UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2006): EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO APPAREL OF MEN'S KNIT SWEATERS CONTAINING CERTAIN COTTON/CASHMERE BLENDED YARN

Investigation No. 332-473-003

April 2006

Commercial Availability of Apparel Inputs (2006): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-473-003

Products	**Men's Sweaters of Cotton/Cashmere Blended Yarn**
Requesting Parties	**Shibani Inwear, Mauritius**
Date of Commission Report: USTR Public	**April 17, 2006 April 2006**
Commission Contact	**Vincent DeSapio (202-205-3435, vincent.desapio@usitc.gov)**

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON APRIL 17, 2006. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (***).

Summary of Findings

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of men's sweaters made in eligible AGOA countries from cotton/cashmere blended yarn, regardless of the source of the yarn, likely would not have an effect on the U.S. apparel and fabric industries and their workers. Industry sources indicate that there is a minimal amount of U.S. production of men's sweaters and no U.S. production of the sweaters using this cotton/cashmere yarn. Industry sources also report that there is little or no U.S. production of full-fashioned men's sweaters–the type produced by the petitioner in Mauritius. These sweaters are knitted to size and shape using the subject yarn; therefore, no knitted fabric producers are involved in the production process. The preferential treatment is likely to have little or no effect on the U.S. yarn spinning industry and its workers. Although there is *** The proposed action would likely benefit any U.S. firms making men's sweaters in eligible AGOA countries from the subject yarns, and their U.S.-based workers, as well as U.S. consumers.

Background

On February 16, 2006, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-473, *Commercial Availability of Apparel Inputs (2006): 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)). Under this investigation, the Commission provides advice regarding the probable economic effect of granting preferential treatment to apparel made from fabrics or yarns that are the subject of petitions filed with CITA by interested parties in 2006 with 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]

[1] For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Mar. 3, 2006 (71 F.R. 10992) and consult the Commission's website at www.usitc.gov/ind_econ_ana/research_ana/pres_cong/332/short_supply/shortsupintro.htm.

The Commission's advice in this report relates to a petition received by CITA on March 6, 2006, alleging that a certain cotton/cashmere blended yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for men's sweaters under the AGOA, regardless of the source of the yarn.[2]

Discussion of the product

The subject yarn is a combed, ring-spun yarn made of a blend of 92-percent cotton and 8-percent cashmere by weight and is classified in the Harmonized Tariff Schedule of the United States (HTS) under subheading 5205.42.00 (statistical reporting number 5205.42.0020), which provides for cotton yarn, containing 85 percent or more by weight of cotton, not put up for retail sale. The U.S. general rate of duty on yarns classified in this subheading is 6.5 percent ad valorem. According to the petition, using 12 gauge flat bed knitting machines, the yarn is used to produce a range of long sleeve men's sweaters. These sweaters are classified in HTS chapter 61 (apparel, knitted or crocheted) under HTS subheading 6110.20.20 (statistical reporting number 6110.20.2010) and subject to a 2006 U.S. general rate of duty of 16.5 percent ad valorem.

The petitioner, Shibani Inwear,[3] will source the yarns from Singex of China[4] and the sweaters will be knitted, assembled, and packaged in Mauritius. The subject yarn is described in the petition as a 2/32s Nm (metric number), with a "resultant count" or an average yarn count in metric terms of 16Nm. This figure converts to an average yarn number in the English system of 9.2 ecc (English cotton count).

Shibani Inwear plans to produce the subject cotton/cashmere sweaters for its client, the Target Corporation, United States. The subject sweaters are knit on fully fashioned flat bed knitting machines. The panels of the subject sweaters are "knitted to the correct measurements and are simply sewn together. ***[5] This type of knitting is also known as full-fashion knitting. ***[6]***[7]***[8] Shibani has "confirmed orders from Target for 100,000 garments, which will require 50,000 kilograms (kgs) of yarn."[9]

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[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] Shibani Inwear is a wholly owned Mauritian company with a work force of 1,450 employees. The company utilizes 220 electronic flat bed knitting machines and its manufacturing includes sewing, dyeing, packing, and finishing, all in Mauritius.

