

United States International Trade Commission

APPAREL INPUTS IN "SHORT SUPPLY" (2002):

**Effect of Providing Preferential
Treatment to Apparel From
Sub-Saharan African and
Caribbean Basin Countries**

Compilation of Reports Requested in 2002

Investigation No. 332-436
USITC Publication 3581
February 2003



U.S. International Trade Commission

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OVERVIEW

On January 14, 2002, following receipt of a request from the United States Trade Representative (USTR), the U.S. International Trade Commission (Commission) instituted investigation No. 332-436, *Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2002 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA). For further information on the investigation, see appendix A for a copy of the USTR request letter and appendix B for a copy of the Commission’s notice of institution, which was published in the *Federal Register* (67 F.R. 3733) on January 25, 2002. The Commission conducted a similar investigation in 2001 to provide advice with respect to requests filed that year under the AGOA and the CBTPA.¹

During 2002, the Commission was requested to provide advice under the “short supply” provisions for seven petitions. A copy of the Commission’s advice in connection with each of these petitions is included in this report, with any confidential business information deleted. The table below provides a brief description of the articles named in each petition, the date on which each petition was received by the Committee for the Implementation of Textile Agreements (CITA), whether the advice was requested under the AGOA and/or the CBTPA, and whether the specified apparel articles were subsequently designated by CITA as eligible for duty-free and quota-free treatment under the “short supply” provisions of the AGOA and the CBTPA.²

No.	Brief product description	Date of receipt	AGOA	CBTPA	CITA decision
001	Blouses of certain shirting fabrics	01/04/02		X	No
002	Apparel of combed cashmere and camel hair yarn	01/04/02		X	Yes
003	Certain apparel of fine-yarn, high-count woven fabrics	02/28/02	X		Yes
004	Apparel of flannel fabrics	06/11/02		X	No
005	Men’s suits and suit jackets of certain worsted wool fabrics	07/19/02		X	No
006	Apparel made with certain fusible interlinings . . .	12/12/02		X	(¹)
007	Blouses of certain shirting fabrics	12/18/02		X	(¹)

¹ CITA determined that the subject interlinings (No. 006) and shirting fabrics (No. 007) cannot be supplied by the domestic industry in commercial quantities in a timely manner. As such, CITA and the USTR submitted a report in connection with each petition to the House Committee on Ways and Means and the Senate Committee on Finance, as required by the CBTPA. Following expiration of the congressional layover period of 60 calendar days (or April 11, 2003, for the subject interlinings and April 15, 2003, for the subject shirting fabrics), CITA will consider whether to extend short supply treatment to the specified apparel articles made of the subject inputs.

¹ U.S. International Trade Commission, *Apparel Inputs in “Short Supply” (2001): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African and Caribbean Basin Countries* (investigation No. 332-428), USITC publication 3492, Feb. 2002.

² In Executive Order No. 13191, the President delegated to CITA, chaired by the U.S. Department of Commerce, the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. He authorized CITA and the USTR to submit the required report to the Congress, and delegated to USTR the authority to obtain advice from the Commission.

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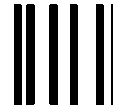
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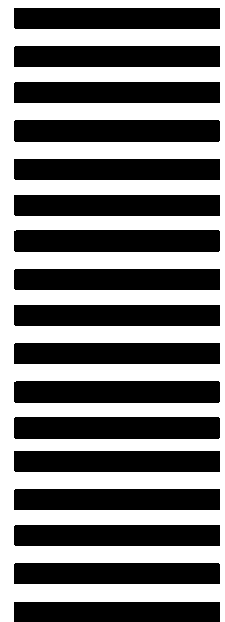
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Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-436-001

Products	Women’s and girls’ blouses of certain shirting fabrics
Requesting Party	School Apparel, Inc., Star City, Arkansas
Date of Commission Report: USTR Public	February 15, 2002 February 2002
Commission Contact	Jackie W. Jones (202-205-3466); jones@usitc.gov

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON FEBRUARY 15, 2002. ALL CONFIDENTIAL INFORMATION HAS BEEN
REMOVED AND REPLACED WITH ASTERISKS (***) .

