



Domestic Manufacturers Committee

To Preserve, Support, and Promote Hosiery Manufacturing in the United States

The DMC is a committee within The Hosiery Association

P.O. Box 681297
Fort Payne, AL 35968
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David Spooner, Assistant Secretary for Import Administration
Department of Commerce, Room 1870
14th St. and Constitution Ave. NW
Washington, D.C. 20230

Dear Mr. Spooner: This letter is in response to your Federal Register Notice of December 4, 2006, requesting public comment on the development of a monitoring program covering imports of textile and apparel products from Vietnam. As Chairman of the Domestic Manufacturing Committee of the Hosiery Association, known as the DMC, I am writing to urge that the U.S. government include in this monitoring program certain socks in categories 332/432 and 632 part, as well as baby socks and booties in category 239, both of which are currently the subject of a safeguard limit from China.

The domestic sock industry, with over 100 sock mills producing socks in the U.S., represents the largest sector of the apparel industry left in this country. Our domestic sock industry has suffered severe market disruption from China and other low cost, subsidized producers in the last 5 years, and is consequently very sensitive to further liberalization of trade with low-cost subsidized producers such as Vietnam. The U.S. government, at the request of the DMC, imposed a safeguard limit on socks from China in 2004 and 2005, with the current safeguard limits in effect until December 31, 2008.

Because of this sensitivity, the U.S. government in 2003 imposed a strict quota of 1 million dozen pair on sock imports from Vietnam when the bilateral textile agreement with Vietnam went into effect. This was the most stringent of all textile and apparel quotas imposed on Vietnam in our bilateral textile agreement. Unfortunately the U.S. government has decided to unilaterally remove this sock quota in January 2006, as a consequence of agreeing to Vietnamese accession to the WTO.

The domestic sock industry looks forward to assisting the Commerce Department in developing production templates to assist it in its biannual evaluation of imports of these sock products, to determine whether sufficient evidence exists to initiate an anti-dumping investigation consistent with U.S. law.

This program will have an impact not only on domestic sock companies, but on all the people and institutions in the communities where these sock mills exist, which depend upon revenue from the jobs, energy, water and other utility use, supply contracts, retail sales, as well as the local, state and federal taxes generated by the domestic industry.

Consultative Process: I am requesting that our Washington Representative of the DMC, Jim Schollaert, participate fully in whatever consultative mechanism the Department of Commerce establishes for this monitoring program. Jim can be reached at 703-524-7197, jim.schollaert@verizon.net, or the mailing address 2256 N. Upton St., Arlington, VA 22207. Also the Commerce Department should consult when necessary with the members of the DMC, in particular with me, its Chairman, Charles Cole of Prewett Mills, Fort Payne Alabama, telephone 256-845-5234, ccole@prewettmills.com.

Products: Socks, as well as babies' socks and booties should be monitored as part of this program because sock imports are especially sensitive, as indicated by the special China safeguard on socks and given the importance of the domestic sock industry as the largest remaining U.S. apparel sector. With Vietnam's close proximity to the Chinese sock industry and the existence of safeguard limits on Chinese sock exports to the U.S., there is a great danger that the knitting machines that lie at the heart of the Chinese sock industry will be easily transferred to Vietnamese locations so as to avoid the safeguard limits.

These socks in merged category group 332, 432 and 632 part are identified by HTS numbers 6115910000, 611592000, 6115929000, 6115936010, 6115939010, 6115939020, 6115991410, 6115991420, 6115991810 and 6115991820. For purposes of selecting particular products from this list which could act as an indicator or bellwether for the category group as a whole, the monitoring program could focus on cotton socks of HTS number 6115.92.9000, and man-made fiber socks of HTS number 6115.99.1820. These two HTS numbers currently represent the bulk of U.S. sock imports from the world, and such sock imports are frequently a combination of cotton and man-made fiber of varying percentages.

The Commerce Department has already determined in connection with the 2004 Special China Safeguard decision on socks, that these two HTS numbers contain socks which are like and directly competitive products, and that all of the 10 HTS numbers may properly constitute a safeguard group.

The babies' socks and booties in category 239 are identified by HTS numbers 611206050, 611305050 and 611905050. For purposes of selecting particular products from this list which could act as an indicator or bellwether for the category group as a whole, the monitoring program could focus on babies' socks and booties of cotton in HTS number 6111.20.60.50. The same principals concerning like and directly competitive products for socks described in the preceding paragraph apply to all three HTS numbers for babies' socks and booties.argument

Production Templates: The sock industry in India or another country in similar stage of development to Vietnam with similar climate and circumstances such as Indonesia, Bangladesh or Sri Lanka would be an appropriate market economy country to examine for comparison.

The production template for socks should include the following factors among others:

- Inputs and cost of local cost of yarns, both cotton and polyester or other man-made fibers
- Labor inputs and costs
- Land and building costs and inputs
- Energy costs and inputs
- Capital costs and inputs
- Knitting machine costs and inputs
- Transportation costs and inputs
- Export tax rebates
- Currency value manipulation
- Water and sewage treatment costs and inputs
- Packaging costs and inputs

As a non-market economy with a communist government like neighboring China, Vietnam might also be expected to provide subsidies in the form of:

- Assistance to its textile sector in connection with the manufacturing of raw materials as well as end product, including provision of subsidized yarn, and subsidized dyeing and finishing operations.
- Financing of mill establishments and the purchase and selling of raw materials.
- More favorable bank terms for export industries or enterprises which service or supply such export industries.
- Export contingent tax incentives for foreign-invested enterprises.
- Income tax reductions targeted on export oriented businesses.
- VAT refunds for imported capital equipment used for export-oriented businesses.
- Grants by national or local governments for export-oriented industries.
- Continued subsidies for state-owned enterprises which are running at a loss.
- Subsidies for coal and oil supplied to special industrial sectors (such as textiles and apparel).
- Forgiveness by state banks of loans.

Domestic Industry Information: The Commerce Department should examine the quarterly and annual reports of the Census Bureau on domestic sock production, and domestic market share. Also examine domestic sock industry employment and sock mill closings and layoffs. World average price of sock imports in the U.S. market from the World Trade Atlas should be compared to Vietnamese average price of sock imports to the U.S., and the average Vietnamese price of sock exports to the world.

Biannual Evaluation Process: If hearings are decided upon as part of the biannual evaluation process, the Commerce Department should hold a sock industry hearing in Fort Payne Alabama and a location in North Carolina such as Hickory, Winston-Salem or Greensboro.

Please feel free to contact me or Jim Schollaert for any further information.

Sincerely



Charles Cole
Chairman
Domestic Manufacturers Committee