chapter Rule 6

Notwithstanding Chapter Rule 2, a good of this chapter that contains a pocket or pockets shall be considered originating only if the pocket bag fabric has been formed and finished in the territory of one or more of the Parties from yarn wholly formed in the territory of one or more of the Parties.”

2. Single Transformation for Certain Items

Modify the specific rule of origin set out in Annex 4.1 of the Agreement for goods classifiable in certain tariff items as follows:

“A change to tariff items 6202.91.2011, 6203.39.9020, 6204.23.00, 6204.29.20, 6204.29.40, 6204.33.20, or 6204.39.80 from any other chapter, provided that the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or more of the Parties.”

3. Tariff Treatment of Certain Non-Originating Items

Modify the General Notes of the Schedule of the United States to Annex 3.3 of the Agreement by adding a new note 6 as follows:

- (a) For non-originating goods classifiable in tariff items 6202.11.00, 6203.31.90, 6203.33.10, 6203.41.18, 6203.42.40, 6203.43.30, and 6204.62.40 that are products of a CAFTA-DR Party, the duty applied by the United States shall be 0.5 percentage points lower than the MFN (general column 1) rate of duty, provided

that the goods are cut or knit to shape, and sewn or otherwise assembled, in the territory of one or more of the Parties and that the goods meet the conditions for originating goods in Chapter Rules 1 (subject to the limitation in the second sentence of Chapter Rule 2), 3, and 4 for Chapter 62 in Annex 4.1 of the Agreement and the proposed Chapter Rule 6 above.

- (b) For non-originating goods classifiable in tariff items 6203.12.2020, 6203.43.40, and 6204.63.35 that are products of a CAFTA-DR Party, the duty applied by the United States shall be 2.0 percentage points lower than the MFN (general column 1) rate of duty, provided that the goods are cut or knit to shape, and sewn or otherwise assembled, in the territory of one or more of the Parties and that the goods meet the conditions for originating goods in Chapter Rules 1 (subject to the limitation in the second sentence of Chapter Rule 2), 3, and 4 for Chapter 62 in Annex 4.1 of the Agreement and the proposed Chapter Rule 6 above.

4. Modifications to Costa Rica Wool TPL

Modify the Costa Rica tariff preference level (TPL) in Annex 3.27 of the Agreement as follows:

- (a) Apply no customs duty, rather than a duty that is 50 percent of the MFN duty, for goods entering under the TPL.
- (b) Extend the TPL from 2 years to 10 years.
- (c) Create, in addition to the existing TPL of 500,000 square meter equivalents (SME), a separate limit of 500,000 SME for men's and boys', women's and girls' suits, trousers, suit-type jackets and blazers, vests, and women's and girls' skirts of worsted wool fabric, made of wool yarn having an average fiber diameter of greater than 18.5 microns, if such goods meet the applicable conditions for preferential tariff treatment other than the condition that they be originating goods, and are both cut or knit to shape, and sewn or otherwise assembled, in the territory of Costa Rica.
- (d) Create, in addition to these wool TPLs, a separate TPL limited to women's knit swimwear that is specially designed to accommodate post mastectomy breast prostheses, containing two full size interior pockets with side openings, two preformed cups, a supporting elastic band below the breast, and vertical center stitching to separate the two pockets, if such goods meet the applicable conditions for preferential tariff treatment other than the condition that they be originating goods, and are both cut or knit to shape, and sewn or otherwise assembled, in the territory of Costa Rica. The limit for this TPL shall be 100,000 SME in year one, 106,000 SME in year two, 112,360 SME in year three, 119,102 SME in year four, 126,248 SME in year five, and 133,823 SME in each of years six through ten.

5. Modification to Cumulation for Wool

Modify the cumulation provisions in Appendix 4.1-B of the Agreement to provide that the 100 million SME limit shall not apply to men's and boys' and women's and girls' suits, trousers, suit-type jackets and blazers, vests, and women's and girls' skirts of worsted wool fabric, made of wool yarn having an average fiber diameter of greater than 18.5 microns.

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

MAY 24 2007

The Honorable Daniel R. Pearson
Chairman
U.S. International Trade Commission
500 E Street, S.W.
Washington, DC 20436

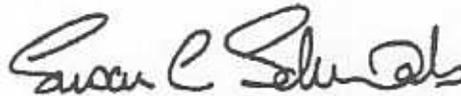
Dear Chairman Pearson:

Section 1634(b) of the Pension Protection Act of 2006 authorizes the President, subject to the consultation and layover requirements of section 104 of the Dominican Republic – Central America – United States Free Trade Agreement Implementation Act (the Act), to proclaim such modifications to the Harmonized Tariff Schedule of the United States as are necessary to implement amendments to the Dominican Republic – Central America – United States Free Trade Agreement (the Agreement), the terms of which are set forth in letters of understanding between the United States and the Dominican Republic or the United States and Costa Rica relating to the rule of origin for apparel containing pocket bag fabric under the Agreement. One of the requirements set out in section 104 of the Act is that the President obtain advice regarding the proposed action from the U.S. International Trade Commission.

This letter supersedes my January 22 request for the Commission's advice on our letters of understanding with Costa Rica and the Dominican Republic. I request that the Commission suspend delivery of this advice until further notice.

