

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2004):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO APPAREL OF
Twill RAYON-NYLON-SPANDEX WARP STRETCH FABRICS
FROM CARIBBEAN BASIN COUNTRIES**

Investigation No. 332-458-019

October 2004



Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-458-019

Products	Apparel of twill rayon-nylon-spandex warp stretch fabrics
Requesting Parties	Mast Industries, Inc.
Date of Commission Report: USTR Public	October 12, 2004 October 2004
Commission Contact	Laura Rodriguez (202-205-3499; laura.rodriguez@usitc.gov)

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON OCTOBER 12, 2004. ALL CONFIDENTIAL INFORMATION HAS BEEN
REMOVED AND REPLACED WITH ASTERISKS (* * *).

Summary of Findings

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Caribbean Basin countries from certain twill warp stretch fabric, regardless of the source of the fabric, would likely have a slight adverse effect on U.S. fabric producers and their workers and a negligible adverse effect on U.S. fiber and yarn producers and their workers. Although there currently is no known domestic production of the subject fabric, one U.S. fabric mill stated that it has produced similar fabrics for the petitioner in the past and has the production equipment and capacity to make the fabrics. The proposed action would likely benefit U.S. firms making apparel in eligible countries from the subject fabric, and their U.S.-based workers, as well as U.S. consumers.

Background

On February 2, 2004, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-458, *Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2004 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).¹

The Commission's advice in this report relates to a petition received by CITA on August 31, 2004, alleging that certain twill stretch fabric cannot be supplied by the domestic industry in commercial quantities in a

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Feb. 9, 2004 (69 F.R. 6003) and consult the Commission's website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

timely manner. The petitioner requests that the President proclaim preferential treatment for apparel made in eligible CBTPA beneficiary countries from such fabric, regardless of the source of the fabric.²

Discussion of the product

The petition states that the subject fabric is classified in subheading 5516.22.00 (statistical reporting number 5516.22.0040) of the Harmonized Tariff Schedule of the United States (HTS), which provides for dyed woven fabrics of artificial fibers, containing less than 85 percent by weight of artificial staple fibers, mixed mainly or solely with manmade filaments, in a satin weave or twill weave construction. The petition describes the subject fabric as a dyed 2 x 1 twill woven fabric of 77 percent staple rayon, 20 percent filament nylon, and 3 percent filament spandex. Apparel made from the fabric is classified in HTS chapter 62 (apparel, not knitted or crocheted). The petitioner uses the fabric in women's suits, suit-type jackets (e.g., blazers), pants, and skirts, for which the 2004 rates of duty range from 16 percent ad valorem (skirts) to 28.6 percent ad valorem (pants).³

The petition states that the fabric contains 39.4 warp ends and 29.9 filling picks per centimeter and weighs 245 grams per square meter.⁴ The warp yarn, which contains the stretch, is composed of 70 denier nylon filament which is "gimped" or wrapped around a core of 40 denier monofilament spandex yarn. The filling yarn is 10/1 c.c. (English count) rayon staple.⁵

The subject fabrics are considered specialty fabrics made from specialized yarns and, according to the petition, result from manufacturing processes that involve specialized machinery (i.e., tensionless equipment) and complicated operations.⁶ ***⁷ These nylon-spandex warp yarns are then threaded or placed on loom beams in a process known as "warping". The petition indicates that when a stretchable warp yarn or "a stretch product is being manufactured, the warping process requires specialized warping equipment that places each warp yarn in its place on the loom under controlled "relaxed" or tensionless conditions".⁸ Furthermore, the petition states that the dyeing and finishing of a "warp stretch fabric" must be accomplished on tensionless equipment, which according to the petition, U.S. mills do not have.⁹ According to the petition, fabrics that are not made "in the same exact fashion do not provide or exhibit the same characteristics as the subject fabric and thus are not viable substitutes."¹⁰

² The President may proclaim such action if (1) he determines that the subject fabric or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner; (2) he has obtained advice from the Commission and the appropriate advisory committee; (3) he has submitted a report, within 60 calendar days after the request, to the House Committee on Ways and Means and the Senate Committee on Finance, that sets forth the action proposed, the reasons for such action, and advice obtained; (4) a period of 60 calendar days, beginning with the day on which he has met the requirements of (3), has expired; and (5) he has consulted with such committees on the proposed action during the 60-day period referred to in (3). In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

³ ***, e-mail to Commission staff, Oct. 1, 2004.

⁴ Warp yarns, also known as "ends", run lengthwise on the loom and in the fabric; while filling yarns, also known as "picks", run across the width of the loom and fabric.

⁵ Information in the paragraph is from the petition filed with CITA on behalf of Mast Industries, Inc., by Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP, New York, NY, Aug. 31, 2004.

⁶ Petition filed with CITA on behalf of Mast Industries, Inc., by Grunfeld, Desiderio, Lebowitz, Silverman, and Klestadt, LLP, Aug. 31, 2004, pp. 3-4.

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⁸ Petition filed with CITA on behalf of Mast Industries, Inc., by Grunfeld, Desiderio, Lebowitz, Silverman, and Klestadt, LLP, Aug. 31, 2004, pp. 3-4.

⁹ Ibid.

¹⁰ Petition filed with CITA on behalf of Mast Industries, Inc., by Grunfeld, Desiderio, Lebowitz, Silverman, and Klestadt, LLP, Aug. 31, 2004, p. 4.

