

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 109th Congress¹**

[Date approved: November 29, 2005]²

Bill No. and sponsor: H.R. 2465 (Mr. Rob Simmons of Connecticut).

Proponent name, location: The Warren Corporation, Stafford Springs, CT.

Other bills on product (109th Congress only): None.

Nature of bill: Temporary duty suspension through December 31, 2008.

Retroactive effect: None.

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

Woven fabrics containing 85 percent or more by weight of vicuna hair (provided for in subheadings 5111.11.70, 5111.19.60, 5112.11.60 or 5112.19.95).

Check one: Same as that in bill as introduced.
 Different from that in bill as introduced (see Technical comments section).

Product information, including uses/applications and source(s) of imports:

The bill covers woven fabrics of vicuna hair, which is a rare and expensive fiber. The vicuna is similar to llama and alpaca and is native to the Andean regions of Bolivia, Peru, Chile, Ecuador, and Argentina. Vicuna fibers are among the thinnest and most luxurious of any fine animal hair, with a diameter of 12 microns, compared to cashmere, with a diameter of 15 microns.³ According to industry sources, vicuna products typically retail for 2-3 times the price of similar cashmere goods. The subject fabric is imported for coats and jackets and retailed mainly to specialty tailors, as mass production using this fabric is cost prohibitive.

In the 1960s vicuna populations were nearly driven to extinction because of their extremely valuable coats. In 1970, the vicuna was listed as endangered under the U.S. Endangered Species Act, thereby prohibiting U.S. imports of vicuna products. In light of diminishing populations, the Government of Peru launched programs to restore vicunas, so that in July 2002, the importation of vicuna fibers and fabric into the United States could legally resume.⁴ Export permits and shipment certifications are distributed by the Peruvian government and the Convention on International Trade in Endangered Species of Wild Flora and Fauna, respectively. Each shipment must meet weight and quantity restrictions.

¹ Industry analyst preparing report: Andrea Boron (202-205-3433); Tariff Affairs contact: Jan Summers (202-205-2605).

² An electronic copy of this memorandum is available at http://usitc.gov/tata/hts/other/rel_doc/bill_reports/index.htm.

³ The lower the micron size, the finer the fiber.

⁴ For further information, see "Endangered and Threatened Wildlife and Plants; Reclassification of Certain Vicuna Populations From Endangered to Threatened With a Special Rule," published in the *Federal Register* on May 30, 2002 (67 F.R. 37695).

The subject fabrics are produced from fibers that undergo carding or combing before being spun into yarn. Carding disentangles the fibers to prepare them for spinning and is done by passing the fibers between rollers covered with fine teeth. Combing removes the shorter fibers and further aligns the longer ones to produce “tops,” which are then spun into combed yarn. Carded yarns are woven to produce woolen fabric, while carded and combed fibers produce worsted fabric.

Only vicuna products from Peru are permitted to enter the United States, although in some cases such goods are re-exported from Italy. Based on available information, U.S. imports of the subject fabrics are likely to be no more than \$200,000, given the restrictions on importing vicuna fabrics and the high cost of vicuna fiber.

Estimated effect on customs revenue:

HTS subheading: 5111.11.70, 5111.19.60, 5112.11.60, and 5112.19.95					
	2005	2006	2007	2008	2009
Col. 1-General rate of duty	25%	25%	25%	25%	25%
Estimated value <i>dutiable</i> imports	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Customs revenue loss	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000

Source of estimated dutiable import data: Commission estimates based on official U.S. Government statistics and industry estimates.