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

Sincerely,



Susan C. Schwab

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

The Honorable Daniel R. Pearson
Chairman
U.S. International Trade Commission
500 E Street, S.W.
Washington, DC 20436

MAY 31 2007

Dear Chairman Pearson:

Section 1634(b) of the Pension Protection Act of 2006 authorizes the President, subject to the consultation and layover requirements of section 104 of the Dominican Republic – Central America – United States Free Trade Agreement Implementation Act (the Act), to proclaim such modifications to the Harmonized Tariff Schedule of the United States as are necessary to implement amendments to the Dominican Republic – Central America – United States Free Trade Agreement (the Agreement), the terms of which are set forth in letters of understanding between the United States and the Dominican Republic or the United States and Costa Rica relating to the rule of origin for apparel containing pocket bag fabric under the Agreement. One of the requirements set out in section 104 of the Act is that the President obtain advice regarding the proposed action from the U.S. International Trade Commission.

We have recently revised such a letter of understanding with Costa Rica. Pursuant to this revised letter, the United States and Costa Rica have agreed to seek to modify certain rules of origin in the Agreement. Some of the modifications in this revised letter were not included within the scope of my January 22, 2007 request for the Commission's advice on our letter of understanding with Costa Rica. Accordingly, section 104 of the Act requires the President to obtain the Commission's advice regarding the proposed action, as revised.

Under authority delegated by the President, and pursuant to section 104 of the Act, I request that the Commission provide advice on the probable effect of the modifications to the Agreement's rules of origin and other modifications to tariff treatment under the Agreement reflected in the Annex to this letter. This Annex includes, in paragraphs 1 through 5, all of the modifications described in the Annex to my January 22, 2007 letter. Furthermore, this request supersedes my May 24, 2007 letter. I request that the Commission provide this advice in a single report at the earliest possible date, but not later than August 30, 2007. The Commission should issue, as soon as possible thereafter, a public version of its report with any business confidential information deleted.

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

Sincerely,



Susan C. Schwab

Enclosure

ANNEX

DOMINICAN REPUBLIC – CENTRAL AMERICA – UNITED STATES FREE TRADE AGREEMENT

Proposed Modifications to the Agreement

to implement pocketing letters with Dominican Republic and Costa Rica

1. Pocket Bag Fabric

- (a) Modify the Chapter Rules for Chapter 61 in Annex 4.1 of the Agreement by adding the following at the end:

“Chapter Rule 5

Notwithstanding Chapter Rule 2, a good of this chapter that contains a pocket or pockets shall be considered originating only if the pocket bag fabric has been formed and finished in the territory of one or more of the Parties from yarn wholly formed in the territory of one or more of the Parties.”

- (b) Modify the Chapter Rules for Chapter 62 in Annex 4.1 of the Agreement by adding the following at the end:

“Chapter Rule 6

Notwithstanding Chapter Rule 2, a good of this chapter that contains a pocket or pockets shall be considered originating only if the pocket bag fabric has been formed and finished in the territory of one or more of the Parties from yarn wholly formed in the territory of one or more of the Parties.”

2. Single Transformation for Certain Items

Modify the specific rule of origin set out in Annex 4.1 of the Agreement for goods classifiable in certain tariff items as follows:

“A change to tariff items 6202.91.2011, 6203.39.9020, 6204.23.00, 6204.29.20, 6204.29.40, 6204.33.20, or 6204.39.80 from any other chapter, provided that the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or more of the Parties.”

3. Tariff Treatment of Certain Non-Originating Items

Modify the General Notes of the Schedule of the United States to Annex 3.3 of the Agreement by adding a new note 6 as follows:

- (a) For non-originating goods classifiable in tariff items 6202.11.00, 6203.31.90, 6203.33.10, 6203.41.18, 6203.42.40, 6203.43.30, and 6204.62.40 that are products of a CAFTA-DR Party, the duty applied by the United States shall be 0.5 percentage points lower than the MFN (general column 1) rate of duty, provided that the goods are cut or knit to shape, and sewn or otherwise assembled, in the territory of one or more of the Parties and that the goods meet the conditions for originating goods in Chapter Rules 1 (subject to the limitation in the second

sentence of Chapter Rule 2), 3, and 4 for Chapter 62 in Annex 4.1 of the Agreement and the proposed Chapter Rule 6 above.

- (b) For non-originating goods classifiable in tariff items 6203.12.2020, 6203.43.40, and 6204.63.35 that are products of a CAFTA-DR Party, the duty applied by the United States shall be 2.0 percentage points lower than the MFN (general column 1) rate of duty, provided that the goods are cut or knit to shape, and sewn or otherwise assembled, in the territory of one or more of the Parties and that the goods meet the conditions for originating goods in Chapter Rules 1 (subject to the limitation in the second sentence of Chapter Rule 2), 3, and 4 for Chapter 62 in Annex 4.1 of the Agreement and the proposed Chapter Rule 6 above.

4. Modifications to Costa Rica Wool TPL

Modify the Costa Rica tariff preference level (TPL) in Annex 3.27 of the Agreement as follows:

- (a) Apply no customs duty, rather than a duty that is 50 percent of the MFN duty, for goods entering under the TPL.
- (b) Extend the TPL from 2 years to 10 years.
- (c) Create, in addition to the existing TPL of 500,000 square meter equivalents (SME), a separate limit of 500,000 SME for men's and boys', women's and girls' suits, trousers, suit-type jackets and blazers, vests, and women's and girls' skirts of worsted wool fabric, made of wool yarn having an average fiber diameter of greater than 18.5 microns, if such goods meet the applicable conditions for preferential tariff treatment other than the condition that they be originating goods, and are both cut or knit to shape, and sewn or otherwise assembled, in the territory of Costa Rica.
- (d) Create, in addition to these wool TPLs, a separate TPL limited to women's knit swimwear that is specially designed to accommodate post mastectomy breast prostheses, containing two full size interior pockets with side openings, two preformed cups, a supporting elastic band below the breast, and vertical center stitching to separate the two pockets, if such goods meet the applicable conditions for preferential tariff treatment other than the condition that they be originating goods, and are both cut or knit to shape, and sewn or otherwise assembled, in the territory of Costa Rica. The limit for this TPL shall be 100,000 SME in year one, 106,000 SME in year two, 112,360 SME in year three, 119,102 SME in year four, 126,248 SME in year five, and 133,823 SME in each of years six through ten.