The petition states that the subject fabric is made in Taiwan and Korea, and is cut and sewn into apparel in Guatemala. The petitioner stated that its average purchase price for the subject fabric is \$*** per yard (c.i.f.).¹¹ Information available to the Commission indicates that, if the subject fabric were produced domestically, ***.¹² ***¹³

Discussion of affected U.S. industries, workers, and consumers¹⁴

Yarn producers

Commission staff contacted several yarn producers identified by industry representatives as possible sources of the yarns used to produce the subject fabric. An official with Unifi, which considers itself to be one of the world's largest producers and processors of textured polyester and nylon yarn,¹⁵ stated that the firm produces all kinds of nylon yarn and that it could make the type of gimped nylon yarn that is used to produce the subject fabric.¹⁶ The official noted, ***. A representative for INVISTA indicated that the firm produces many varieties of the 40 denier monofilament spandex that goes into the subject fabric and that this product is fairly available in the United States; she noted that *** also produce this type of spandex.¹⁷

An official of Carolina Mills, a manufacturer of rayon staple yarns, confirmed that the company produces the kind of staple rayon yarns that are 10/1 c.c. (English count) and that are used to produce the subject fabric. Carolina Mills has ***¹⁸***¹⁹

Fabric Producers

Information available to the Commission shows that there is currently no known domestic production of the subject fabrics. Commission staff contacted several producers identified in the petition or by industry sources as possible producers of the subject fabrics, including some of the producers the petitioner stated it had contacted regarding the production of the subject fabric. Officials of ***, confirmed that they do not produce the subject fabric.²⁰

A Commission staff telephone interview with an official of *** yielded a different response, however.²¹ The ***²²***²³***²⁴

The official from Schneider Mills stated that it has a *** *** ***. According to the Schneider Mills official, the market for the subject fabric has been growing in recent years, especially for use in men's wear. He

¹¹ ***, e-mail to Commission staff, Oct. 1, 2004.

¹² ***, telephone interview by Commission staff, Sept. 29, 2004.

¹³ ***, telephone interview by Commission staff, Sept. 29, 2004.

¹⁴ In general, the manufacturing progression for the fabrics which are the subject of the two petitions is: (1) fibers are processed or spun into yarns, (2) yarns are woven into fabrics, (3) fabrics are cut into components, and (4) components are sewn into finished goods.

¹⁵ "Unifi," found at <http://www.unifi-inc.com/home.aspx>, retrieved Oct. 1, 2004.

¹⁶ ***, telephone interview by Commission staff, Oct. 1, 2004.

¹⁷ ***, telephone interview by Commission staff, Oct. 4, 2004.

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²³ ***, telephone interview by Commission staff, Oct. 6, 2004.

²⁴ ***

said that Schneider Mills could run ***. He also stated that there are *** U.S. dyers and finishers, including ***, which could dye and finish the subject fabrics.²⁵ ***²⁶

Views of interested parties

The Commission received a written submission opposing the petition from the International Textile Group, (ITG) which stated that it could produce the fabric requested by the petitioner. ITG stated that it had been contacted by Mast Industries regarding the production of the twill rayon-nylon-spandex warp stretch fabric and that it asserted that it could produce the fabric. ITG explained that it would source the yarn domestically, weave the fabric or contract the weaving to another greige mill with expertise in weaving fabrics with warp stretch, and finish the product in ITG's Hurt, Virginia facility. ITG acknowledged that the fabric it would produce "would be an expensive fabric, but it could be done." ITG also stated that Mast Industries fails to include a specification for the amount of stretch in the fabric they seek and that without such a specification, fabrics with less stretch could gain access to the same preferential treatment. ITG also stated that it could import warp yarn in greige form to "help address the real issue, price."

Probable economic effect advice²⁷

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible CBTPA beneficiary countries from the twill rayon-nylon-spandex warp stretch fabrics named in the petition, regardless of the source of such fabrics, could have a slight adverse effect on U.S. fabric producers and their workers and would potentially have at most a negligible adverse effect on U.S. yarn and fiber producers and their workers. Although currently there are no subject fabrics in production in the United States, an official of Schneider Mills states that it has the specialized machinery and means to weave the fabrics and that it produced similar warp stretch fabrics for the petitioner two years ago. *** In addition, information available to the Commission indicates there currently is domestic production of the raw material inputs—nylon, spandex, and rayon staple fibers—for the U.S. production of yarns and U.S. yarn producers which can produce the yarns that are woven into the subject fabrics. ***

The proposed preferential treatment likely would have a negligible adverse effect on U.S. apparel producers and their employees. Imports supply most of the domestic market for women's apparel made from the subject fabrics. The expected increase in imports of apparel made in eligible CBTPA countries from the subject fabrics would likely displace mostly imports, because any U.S. production is likely for niche markets. The proposed preferential treatment would likely benefit U.S. firms and their workers making such apparel in eligible CBTPA countries from the subject fabrics by increasing the supply and availability of the fabrics. The proposed preferential treatment also would likely benefit U.S. consumers of apparel made from the subject fabrics to the extent that importers pass on some of the duty savings to retail consumers.

²⁵ Ibid.

²⁶ ***, telephone interview by Commission staff, Oct. 6, 2004.

²⁷ The Commission's advice is based on information currently available to the Commission.