Contacts with domestic firms/organizations (including the proponent):

Name of firm/organization	Date contacted	US production of same or competitive product claimed?	Submission attached?	Opposition noted?
			(Yes/No)	
The Warren Corporation (Proponent) Ms. Lisa Cornish, 860-684-2766 ext. 113)	8/25/2005	No	Yes	No
Hanora Spinning Walter Mercier, 401-767-3360	9/13/2005	No	No	No
Kent Manufacturing Mark Kent, 864-878-6367	9/13/2005	No	No	No
Jagger Brothers David Jagger, 207-324-5622	9/13/2005	No	No	No
National Textile Association David Trumbull, 617-542-8220	9/13/2005	No	Yes	No

Burlington Worldwide, Div.of Intl. Textile Gp. Frank Bakirdan, 336-379-2036	9/13/2005	No	No	No
Victor Forstmann, Inc. Merritt Loring, 478-275-5781	9/13/2005	No	No	No
Tailored Clothing Association David Starr, dastarr@wms-jen.com	9/13/2005	No	No	No

Technical comments:⁵ In the proposed article description, it is suggested that “fabric” be made plural and that the comma appearing after “5112.11.60” be deleted to be consistent with HTS usage.

⁵ The Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only the U.S. Customs Service is authorized to issue a binding ruling on this matter. The Commission believes that the U.S. Customs Service should be consulted prior to enactment of the bill.

Submissions of Interested Parties

Warren Corporation (in support of legislation)



Warren of Stafford
WARREN CORPORATION
AN AFFILIATE OF
Ing. Loro Piana & C. s.p.a.

September 16, 2005

RE: HR2459-HR2468

I am writing on behalf of the Warren Corporation in support of several legislation initiatives designed to provide temporary duty relief to products of import interest to our company. Some of these bills are an extension of existing duty suspensions, while others are first time requests for temporary duty relief.

Extensions of Existing Duty Suspensions

HR 2459 – Yarn of combed Kashmir and Yarn of Camel Hair

HR 2460 – Yarn of carded Kashmir

HR 2461 – Certain Kashmir Hair

HR2467 – Fine Animal hair of Kashmir

We believe that the request for a duty suspension extension on these items is completely non-controversial in that they are not produced by any U.S. manufacturer. In fact, these items were the subject of a formal petition to the Committee for the Implementation of Textile Agreements (CITA) under the established short supply provisions contained in the Trade and Development Act of 2000 (Public Law 106-200) and the more recent NAFTA short supply changes with Canada of 7/1/2005. During consideration of the petitions in relation to these products both the International Trade Commission and CITA determined that there are no U.S. producers of the types of yarns in question. Consequently, the Executive Branch of the government has done a full-scale analysis of this issue, including offering interested parties an opportunity to submit comments. Moreover, the fact that each of these items currently enjoys a temporary duty indicates that they have undergone the constraints necessary for inclusion in the miscellaneous tariff bill process.

Since it has been determined that there are no U.S. producers of these yarns, the current tariff is not protecting anyone and a reduction of the tariff could help us grow a market in the United States for the fabric by slightly reducing the production cost of the fabric. The ITC has also determined that these yarns do not compete with other lesser-valued yarns, or finished fabrics, currently produced in the U.S. As a result, there is no concern that these yarns are directly substitutable for other products.

All the yarns included are highly priced specialty yarns and the current tariff is charged on a percentage basis, which exponentially increases the tariff paid on higher priced items. Even with the duty suspension, the yarn cost would still far outweigh the cost of other yarns making any pricing reduction irrelevant when comparing to other types of fabrics available for apparel.

New Temporary Duty Submissions

HR 2462 – Certain Camel Hair Processed beyond Degreasing

HR 2463 – Waste of camel Hair

HR 2464 – Camel Hair Carded or Combed

HR 2465 – Woven Fabric of 85% or more by weight of Vicuna

HR 2466 -- Certain Camel Hair not Processed beyond Degreasing

HR 2468 – Noils of Camel Hair

Camel hair fiber is not produced domestically. These exotic fibers are sourced from only a few regions in the world. The current tariff is not protecting anyone and a reduction of the tariff could help us. We have felt enormous pressure on selling prices due to imported fabric. The reduction of this tariff could help us retain a position in the U.S. market by slightly reducing the cost of the fabric.