5. Modification to Cumulation for Wool

Modify the cumulation provisions in Appendix 4.1-B of the Agreement to provide that the 100 million SME limit shall not apply to men's and boys' and women's and girls' suits,

trousers, suit-type jackets and blazers, vests, and women's and girls' skirts of worsted wool fabric, made of wool yarn having an average fiber diameter of greater than 18.5 microns.

6. Modification to Chapter Rules for New Single Transformation Items

Modify certain Chapter Rules to Chapter 61 and Chapter 62 so that they will not apply to those apparel goods that, under the amendments to the Agreement described in paragraph 2 above or other proposed amendments to the Agreement, will be originating goods under the Agreement without regard to the origin of the fabrics, yarns, or fibers used in the production of the component of such goods that determines their tariff classification. Specifically:

- (a) in Chapter 61, exclude from the application of Chapter Rules 1, 3, and 4 and new Chapter Rule 5 described in paragraph 1 above, goods classifiable in the following subheadings or tariff items: 6102.20, 6102.90.9005, 6104.19.6010, 6104.13.20, 6104.19.15, 6104.19.8010, 6104.19.8060, 6104.22.0010, 6104.29.2010, 6104.32, 6104.39.2010, 6112.11.0020, 6113.00.9020, or 6117.90.9040; and
- (b) in Chapter 62, exclude from the application of Chapter Rules 1, 3, and 4 and new Chapter Rule 6 described in paragraph 1 above, goods classifiable in the following subheadings or tariff items: 6202.12.20, 6202.19.9010, 6202.91.2011, 6202.92.15, 6202.92.2010, 6202.92.2026, 6202.92.2031, 6202.92.2061, 6202.92.2071, 6202.93.45, 6202.99.9011, 6203.39.9020, 6204.12.0010, 6204.13.20, 6204.19.20, 6204.19.8010, 6204.19.8060, 6204.22.3010, 6204.23, 6204.29, 6204.32, 6204.33.20, 6204.39.80, 6205.20.2016, 6205.30.2010, 6209.20.1000, 6210.30.9020, 6210.50.9050, 6211.20.1540, 6211.20.5810, 6211.41.0055, 6211.42.0040, 6211.42.0075, 6217.90.9025, or any good described in paragraph 5 above.

APPENDIX B
FEDERAL REGISTER NOTICES

Portland, Oregon 97208, (503) 808-6306

Utah

Utah RAC

Sherry Foot, Utah State Office, BLM,
440 West 200 South, Suite 500, P.O.
Box 45155, Salt Lake City, Utah
84101, (801) 539-4195

Jim Hughes,

Deputy Director.

[FR Doc. E7-2597 Filed 2-14-07; 8:45 am]

BILLING CODE 4310-84-P

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

[WY-040-1320-EL; WYW160394]

Notice of Availability of the Record of Decision for the Environmental Impact Statement for the Pit 14 Coal Lease-by-Application, Wyoming

AGENCY: Bureau of Land Management, Interior.

ACTION: Notice of availability of record of decision.

SUMMARY: In accordance with the National Environmental Policy Act of 1969, the Bureau of Land Management (BLM) announces the availability of the Record of Decision (ROD) for the Pit 14 Coal Lease-by-Application.

ADDRESSES: The document is available electronically on the following Web site: <http://www.wy.blm.gov/nepa/rsfdocs/pit14/index.htm>. Paper copies of the ROD are also available at the following BLM office locations:

- Bureau of Land Management, Wyoming State Office, 5353 Yellowstone Road, Cheyenne, Wyoming.

- Bureau of Land Management, Rock Springs Field Office, 280 Highway 191 North, Rock Springs, Wyoming.

FOR FURTHER INFORMATION CONTACT: Mr. Bob Janssen, Wyoming Coal Coordinator, (307) 775-6206 or Ms. Mavis Love, Land Law Examiner (307) 775-6258. Both Mr. Janssen's and Ms. Love's offices are located at the BLM Wyoming State Office, 5353 Yellowstone Road, Cheyenne, Wyoming 82009.

SUPPLEMENTARY INFORMATION: The ROD covered by this NOA is for the Pit 14 coal tract (WYW160394) and addresses leasing coal administered by the BLM Rock Springs Field Office contained within 1,399.48 acres of Federal surface and mineral estate in Sweetwater County, Wyoming. The BLM estimates that approximately 34.6 million tons of

in-place coal reserves are present in the Upper Cretaceous Almond Formation within the project area. The BLM approves the proposed action as described in the Final EIS. A competitive lease sale will be announced in the **Federal Register** at a later date.

This decision is subject to appeal to the Interior Board of Land Appeals (IBLA) as provided in 43 CFR 4 within thirty (30) days from the date of publication of this NOA in the **Federal Register**. The ROD contains instructions for filing an appeal with the IBLA.

Dated: December 4, 2006.

Donald Simpson,

Associate State Director.

[FR Doc. E7-2591 Filed 2-14-07; 8:45 am]

BILLING CODE 4310-22-P

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

[ES-960-1420-BJ-TRST; Group No. 162, Wisconsin]

Eastern States: Filing of Plat of Survey

AGENCY: Bureau of Land Management, Interior.