[4] The petitioner *** Alan Fellingham, Shibani Inwear, e-mail to Commission staff, Mar. 28, 2006.

[5] *** e-mail to Commission staff, Mar. 31, 2006.

[6] *** e-mail to Commission staff, Mar. 28, 2006.

[7] CIF is cost, insurance, and freight, and as used above, means the price of the yarn includes the cost, insurance, and freight into Mauritius.

[8] *** e-mail to Commission staff, Mar. 28, 2006.

[9] Shibani Inwear, "Ref: Commercial Availability Request Under African Growth and Opportunity Act (AGOA) Short Supply-Textiles-Cotton/Cashmere Yarn," petition to CITA, March 2006, p. 2.

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

Apparel producers

Interviews with U.S. spinning mills that have spun cotton/cashmere blended yarns in the past failed to reveal any apparel producers that manufacture men's sweaters using the subject and similar yarns.[10] A representative of the American Apparel and Footwear Association (AAFA) stated that, in general, most U.S. apparel production is by U.S. firms producing custom orders or small quantities of apparel to augment their import lines for replenishment purposes or for the U.S. military.[11] ***[12]***

Fabric producers

No knitted fabric producers are involved in the production process, as the subject full-fashioned sweaters are knitted to size and shape. Further, no U.S. knitted fabric producers were identified which produce substitutable fabrics for use in the domestic production of men's sweaters by any process.

Yarn producers

Originally two U.S. yarn spinners–Tuscarora Yarns, Mt. Pleasant, NC, and North Carolina Spinning Mills, Lincolnton, NC,–stated that *** During the course of this review, ***[13]

A representative of North Carolina Spinning Mills, a specialty yarn producer, stated that ***[14]***[15]

Parkdale Mills, Gastonia, NC, does not make the subject cotton/cashmere blended yarn and ***[16] Buhler Quality Yarn Corp., Jefferson, GA, does not spin the subject blended yarn.[17] In addition, Avondale Mills, Monroe, GA, does not produce the subject yarn and ***[18]

Views of interested parties

No written submissions were filed with the Commission.

Probable economic effect advice[19]

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of men's sweaters made in eligible AGOA countries from the subject yarn, regardless of the source of such yarn, is not likely to have an effect on the domestic apparel industry or its workers, because there is currently no known U.S. production of men's sweaters of the subject yarn or of men's sweaters that might be substitutable for the subject sweaters. Interviews with industry sources failed to reveal any apparel producers that may manufacture men's sweaters of the subject yarn. In addition, there is reportedly ***[20] To the extent that

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[10] *** telephone interview by Commission staff, Mar. 14, 2006.
[11] Stephen Lamar, AAFA, telephone interview by Commission staff, Apr. 2006.
[12] *** telephone interview by Commission staff, Apr. 4, 2006.
[13] *** telephone interview by Commission staff, Apr. 4, 2006.
[14] Information in this paragraph is from ***, telephone interviews by Commission staff, Mar. 21 and 30, 2006.
[15] ***
[16] *** telephone interview by Commission staff, Mar. 14, 2006.
[17] *** telephone interview by Commission staff, Mar. 15, 2006.
[18] *** telephone interview by Commission staff, Mar. 15, 2006.
[19] The Commission's advice is based on information currently available to the Commission.
[20] *** telephone interview by Commission staff, Apr. 4, 2006.

men’s sweaters made from the subject yarn are substitutable for men’s sweaters sold in the United States, it likely would displace imports because imports appear to account for virtually all of this U.S. market.

The preferential treatment is likely to have little or no effect on the U.S. yarn spinning industry and its workers. ***[21]***

The proposed preferential treatment would likely benefit U.S. consumers of apparel made of the subject fabrics to the extent that importers pass on some of the duty savings to retail consumers. It likely would also benefit any U.S. firms that make the subject apparel in eligible AGOA countries and their U.S.-based workers.

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