We also support the temporary duty reduction on Vicuna Fabric. Vicuna is an exotic fiber found only in South America . It is also one of the most valuable fibers in the world. Warren Corporation's Parent Company, Loro Piana, has worked closely with the Peruvian government to help repopulate the vicuna, which had previously been identified as an endangered species. In 1987, realizing the economic potential that would result from trading in vicuña fiber, yarn and fabric, the Peruvian government appealed to CITES for permission to trade in vicuña fabric obtained from the fiber of the animals. Once permission was granted, the government announced an international contest whose goal was to seek a partner in the marketing and preservation of the vicuna. In 1994, Loro Piana was awarded the inestimable honor of presiding over a consortium formed to foster this project. The success of the consortium has resulted in a recent decision by the U.S. government to allow the importation of these products. This fabric is not produced domestically and so the customs duties are not protecting any domestic industry. The current tariff is charged on a percentage basis, which exponentially increases the tariff paid on this, one of the highest priced fabrics on the market. Even with the duty suspension, the fabric cost would still far outweigh the cost of other fabrics making any pricing reduction irrelevant when comparing to other types of fabrics available for apparel. The uniqueness of vicuna fabric remains, and is something Warren Corporation takes pride in bringing to the market.

Each of these bills are designed to allow duty free importation for items that deal with exotic fibers that are simply not indigenous to the U.S. Consequently, the passage of these temporary duty suspensions will help reduce our cost and stabilize the 200 U.S. production workers that we maintain.

Sincerely,
Lisa Cornish
V.P. Finance & Administration
Warren Corporation

Additional Submission from Warren Corporation

Vicuña – History of an endangered species

After nearly 30 years of intense commitment and effort by Loro Piana to support the repopulation and preservation of the vicuña, exclusive products obtained from this fiber are now available for sale in the United States.

Vicuña, the ultimate luxury fiber, is much more precious than cashmere and is considered the world's finest natural fiber available. The silky fleece obtained from this rare Peruvian member of the Camelidae family, named "the princess of the Andes", can be traced back to the Incas. During Inca rule, it was known as "the fiber of the Gods" because only members of the royal family could own it.

During the Inca Empire, sometime near the year of 1400, the vicuña population in Peru numbered more than one million. However, in the ensuing centuries, following the Spanish colonization, excessive and wanton use of the animal brought it to the brink of extinction. By 1960 the Peruvian vicuña population numbered a mere 5000. Because of its great risk of extinction, the vicuña became a "cause celebre" of the international protection treaties. In 1966 the Peruvian government set aside 12,000 acres in Pampa Galeras for the first carefully controlled restocking program. In 1976, CITES categorized the vicuña as one of the vigilantly protected species in which any kind of trade was absolutely forbidden.

In 1987, realizing the economic potential that would result from trading in vicuña, the Peruvian government appealed to CITES for permission to trade in vicuña fabric obtained from living animals. Once permission was granted, the government announced an international contest whose goal was to seek a partner in the marketing and preservation of the vicuña. In 1994, Loro Piana was awarded the inestimable honor of presiding over a consortium formed to foster this project. The vicuña was de-listed as an endangered species by every country except the United States and International trade of the vicuña resumed.

Working diligently with the Peruvian government and the local campesinos, Loro Piana has made a significant contribution towards the repopulation of the species as well as the overall improvement of the local economy. Today, the animals are sheared, with no harm done to them and the current vicuña population in Peru is estimated to be over 200,000.

The United States government has finally recognized these efforts and realized the potential impact the vicuña trade would have for the local Peruvian economy. Thus, the ban has been lifted and Loro Piana is proud to provide the most discriminating and sophisticated consumer with the precious "fiber of the Gods".

12 ASTONISHING MICRONS

Of the animal world, vicuña produces the finest fiber capable of being spun. It measures a mere 12 microns in diameter as opposed to the 15 microns of cashmere. Its fleece is composed of two layers of hair that protect the animal from the extreme cold temperature of its habits. The interior

hair, or down, is the most precious, and it is composed of very fine high-density short fibers that perform a heat regulating function. The more abundant outside hair is long and silk. Both are used for yarn production and are extremely soft.