ACTION: Notice of filing of plat of survey; Wisconsin.

SUMMARY: The Bureau of Land Management (BLM) will file the plat of survey of the lands described below in the BLM-Eastern States, Springfield, Virginia, 30 calendar days from the date of publication in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT: Bureau of Land Management, 7450 Boston Boulevard, Springfield, Virginia 22153. *Attn:* Cadastral Survey.

SUPPLEMENTARY INFORMATION: This survey was requested by the Bureau of Indian Affairs.

The lands we surveyed are:

Township 40 North, Range 8 West, of the 4th Principal Meridian in the State of Wisconsin

The plat of survey represents the dependent resurvey of a portion of the North (Fourth Standard Parallel North), East, South, and West Boundaries and a portion of the subdivisional lines; a corrective dependent resurvey of a portion of the subdivisional lines, a corrective survey of the subdivision of section 33, including the reestablishment of a portion of the record meander line, the survey of a portion of the present shoreline of Gurno Lake, and the apportionment of the shoreline frontage to original lot 3, section 33; and the survey of the

subdivision of sections 1-18, 20-29, 32, and 34-36 and was accepted December 11, 2006. We will place a copy of the plat we described in the open files. It will be available to the public as a matter of information.

If BLM receives a protest against this survey, as shown on the plat, prior to the date of the official filing, we will stay the filing pending our consideration of the protest.

We will not officially file the plat until the day after we have accepted or dismissed all protests and they have become final, including decisions on appeals.

Dated: February 9, 2007.

Jerry L. Wahl,

Chief Cadastral Surveyor (acting).

[FR Doc. E7-2633 Filed 2-14-07; 8:45 am]

BILLING CODE 4310-GJ-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. DR-CAFTA-103-016]

Probable Economic Effect of Modifications to DR-CAFTA Rules of Origin and Tariffs for Certain Apparel Goods of Costa Rica and the Dominican Republic

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation.

SUMMARY: Following receipt of a request on January 24, 2007, from the United States Trade Representative (USTR), the Commission instituted investigation No. DR-CAFTA-103-016, Probable Economic Effect of Modifications to DR-CAFTA Rules of Origin and Tariffs for Certain Apparel Goods of Costa Rica and the Dominican Republic, for the purpose of providing advice on the probable economic effect of the modification of the rules of origin and tariff treatment as reflected in the annex to the request.

DATES:

March 2, 2007: Deadline for filing written submissions.

May 24, 2007: Transmittal of Commission report to USTR.

ADDRESSES: All Commission offices, including the Commission's hearing rooms, are located in the United States International Trade Commission Building, 500 E Street SW., Washington, DC. All written submissions, including requests to appear at the hearing, statements, and briefs, should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW., Washington, DC

20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

FOR FURTHER INFORMATION CONTACT: Project Leaders Laura Rodriguez, Office of Industries (202-205-3499; laura.rodriguez@usitc.gov) or George Serletis, Office of Industries (202-205-3315; george.serletis@usitc.gov). For information on legal aspects, contact William Gearhart of the Office of the General Counsel (202-205-3091; william.gearhart@usitc.gov). The media should contact Margaret O'Laughlin, Office of External Relations (202-205-1819; margaret.olaughlin@usitc.gov). General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). 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.

SUPPLEMENTARY INFORMATION: The USTR's letter states that the United States has recently signed letters of understanding with the Dominican Republic and Costa Rica concerning amendments to the Dominican Republic-Central America-United States Free Trade Agreement after the Agreement enters into force for those countries that would modify certain rules of origin in the Agreement as well as the tariff treatment of certain non-originating goods imported from parties to the agreement. Section 1634(b) of the Pension Protection Act of 2006 authorizes the President, subject to the layover requirements of section 104 of the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act (19 U.S.C. 4014), to proclaim such modifications to the Harmonized Tariff Schedule of the United States as are necessary to implement amendments to the Agreement. One of the requirements set out in section 104 of the Act is that the President obtain advice regarding the proposed action from the Commission.

The Annex to the USTR's letter identified five modifications for which advice is requested. The list can be viewed at <http://www.usitc.gov/edis.htm>. As requested, the Commission will transmit its advice to the USTR by May 24, 2007, and will issue a public version of its report shortly thereafter, with any confidential business information deleted.

Written Submissions: No public hearing is planned. However, interested parties are invited to submit written statements concerning the matters to be addressed by the Commission in its report on this investigation. Submissions should be addressed to the Secretary to the Commission. To be assured of consideration by the Commission, written statements related to the investigation should be submitted to the Commission at the earliest practical date but no later than 5:15 p.m. on March 2, 2007. All written submissions must conform with section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8). Section 201.8 of the rules requires that a signed original (or copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential business information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules do not authorize the filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, http://www.usitc.gov/secretary/fed_reg_notices/rules/documents/handbook_on_electronic_filing.pdf). Persons with questions regarding electronic filing should contact the Secretary (202-205-2000 or edis@usitc.gov).

Any submissions that contain confidential business information must also conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the "confidential" or "nonconfidential" version, and that the confidential business information be clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available in the Office of the Secretary to the Commission for inspection by interested parties.

The Commission may include some or all of the confidential business information submitted in the course of this investigation in the report it sends to the USTR. The USTR has directed that the Commission, after transmitting its report, publish a public version of its report, with any confidential business information deleted. Accordingly, any

confidential business information received by the Commission in this investigation and used in preparing the report will not be published in the public version of the report in a manner that would reveal the operations of the firm supplying the information.