Summary of Findings

The Commission’s analysis shows that granting duty-free and quota-free treatment to U.S. imports of blouses made in eligible Caribbean Basin countries from certain shirting fabrics,¹ regardless of the source of the fabrics, would likely have no adverse effect on U.S. yarn and fabric producers, because the two known mills having the capacity to make the subject fabrics currently do not make them. The proposed preferential treatment also would likely have a negligible adverse effect on U.S. producers of blouses and their workers. U.S. firms producing blouses in eligible Caribbean Basin countries would likely benefit from the granting of the proposed preferential treatment. U.S. consumers also would likely benefit from any duty savings resulting from the proposed preferential treatment.

Background

On January 17, 2002, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-436, *Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2002 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).²

The Commission’s advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on January 4, 2002, alleging that certain shirting fabrics for use in blouses cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for such apparel made in eligible CBTPA beneficiary countries from such fabrics, regardless of the source of the fabrics. The President is required to

1 ***

² For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of January 25, 2002 (67 F.R. 3733) and its website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be proclaimed, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.³

Brief discussion of the product

The shirting fabrics named in the petition are classified in subheadings 5210.21 and 5210.31 of the Harmonized Tariff Schedule of the United States (HTS), which cover bleached (5210.21) and dyed (5210.31) plain-woven fabrics containing less than 85 percent by weight of cotton, mixed mainly or solely with manmade fibers, and weighing not more than 200 grams per square meter. The petition identifies the subject fabrics under subheadings 5210.21 and 5210.31 as broadcloth, not of square construction, containing more than 70 warp ends and filling picks per square centimeter, and of average yarn number exceeding 70 metric (or approximately 42 singles yarn). The 2002 general rates of duty on the bleached fabric are 8.4 percent ad valorem, if the yarns in the fabrics are of number 42 singles or lower, and 11.4 percent ad valorem, if the yarns are of numbers 43 to 68 singles. The duty rates on the dyed fabrics are subject to 10.1 percent ad valorem, if the yarns are of number 42 singles or lower, and 12.2 percent ad valorem, if the yarns are of numbers 43 to 68 singles. The subject fabrics are used in the production of women's and girls' blouses, particularly girls' uniform blouses that are classified in HTS chapter 62 (apparel, not knitted or crocheted). The 2002 general rates of duty on imports of blouses made from the subject fabrics are 15.6 percent and 8.2 percent ad valorem, depending on the type of blouse.

The petitioner (School Apparel) uses the subject fabrics in the production of uniform blouses. It markets two uniform lines (school and career), mostly to distributors that specialize in marketing one line or the other.⁴ The firm manufactures the blouses to customer specifications from fabrics specified by the customers.⁵ ***6***7***8

Brief discussion of affected U.S. industries, workers, and consumers

The only known U.S. fabric mills having the capacity to produce the subject fabrics are Dan River, Inc., Danville, VA,⁹ and Wade Manufacturing Co., Wadesboro, NC. However, each firm said it does not currently make and sell the subject fabrics ***¹⁰ Dan River stated that it produces higher value-added broadcloth by using colored yarns to create stripes, plaids, and other patterns, mostly for men's shirting fabrics.¹¹ Dan River stated that it would be able to meet the specifications for the fabrics used in school uniforms, because it produces broadcloth that is used in the production of uniforms for the fast food industry and is able to meet the specifications for shirting fabrics used in the production of shirts for U.S. military

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. He authorized CITA and USTR to submit the required report to the Congress.

⁴ David Watts, School Apparel, Inc., Star City, AR, telephone interview by Commission staff, Feb. 1, 2002.

⁵ David Watts, School Apparel, Inc., Star City, AR, petition for short supply designation for certain fabrics used for blouses, submitted to CITA, Jan. 4, 2002, p. 4.

⁶ ***

⁷ ***

⁸ ***

⁹ ***

¹⁰ Pete Evans, Dan River, Inc., New York, NY, and Bernie Hodges, Wade Manufacturing Co., Wadesboro, NC, telephone interviews by Commission staff, Jan. 31 and Feb. 1, 2002.