The wheat colour, typical of vicuña is the same in all animals. The adult animal produces slightly over 8 ounces of fleece every two years, as opposed to the 7 ounces yearly yield of the cashmere Kel goat. An overcoat alone requires the fleece of 25 to 30 vicuñas.

Ever since 1812, Loro Piana, a six generation privately owned family business, has focused on the production of the most precious fibers in the world accepting also the vicuña challenge with pride and determination, realizing that there will be many significant social and environmental ramifications as a result of the company's participation in this unique project.

Vicuña is everything that a fabric can be. Its extraordinary fineness makes the cloth light in weight but provides tremendous warmth and a surprisingly supple softness.

Whoever buys a vicuña garment "Made by Loro Piana" will have immense satisfaction on two levels. First, the obvious tactile and visual pleasure of wearing the softest most luxurious and elegant fabric in the world, secondly, the personal satisfaction of knowing that no gentle vicuñas have been endangered or harmed in any way in the production of the product.

National Textile Association (in support of legislation)

From: David Trumbull [mailto:dtrumbull@nationaltextile.org]

Sent: Thu 9/15/2005 5:09 PM

To: Freund, Kimberlie; Robert.Carrigg@mail.doc.gov; donald_niewiaroski@ita.doc.gov

Cc: kspilhaus@nationaltextile.org; atantillo@amtacdc.org

Subject: NTA Comments on Duty Suspension Bills

1. Here are NTA positions on some of the bills in the MTB that touch textile interests.

HR 445 (marking of imported furniture) NTA supports.

HR 1115 (clarify tariff rate for mechanics gloves) No position at this time.

HR 1230 (tents) No position at this time.

HR 1534 (synthetic staple fibers) NTA supports.

HR 1535 (acrylic tow) NTA supports.

HR 1854 (wool packs) No position at this time.

HR 1945 (shirting) NTA opposes bill as currently drafted.

HR 1978 and 1979 (acrylic tow) NTA supports.

HR 2096 (rayon yarn) NTA supports.

HR 2175 (rayon fibers) NTA supports.

HR 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468 (various bills regarding fine animal hair) NTA supports.

HR 2573 (cuprammonium rayon yarn) NTA supports.

HR 2589 and 2560 (certain filament yarns) NTA supports.

HR 2591 (certain acrylic yarn) NTA supports.

HR 2845 (certain woven fabrics) No position at this time.

HR 3105 (certain aramid chopped fiber) No position at this time.

HR 3106 (certain nylon fabric) No position at this time.

HR 3114 (flags) No position at this time.

HR 3416 (to strip CITA of foreign affairs exemption) NTA opposes.

NOTE, that the ones marked "No position at this time" will require further research in order for us to take a position; we are currently looking at those bills and expect to take a position on at least some of them.

DAVID TRUMBULL

National Textile Association

6 Beacon Street, Suite 1125

Boston, MA 02108

617-542-8220 x2

617 542-2199 Fax

www.nationaltextile.org

109TH CONGRESS
1ST SESSION

H. R. 2465

To suspend temporarily the duty on woven fabric containing vicuna hair.

IN THE HOUSE OF REPRESENTATIVES

MAY 18, 2005

Mr. SIMMONS introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To suspend temporarily the duty on woven fabric containing
vicuna hair.

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

3 **SECTION 1. WOVEN FABRIC OF VICUNA HAIR.**

4 (a) IN GENERAL.—Subchapter II of chapter 99 of
5 the Harmonized Tariff Schedule of the United States is
6 amended by inserting in numerical sequence the following
7 new heading:

“	9902.42.02	Woven fabric containing 85 percent or more by weight of vicuna hair (provided for in subheadings 5111.11.70, 5111.19.60, 5112.11.60, or 5112.19.95)	Free	No change	No change	On or before 12/31/2008	”.
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1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) applies to goods entered, or withdrawn from
3 warehouse for consumption, on or after the 15th day after
4 the date of enactment of this Act.

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