Issued: February 9, 2007.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E7-2604 Filed 2-14-07; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Inv. No. 337-TA-543]

In the Matter of Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Products Containing Same, Including Cellular Telephone Handsets; Notice of Commission Decision To Hold a Public Hearing on the Issues of Remedy and the Public Interest; Extension of the Target Date for Completion of the Investigation

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined to hold a public hearing on the issues of remedy and the public interest, and has determined to extend the target date for completion of the above-captioned investigation by two (2) months to May 8, 2007.

FOR FURTHER INFORMATION CONTACT: Michael Liberman, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436, telephone 202-205-3152. Copies of the ID and all other nonconfidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436, telephone 202-205-2000. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-205-1810. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this investigation may be

Commission may take an adverse inference against the party pursuant to section 776(b) of the Act in making its determination in the review.

Information to Be Provided in Response to this Notice of Institution:
As used below, the term "firm" includes any related firms.

(1) The name and address of your firm or entity (including World Wide Web address if available) and name, telephone number, fax number, and E-mail address of the certifying official.

(2) A statement indicating whether your firm/entity is a U.S. producer of the Domestic Like Product, a U.S. union or worker group, a U.S. importer of the Subject Merchandise, a foreign producer or exporter of the Subject Merchandise, a U.S. or foreign trade or business association, or another interested party (including an explanation). If you are a union/worker group or trade/business association, identify the firms in which your workers are employed or which are members of your association.

(3) A statement indicating whether your firm/entity is willing to participate in this review by providing information requested by the Commission.

(4) A statement of the likely effects of the revocation of the antidumping duty order on the Domestic Industry in general and/or your firm/entity specifically. In your response, please discuss the various factors specified in section 752(a) of the Act (19 U.S.C. 1675a(a)) including the likely volume of subject imports, likely price effects of subject imports, and likely impact of imports of Subject Merchandise on the Domestic Industry.

(5) A list of all known and currently operating U.S. producers of the Domestic Like Product. Identify any known related parties and the nature of the relationship as defined in section 771(4)(B) of the Act (19 U.S.C. 1677(4)(B)).

(6) A list of all known and currently operating U.S. importers of the Subject Merchandise and producers of the Subject Merchandise in the Subject Country that currently export or have exported Subject Merchandise to the United States or other countries since the Order Date.

(7) If you are a U.S. producer of the Domestic Like Product, provide the following information on your firm's operations on that product during calendar year 2006 (report quantity data in units and value data in U.S. dollars, f.o.b. plant). If you are a union/worker group or trade/business association, provide the information, on an aggregate basis, for the firms in which your workers are employed/which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total U.S. production of the Domestic Like Product accounted for by your firm's(s') production;

(b) The quantity and value of U.S. commercial shipments of the Domestic Like Product produced in your U.S. plant(s); and

(c) The quantity and value of U.S. internal consumption/company transfers of the Domestic Like Product produced in your U.S. plant(s).

(8) If you are a U.S. importer or a trade/business association of U.S. importers of the Subject Merchandise from the Subject Country, provide the following information on your firm's(s') operations on that product during calendar year 2006 (report quantity data in units and value data in U.S. dollars). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) The quantity and value (landed, duty-paid but not including antidumping or countervailing duties) of U.S. imports and, if known, an estimate of the percentage of total U.S. imports of Subject Merchandise from the Subject Country accounted for by your firm's(s') imports;

(b) The quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. commercial shipments of Subject Merchandise imported from the Subject Country; and

(c) The quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. internal consumption/company transfers of Subject Merchandise imported from the Subject Country.

(9) If you are a producer, an exporter, or a trade/business association of producers or exporters of the Subject Merchandise in the Subject Country, provide the following information on your firm's(s') operations on that product during calendar year 2006 (report quantity data in units and value data in U.S. dollars, landed and duty-paid at the U.S. port but not including antidumping or countervailing duties). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total production of Subject Merchandise in the Subject Country accounted for by your firm's(s') production; and

(b) The quantity and value of your firm's(s') exports to the United States of Subject Merchandise and, if known, an estimate of the percentage of total

exports to the United States of Subject Merchandise from the Subject Country accounted for by your firm's(s') exports.

(10) Identify significant changes, if any, in the supply and demand conditions or business cycle for the Domestic Like Product that have occurred in the United States or in the market for the Subject Merchandise in the Subject Country since the Order Date, and significant changes, if any, that are likely to occur within a reasonably foreseeable time. Supply conditions to consider include technology; production methods; development efforts; ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production); and factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad). Demand conditions to consider include end uses and applications; the existence and availability of substitute products; and the level of competition among the Domestic Like Product produced in the United States, Subject Merchandise produced in the Subject Country, and such merchandise from other countries.

(11) (OPTIONAL) A statement of whether you agree with the above definitions of the Domestic Like Product and Domestic Industry; if you disagree with either or both of these definitions, please explain why and provide alternative definitions.

Authority: This review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.61 of the Commission's rules.

Issued: February 22, 2007.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E7-3536 Filed 2-28-07; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. DR-CAFTA-103-016]

Probable Economic Effect of Modifications to DR-CAFTA Rules of Origin and Tariffs for Certain Apparel Goods

AGENCY: United States International Trade Commission.

ACTION: Clarification of scope of investigation, change in title, and extension of deadline for filing written submissions.