¹¹ Dan River has a vertically integrated operation and produces most of the yarn it weaves into fabrics. ***

uniforms.¹² ***¹³ Wade Manufacturing stated that it has *** making related fabrics and that the equipment could be easily adjusted with minimal downtime to make the subject fabrics.¹⁴

The American Textile Manufacturers Institute (ATMI) stated that the subject fabrics are available from Dan River and Wade Manufacturing in commercial quantities in a timely manner. ATMI indicated that by slightly varying their production processes, the two mills would be able to make the subject fabrics.¹⁵

Bendinger Industries Group, a customer of the petitioner, stated that the subject fabrics have not been available from domestic sources for many years.¹⁶ It indicated that because school uniform blouses are sold at very tight price points, using more expensive fabrics which have relatively higher yarn counts--like those made domestically--would price the petitioner out of this market. ***¹⁷*** Elderwear Manufacturing Co., a producer of women's and girls' blouses from the subject fabrics, stated that although Dan River may be able to modify its looms to make the subject fabrics, the mill does not offer the subject fabrics in its "open line" and, therefore, the subject fabrics are not available in commercial quantities in a timely manner.¹⁸

Views of interested parties

No written submissions were filed with the Commission.

Probable economic effect advice¹⁹

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of blouses made in eligible CBTPA beneficiary countries from the subject fabrics, regardless of the source of the fabrics, would likely have no adverse effect on U.S. yarn and fabric producers, because the two known mills having the capacity to make the subject fabrics currently do not make them. ***²⁰

The proposed preferential treatment would likely have a negligible adverse effect on U.S. firms making women's and girls' blouses made from the subject fabrics, and their employees. The U.S. markets for blouses, including school uniform blouses, made from the subject fabrics are believed to be largely supplied by imports from Asia, Mexico, and the CBTPA countries. To the extent that imports of blouses from eligible countries increase, these imports would likely displace imports from other countries to a greater degree than they would displace U.S. production, because any existing U.S. production is likely to be supplying niche markets or exist for quick response purposes. U.S. and other firms making blouses in eligible CBTPA countries are likely to benefit from the granting of the proposed preferential treatment.

U.S. distributors and consumers of blouses (school and career uniform blouses) would likely benefit from the proposed preferential treatment, because importers are likely to pass through some of the duty savings, given the highly competitive market for uniform blouses.

¹² Ed Supimski, Merchandise Manager, Government, Military, and Uniform Fabrics, Dan River, Inc., New York, NY, Jan. 31, 2002.
¹³ ***

¹⁴ Bernie Hodges, Wade Manufacturing Co., Wadesboro, NC, telephone interview by Commission staff, Jan. 31, 2002.

¹⁵ Written submissions to CITA from ATMI officials Charles V. Bremer, Director, International Trade, Jan. 16, 2002, and Carlos Moore, Executive Vice President, Jan. 25, 2002.

¹⁶ Virginia Bendinger, Bendinger Industries Group, King of Prussia, PA, written submission to CITA, Jan. 18, 2002.

¹⁷ ***

¹⁸ Ron Sher, President, Elderwear Manufacturing, Inc., St. Louis, MO, written submission to CITA, Jan. 24, 2002.

¹⁹ The Commission's advice is based on information currently available to the Commission.

²⁰ ***



Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-436-002

Products	Apparel of combed cashmere and camel hair yarn
Requesting Party	Warren Corp., Stafford Springs, CT
Date of Commission Report: USTR Public	February 15, 2002 February 2002
Commission Contact	Kimberlie Freund (202-708-5402); kfreund@usitc.gov

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ON FEBRUARY 15, 2002. ALL CONFIDENTIAL INFORMATION HAS BEEN
REMOVED AND REPLACED WITH ASTERISKS (***)

Summary of Findings

The Commission's analysis shows that granting duty-free and quota-free treatment to apparel made in eligible Caribbean Basin countries from fabrics produced in the United States of yarns of combed cashmere, cashmere blends, or camel hair, regardless of the source of the yarns, would likely have no adverse effect on the yarn-spinning segment of the U.S. textile industry, because there are no known U.S. producers of such yarn. The proposed preferential treatment would likely benefit U.S. producers making fabrics of the yarn and U.S. firms assembling the apparel in eligible beneficiary countries, and their U.S.-based workers. The proposed preferential treatment could have a negligible adverse effect on U.S. firms that make apparel domestically from certain worsted fabrics in wool/cashmere or wool/camel hair blends, and their workers. U.S. consumers would likely benefit from some duty savings.