SUMMARY: The title of the investigation as published in the **Federal Register** on February 9, 2007 (72 FR 7455) suggests that the Commission will provide advice limited to the probable economic effect of modification of certain rules of origin in the Dominican Republic-Central America-United States Free Trade Agreement for certain apparel goods of Costa Rica and the Dominican Republic only. However, the text of the notice indicates that the Commission will provide such advice with respect to the probable economic effect of modification of the rules of origin on such apparel goods of all the parties to the agreement. The Commission's intent is to provide the broader advice. Accordingly, the title of the investigation is amended to delete "of Costa Rica and the Dominican Republic." To allow additional time for any interested parties who may have been confused by the title, the Commission has extended the deadline for filing written submissions in this investigation from March 2, 2007 to March 16, 2007.

All other information in the notice published on February 9, 2007, including with respect to Commission contacts, background information, and requirements for submitting written statements (except for the deadline) remains the same.

Issued: February 23, 2007.

By order of the Commission.

Marilyn Abbott,

Secretary to the Commission.

[FR Doc. E7-3539 Filed 2-28-07; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Inv. No. 337-TA-595]

In the Matter of Certain Dynamic Random Access Memory Devices and Products Containing Same; Notice of Investigation

AGENCY: International Trade Commission.

ACTION: Institution of investigation pursuant to 19 U.S.C. 1337.

SUMMARY: Notice is hereby given that a complaint was filed with the U.S. International Trade Commission on January 29, 2007, under section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337, on behalf of Renesas Technology Corp., of Tokyo, Japan. A supplemental letter was filed on February 16, 2007. The complaint, as supplemented, alleges violations of section 337 in the importation into the

United States, the sale for importation, and the sale within the United States after importation of certain dynamic random access memory devices and products containing same by reason of infringement of U.S. Patent Nos. 7,115,344 and 7,116,128. The complaint, as supplemented, further alleges that an industry in the United States exists as required by subsection (a)(2) of section 337.

The complainant requests that the Commission institute an investigation and, after the investigation, issue a permanent exclusion order and permanent cease and desist orders.

ADDRESSES: The complaint and supplement, except for any confidential information contained therein, are available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, SW., Room 112, Washington, DC 20436, telephone 202-205-2000. Hearing impaired individuals are advised that information on this matter can be obtained 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 concerning the Commission may also be obtained by accessing its Internet server at <http://www.usitc.gov>. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

FOR FURTHER INFORMATION CONTACT: Heidi E. Strain, Esq., Office of Unfair Import Investigations, U.S. International Trade Commission, telephone (202) 205-2560.

Authority: The authority for institution of this investigation is contained in section 337 of the Tariff Act of 1930, as amended, and in section 210.10 of the Commission's Rules of Practice and Procedure, 19 CFR 210.10 (2006).

Scope of Investigation: Having considered the complaint, the U.S. International Trade Commission, on February 22, 2007, ordered that—

(1) Pursuant to subsection (b) of section 337 of the Tariff Act of 1930, as amended, an investigation be instituted to determine whether there is a violation of subsection (a)(1)(B) of section 337 in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain dynamic random access memory devices and products containing same by reason of

infringement of one or more of claims 1 and 8 of U.S. Patent No. 7,115,344 and claims 1 and 5 of U.S. Patent No. 7,116,128, and whether an industry in the United States exists as required by subsection (a)(2) of section 337;

(2) For the purpose of the investigation so instituted, the following are hereby named as parties upon which this notice of investigation shall be served:

(a) The complainant is—
Renesas Technology Corp., Marunouchi Building, 4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6334.

(b) The respondents are the following entities alleged to be in violation of section 337, and are the parties upon which the complaint is to be served:

Samsung Electronics Co., Ltd., Samsung Main Building, 250, Taepyeongno 2-ga, Jung-ga, Seoul 100-742, Korea.
Samsung Electronics America, Inc., 105 Challenger Road, Ridgefield Park, New Jersey.

(c) The Commission investigative attorney, party to this investigation, is Heidi E. Strain, Esq., Office of Unfair Import Investigations, U.S. International Trade Commission, 500 E Street, SW., Room 401-R, Washington, DC 20436; and

(3) For the investigation so instituted, the Honorable Paul J. Luckern is designated as the presiding administrative law judge.

Responses to the complaint and the notice of investigation must be submitted by the named respondents in accordance with section 210.13 of the Commission's Rules of Practice and Procedure, 19 CFR 210.13. Pursuant to 19 CFR 201.16(d) and 210.13(a), such responses will be considered by the Commission if received not later than 20 days after the date of service by the Commission of the complaint and the notice of investigation. Extensions of time for submitting responses to the complaint and the notice of investigation will not be granted unless good cause therefor is shown.

Failure of a respondent to file a timely response to each allegation in the complaint and in this notice may be deemed to constitute a waiver of the right to appear and contest the allegations of the complaint and this notice, and to authorize the administrative law judge and the Commission, without further notice to the respondent, to find the facts to be as alleged in the complaint and this notice and to enter an initial determination and a final determination containing such findings, and may result in the issuance of a limited exclusion order or

Purpose and Need for the Proposed Project

The purpose of the proposed action is to help meet the Navajo Nation's need to benefit economically from the development of its coal resources.

Construction of the Desert Rock power plant would address this need, as well as regional power needs in general, by

- Supporting the Navajo Nation's objective for economic development by providing long-term employment opportunities and revenue cash-flow streams from the sale of Navajo natural resources (e.g., water, coal);
- using Navajo Nation coal to generate electricity;
- helping meet the demand for up to 2,000 MW of electrical power in the rapidly growing southwestern United States; and
- providing fuel diversity, hence a more economically stable and predictable power supply for utilities in the Southwest.

Proposed Federal Agency Actions

The proposed action includes several elements that require approvals, grants of rights-of-way, or permits by Federal agencies and the Navajo Nation. These are as follows:

- BIA—Approval of the long-term business land lease between DPA and the Navajo Nation, of the sublease between DPA and Desert Rock Energy Company, LLC, and of the rights-of-way requested for the proposed project.
- OSM—Approval of revisions to BNCC's current SMCRA permit to allow development of coal processing facilities, conveyance systems, and infrastructure in Area IV North of the BNCC Lease Area and approval of a future SMCRA permit application to allow coal mining, CCB disposal, and reclamation activities in Area IV South and Area V of the BNCC Lease Area.
- BLM—Approval of the Resource Recovery and Protection Plan or a Mine Plan of Operations for Area IV South and Area V of the BNCC Lease Area.
- USACE—Approval of an Individual Permit for the Desert Rock Energy Project under Section 404 of the Clean Water Act (CWA) and of Nationwide Permits or an Individual Permit under Section 404 of the CWA for the mining operations in Area IV South and Area V of the BNCC Lease Area.
- EPA—Approval of a significant revision to BNCC's National Pollutant Discharge Elimination System (NPDES) permit associated with the mining and reclamation operations and coal preparation facilities. Whether this constitute a new source permitting action subject to the National

Environmental Policy Act is determined by criteria set forth in 40 CFR 122.29(b).

- Navajo Nation—The Navajo Nation's action, as a sovereign government and cooperating agency, is the approval of a land lease package that ensures economic development on tribal lands in compliance with the Navajo Nation Code and applicable Federal law.

The above approvals, taken together, constitute the Proposed Action, which consists of (1) the construction, operation, and maintenance of the Desert Rock Energy Project and associated water supply wells, water supply pipelines, transmission system interconnection, other facilities required for the generation and distribution of electrical power, and new access roads; and (2) the approval of surface coal mining, CCB disposal, and reclamation operations at the Navajo Mine Extension Project to supply coal to the Desert Rock power plant.

Public Meetings

Public meetings on the DEIS will include, (1) a presentation on the Desert Rock Energy Project and DEIS, (2) an area with displays where meeting attendees may discuss the project proposal and the EIS process with BIA and others, (3) an area where meeting attendees may record and submit written comments, and (4) an area where an BIA representative and a transcriber will record oral comments. To assist the transcriber and ensure an accurate record, BIA requests that each presenter of oral comments provide a written copy of his or her comments, if possible. A Navajo interpreter will be present at the meetings on the Navajo Indian Reservation.

If you are disabled or need special accommodations to attend one of the meetings, contact the person under the **FOR FURTHER INFORMATION CONTACT** section above at least one week before the meeting.

Public Comment Availability

Comments, including names and addresses of respondents, will be available for public review at the mailing address shown in the **ADDRESSES** section, during regular business hours, 8:00 a.m. to 4:30 p.m., Monday through Friday, except holidays. Individual respondents may request confidentiality. If you wish us to withhold your name and/or address from public review or from disclosure under the Freedom of Information Act, you must state this prominently at the beginning of your written comment. Such requests will be honored to the extent allowed by law. We will not,

however, consider anonymous comments. All submissions from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, will be made available for public inspection in their entirety.

Authority

This notice is published in accordance with section 1503.1 of the Council on Environmental Quality Regulations (40 CFR, parts 1500 through 1508) implementing the procedural requirements of the National Environmental Policy Act of 1969, as amended (42 U.S.C. 4321 *et. seq.*), and the Department of the Interior Manual (516 DM 1–6), and is in the exercise of authority delegated to the Assistant Secretary—Indian Affairs by 209 DM 8.

Willie R. Taylor,

Director, Office of Environmental Policy and Compliance.

[FR Doc. E7–11905 Filed 6–19–07; 8:45 am]

BILLING CODE 4310–W7–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. DR–CAFTA–103–16]

Probable Economic Effect of Modifications to DR–CAFTA Rules of Origin and Tariffs for Certain Apparel Goods

AGENCY: United States International Trade Commission.

ACTION: Expansion of scope of investigation, revised deadline for filing written submissions.

SUMMARY: Following receipt of a request on June 1, 2007, from the United States Trade Representative (USTR), the Commission has expanded the scope of its investigation No. DR–CAFTA–103–16, Probable Economic Effect of Modifications to DR–CAFTA Rules of Origin and Tariffs for Certain Apparel Goods, to include advice on the probable economic effect of an additional set of proposed modifications to the rules of origin and tariff treatment that are contained in a revised letter of understanding with Costa Rica.

DATES: June 29, 2007: Extended deadline for filing written submissions. August 30, 2007: Revised date for transmittal of Commission report to USTR.

ADDRESSES: All Commission offices, including the Commission's hearing rooms, are located in the United States International Trade Commission Building, 500 E Street, SW.,

Washington, DC. All written submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://www.usitc.gov/secretary/edis.htm>

FOR FURTHER INFORMATION CONTACT:

Laura Rodriguez, Office of Industries (202-205-3499; laura.rodriguez@usitc.gov). For information on legal aspects, contact William Gearhart of the Office of the General Counsel (202-205-3091; william.gearhart@usitc.gov). The media should contact Margaret O'Laughlin, Office of External Relations (202-205-1819; margaret.olaughlin@usitc.gov). Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal at 202-205-1810. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). 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.

Background: The Annex to the USTR's June 1 letter identified an additional set of modifications for which advice is requested in a recently added section 6 of the Annex. The list can be viewed at <http://www.usitc.gov/secretary/edis.htm>. As requested, the Commission will transmit its advice to the USTR by August 30, 2007, and will issue a public version of its report shortly thereafter, with any confidential business information deleted.