Background

On January 17, 2002, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-436, *Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2002 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).¹

The Commission's advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on January 4, 2002, alleging that yarn of combed cashmere, cashmere blends, and camel hair cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for apparel made in eligible CBTPA beneficiary countries from fabrics made in the United States of such yarn, regardless of the

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of January 25, 2002 (67 F.R. 3733) and its website at <www.usitc.gov/332s/shortsup/shortsupintro.htm>.

source of such yarn. The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be proclaimed, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.²

Brief discussion of the product

The yarns named in the petition are classified in subheading 5108.20.60 of the Harmonized Tariff Schedule of the United States (HTS), a residual or “basket” provision covering yarns of combed fine animal hair other than Angora rabbit hair, not put up for retail sale. The subject yarns include those made entirely of combed cashmere or camel hair and those made of combed cashmere blends in which fine animal hair predominates by weight over each other single textile fiber (usually sheep’s wool). Cashmere fibers (the soft hair of the Kashmir or cashmere goat) and camel hair originate in China, Mongolia, Afghanistan, and Iran.³ The 2002 general rate of duty on the subject yarns is 5 percent ad valorem.

The subject yarns are made on the worsted spinning system and, hence, are called worsted yarns.⁴ Most of the subject yarns imported into the United States, which are believed to come mainly from Italy, are processed into worsted (woven) fabrics for use in the production of men’s tailored clothing, such as suits, sport coats, and trousers, and, to a lesser extent, women’s suit-type jackets and men’s overcoats. For purposes of the petition, these worsted fabrics can be made entirely of the subject yarns or in blends of the subject yarns and other (usually wool) yarns, provided that these other yarns are made in the United States. Fabrics wholly of cashmere or camel hair generally are used in men’s sport coats, and men’s and women’s blazers.

According to Warren Corp. (the petitioner), cashmere fibers and camel hair cost substantially more than fine wool fibers (cashmere costs 6 to 8 times more, and camel hair 3 to 4 times more) and they require a higher degree of specialized skill to process into yarn.⁵ The firm stated that fabrics made from combed cashmere or camel hair yarns have characteristics that distinguish these fabrics from worsted wool fabrics or from woolen fabrics of carded cashmere or camel hair.⁶ In addition, worsted fabrics wholly of cashmere or camel hair cost significantly more than worsted fabrics of wool. According to Warren Corp., prices on a linear yard basis average *** for a typical 100-percent worsted cashmere fabric, *** for a camel hair fabric, and *** for a worsted wool fabric.⁷

² 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. He authorized CITA and USTR to submit the required report to the Congress.

³ U.S.-made cashmere fibers reportedly are coarser, or thicker, than the foreign fibers and, hence, are not suitable for use in fine woven fabrics. U.S.-made cashmere fibers are used in the manufacture of hand-spun yarns for the home crafts market. Gail White, Ozark Carding Mills, Warsaw, MO, telephone interview by Commission staff, Mar. 24, 2001.

⁴ Fine animal hair and wool fibers are processed into yarn on either the worsted or woolen spinning system. In general, wool fibers and animal hair that undergo carding and combing are spun into “worsted” yarns, while those that undergo carding only are spun into “woolen” yarns. Worsted yarns tend to be tightly spun with a smooth surface, while woolen yarns are loosely twisted with a fuzzy surface. Worsted yarns are often processed into fabrics for tailored clothing, while woolen yarns are processed into woven fabrics for certain tailored clothing, such as blazers and overcoats, and knit fabrics for sweaters and other knitwear. Only worsted yarns made from the specified fine animal hair are covered by this petition.

⁵ Warren Corp., Stafford Springs, CT, petition for short supply designation for yarn of combed cashmere, cashmere blends, and camel hair, addressed to the Chairman of CITA, Dec. 19, 2001, p. 1.

⁶ Ibid.

⁷ Lisa Cornish, Warren Corp., Stafford Springs, CT, e-mail correspondence, Jan. 18, 2002.

Sport coats are being made from fabrics containing yarns of a variety of fibers, including cashmere, camel hair, wool, and manmade fibers.⁸ Tailored clothing is also sometimes made with fabrics in which the cashmere yarn content is small (e.g., containing 5 to 20 percent cashmere). Fabrics containing small amounts of cashmere are used in tailored clothing to offer consumers clothing with a softer feel (or hand) and a cachet of prestige at a lower price than for a garment containing 100-percent cashmere or camel hair. Worsted wool/cashmere garments are not always sold at a premium over the price of a 100-percent worsted wool garment.⁹

Tailored clothing made from worsted fabrics wholly or in chief weight of the subject yarns is classified in HTS chapter 62 (apparel, not knitted or crocheted) under provisions for garments of all types of "wool or fine animal hair," as is worsted apparel made from cashmere blends (e.g., 90-percent wool and 10-percent cashmere).¹⁰ The 2002 general rates of duty on imports of men's and women's woven suit-type jackets and men's suits, trousers, and overcoats of wool or fine animal hair average about 18.5 percent ad valorem. In addition to tariffs, there are specific limits (quotas) on imports from several CBTPA countries (Costa Rica, the Dominican Republic, and Guatemala) of certain garments of wool (including fine animal hair).¹¹