The Commission's notice of institution of this investigation was published in the **Federal Register** of February 15, 2007 (72 FR 7455). The original deadline for the filing of written submissions was March 16, 2007, and the Commission was scheduled to transmit its advice on May 24, 2007. As indicated below, the deadline for written submissions has been extended to June 29, 2007, and those submissions should be limited to the following: (1) Information and arguments with respect to the modifications listed in section 6 of the Annex; and (2) with respect to the modifications listed in sections 1-5 of the Annex, information and arguments not available as of March 16, 2007. The Commission expects to transmit its report to the USTR by August 30, 2007. No public hearing was scheduled in the notice of investigation and none is planned in connection with the expanded scope of investigation.

Written Submissions: Persons with an interest in this matter are invited to submit written statements concerning the modifications to be addressed by the Commission in its expanded report on this investigation. Such submissions should be limited to the following: (1) information and arguments with respect to the modifications listed in section 6 of the Annex; and (2) with respect to the modifications listed in sections 1-5 of the Annex, information and arguments not available as of March 16, 2007. Submissions should be addressed to the Secretary to the Commission and should be submitted at the earliest practical date but no later than 5:15 p.m. on June 29, 2007. All written submissions must conform with section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8). Section 201.8 of the rules requires that a signed original (or copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential business information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules do not authorize the filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, http://www.usitc.gov/secretary/fed_reg_notices/rules/documents/handbook_on_electronic_filing.pdf). Persons with questions regarding electronic filing should contact the Secretary (202-205-2000 or <http://www.usitc.gov/secretary/edis.htm>).

Any submissions that contain confidential business information must also conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the "confidential" or "nonconfidential" version, and that the confidential business information be clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available in the Office of the Secretary to the Commission for inspection by interested parties.

The Commission may include some or all of the confidential business information submitted in the course of this investigation in the report it sends to the USTR. The USTR has directed

that the Commission, after transmitting its report, publish a public version of its report, with any confidential business information deleted. Accordingly, any confidential business information received by the Commission in this investigation and used in preparing the report will not be published in the public version of the report in a manner that would reveal the operations of the firm supplying the information.

By order of the Commission.

Issued: June 15, 2007.

Marilyn Abbott,

Secretary to the Commission.

[FR Doc. E7-11919 Filed 6-19-07; 8:45 am]

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INTERNATIONAL TRADE COMMISSION

[Inv. No. 337-TA-585]

In the Matter of Certain Engines, Components Thereof, and Products Containing the Same; Notice of Commission Determination Not To Review an Initial Determination Terminating the Investigation on the Basis of a Consent Order Stipulation and Consent Order

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined not to review an initial determination ("ID") of the presiding administrative law judge ("ALJ") (Order No. 17) in the above-captioned investigation terminating this investigation, as to both respondents, on the basis of a consent order stipulation and a consent order.

FOR FURTHER INFORMATION: Christal A. Sheppard, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436, telephone 202-708-2301. Copies of the ID and all other nonconfidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436, telephone 202-205-2000. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-205-1810. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public

APPENDIX C
COMPANY CONTACTS

COMPANY CONTACTS

Alice Manufacturing
American Apparel and Footwear Association
Brentex Division of Mount Vernon Mills
Copen Associates
Copland Fabrics
Eddie Bauer
Fishman and Tobin
Glen Raven Mills, Inc.
Government and International Trade Strategies
Government of Costa Rica
Greenwood Mills
Hanesbrands, Inc.
Hartmarx Corp.
Herman Kay
Hickey Freeman
Hugo Boss
IDS Consulting
Inman Mills
International Textiles Group
Invista
J.A. Apparel
Levi Strauss & Co.
LL Bean
Macclenny Products/Bayer Clothing
Mount Vernon Mills, Inc.
National Council of Textile Organizations
National Textile Association
Oxford Industries
Pendleton Woolen Mills, Inc.
QST Industries, Inc.
Sandler, Travis & Rosenberg, P.A.
Tailored Clothing Association
Tom James
U.S. Customs and Border Protection
Wade Manufacturing
Warnaco
Warren Corporation
Woolrich
Victor Forstmann
VF Corporation

APPENDIX D
DESCRIPTION OF MODELING

Description of Modeling

A partial equilibrium model was used to estimate the change in imports and U.S. production resulting from the modification to a single transformation for certain items and the modification of tariff treatment of certain non-originating items. For the modification to a single transformation rule for certain items, the model was used to estimate the impact of reducing duty rates from the non-DR-CAFTA rate to the DR-CAFTA rate (which was free of duty in all cases). For the modification of tariff treatment of certain non-originating items, the model was used to estimate the impact of reducing duty rates by the amounts prescribed in the annex to the request letter.

In both cases, the model estimated the resulting increased supply of imports from DR-CAFTA countries, as well as the extent to which demand and prices decreased for U.S. shipments and imports from other countries. In addition to the magnitude of the duty reduction, the estimated impact depends on an elasticity of substitution, an aggregate demand elasticity, and price elasticities of supply for domestic shipments and imports; and the value of U.S. production and imports from DR-CAFTA countries and the rest of the world.¹ The supply elasticity is assumed to be 10 for U.S. production and 100 for imports. Values used for the elasticity of substitution and aggregate demand elasticity were 4 and -0.5 respectively. These values were adjusted to reflect substitutability and demand for specific industries when appropriate.

¹ The model used is the nonlinear Armington model described in Francois and Hall, "Partial Equilibrium Modeling," 122–55.