The U.S. market for apparel made from the subject yarns is believed to be small relative to that for all worsted wool tailored clothing.¹² Cashmere and camel hair clothing tends to sell in the upper end of the market. For example, the retail price of men's sport coats made wholly of combed cashmere yarn ranges from \$600 to more than \$1,500 each. Retail prices for tailored clothing of cashmere blends vary widely, depending on the type and quality of the fibers, and the quality of the fabric and garment. Several industry sources stated that the domestic market for tailored clothing of wool/cashmere blends is growing.

Brief discussion of affected U.S. industries, workers, and consumers

Yarn

There are no known U.S. producers of the subject yarns for commercial sale. According to the Warren Corp., ***¹³ According to the petition, Warren stated that cashmere fiber and especially camel hair are difficult fibers to comb and spin, because they are so fine and are shorter in length than wool fibers, and that it is necessary to have a dedicated facility to spin a high-quality combed cashmere or camel hair yarn. ***¹⁴

U.S. producers of combed wool yarn contacted by Commission staff stated that they do not produce yarns containing cashmere fiber or camel hair, because the fiber and hair are too difficult to spin on the worsted system or because they do not have the equipment in place to process them into yarn.¹⁵ The firms

⁸ Thomas C. Chubb III, Vice President - Law and International Trade, and General Counsel, Oxford Industries, Inc., Atlanta, GA, telephone interview by Commission staff, Jan. 24, 2002.

⁹ Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., Inc., Rochester, NY, telephone interview by Commission staff, Jan. 31, 2002.

¹⁰ Few, if any, of the imported subject yarns are used to make knit fabrics for apparel classified in HTS chapter 61 (apparel, knitted or crocheted), according to Karl Spilhaus, President of the Northern Textile Association and the Cashmere and Camel Hair Manufacturers Institute, Boston, MA, telephone interview by Commission staff, Jan. 9, 2002.

¹¹ None of the CBTPA countries completely filled their wool apparel quotas in 2001. The highest fill rates were posted by Guatemala, which filled 92 percent of its quota on men's and boys' wool suits, and the Dominican Republic, which filled 83 percent of its quotas on men's and boys' wool suit-type jackets and suits.

¹² Data on U.S. production and imports of apparel of cashmere or camel hair are not available.

¹³ ***

¹⁴ Lisa Cornish, Warren Corp., Stafford Springs, CT, telephone interviews by Commission staff, Jan. 8 and 9, 2002, and Feb. 7, 2002, and email correspondence, Jan. 8 and 18, 2002.

¹⁵ Telephone interviews by Commission staff with ***.

indicated that cashmere fiber and camel hair are much shorter and finer than the combed wool fiber processed by them into yarn.

Family Yarns, Inc., and Amicale Industries, Inc., indicated that they produce carded but not combed cashmere yarn.¹⁶ Amicale stated that combed yarn is sometimes used in combination with carded yarn, one in the warp (length) of the fabric, and the other in the filling (width) of the fabric.¹⁷ According to Amicale, it is not possible for “Amicale or other U.S. yarn producers to purchase sufficient imported cashmere and camel hair fibers to spin all the yarn needed to produce cashmere and camel hair fabric in the U.S.”¹⁸ Burlington Industries, Inc., a U.S. producer of combed wool yarn and worsted wool fabric, indicated that it

***¹⁹

Fabric

Warren Corp. is the only known producer of combed cashmere and camel hair fabrics in the United States, although other firms have the capability to produce the fabrics, according to the Northern Textile Association.²⁰ In 2000, Warren’s production of fabrics containing the subject yarns was equivalent to *** of U.S. production of worsted wool apparel fabrics, which totaled 41 million square meters in 2000,²¹ and an estimated *** percent of U.S. production of fine-micron worsted wool fabrics (those having an average fiber diameter of 18.5 microns or less) for use in men’s tailored clothing.²² In 2001, Warren said its production of fabric containing the subject yarns totaled ***.

Victor Forstmann, Inc., a U.S. producer of worsted and woolen fabrics, ***.²³

Apparel

Warren Corp. said it sells fabrics made from the subject yarns to ***.²⁴ According to the Tailored Clothing Association (TCA), there are more than 15 U.S. producers of men’s tailored clothing that make clothing from fabrics containing the subject yarns.²⁵

TCA stated that about 10 percent of the worsted wool and fine animal hair fabrics purchased by the domestic men’s tailored industry contain yarns of combed cashmere or camel hair.²⁶ In 2000, the market for worsted wool fabric for men’s tailored clothing was estimated at 19 million square meters.²⁷ Thus, according to TCA, the size of the market for worsted fabrics containing the subject yarns is about 1.9 million square meters, of which Warren Corp. supplies approximately *** percent. According to TCA, “there

¹⁶ Joe Marchelletta, Family Yarns, Inc., Etna, ME, and Boris Shlomm, Amicale Industries, Inc., New York, NY, telephone interviews by Commission staff, Jan. 10, 2002.

¹⁷ Boris Shlomm, Amicale Industries, Inc., New York, NY, telephone interview by Commission staff, Jan. 10, 2002.

¹⁸ John S. Rode, Rode & Qualey, Counsel to Amicale Industries, written submission to the Commission, Jan. 28, 2002.

¹⁹ Ross Haymes, Burlington Industries, Inc., telephone interview by Commission staff, Jan. 22, 2002.

²⁰ Karl Spilhaus, Northern Textile Association, telephone interview by Commission staff, Jan. 9, 2002.

²¹ U.S. Census Bureau, *Current Industrial Reports: Broadwoven Fabrics (Gray)—Summary 2000* (MQ313T(00)-5).

²² Warren is believed to account for most, if not almost all, of the fabrics produced domestically using the subject yarns, but some of the subject yarns may have been used by other firms *** in blends with carded yarn or with other fibers. Data on Warren’s fabric production were derived from information from Lisa Cornish, Warren Corp., e-mail correspondence, Jan. 18, 2002. For data on U.S. production of fine-micron worsted wool fabrics, see USITC, *Certain Wool Articles: First Annual Report on U.S. Market Conditions* (investigation No. 332-427), publication 3454, Sept. 2001.

²³ Sarah Magruder, Director, Marketing, Victor Forstmann, Inc., New York, NY, telephone interview by Commission staff, Jan. 30, 2002.

²⁴ Lisa Cornish, Warren Corp., Stafford Springs, CT, e-mail correspondence, Jan. 8, 2002.

²⁵ David A. Starr, Counsel to TCA, telephone interview by Commission staff, Jan. 28, 2002.

²⁶ David A. Starr, Counsel to TCA, telephone interview by Commission staff, Jan. 30, 2002.

²⁷ See USITC, *Certain Wool Articles: First Annual Report on U.S. Market Conditions*, publication 3454, Sept. 2001.

is not a significant high-end suit, sport coat, trouser, and overcoat production in the Caribbean . . . that would involve the use of cashmere and camel hair fabrics.²⁸ Hickey-Freeman Co. indicated that it produces all of its garments in the United States and ***.²⁹ The firm stated that it ***.³⁰

Joseph S. Banks indicated that it ***.³¹

Nordstrom, a retailer that contracts for the production of garments made with combed cashmere and camel hair, indicated that it is ***.³²

Oxford Industries, Inc., a U.S. apparel company, ***.³³

Neema Clothing ***.³⁴

Views of interested parties

TCA and the Clothing Manufacturers Association of the United States of America (CMA), industry associations whose members include U.S. tailored clothing manufacturers, submitted a joint statement in which they stated their opposition to the proposed preferential treatment.³⁵ They indicated that there is sufficient unused domestic production capacity to spin the subject yarns and that granting the proposed preferential treatment “would significantly harm [their member] companies and undermine the relief Congress provided in enacting title V of the Trade and Development Act of 2000.” TCA and CMA also stated that granting the proposed preferential treatment would “compound the unfair advantage NAFTA provides Canadian tailored clothing companies and the current tariff inversion for domestic tailored clothing companies.”³⁶ According to TCA and CMA, Canada recently eliminated its duty rate on worsted wool/animal hair fabrics containing at least 7 percent animal hair, giving Canadian tailored clothing firms unlimited access to duty-free worsted cashmere and camel hair fabrics, and worsted wool fabrics blended with such animal hair. TCA and CMA noted that U.S. tailored clothing manufacturers must pay duties of nearly 30 percent ad valorem on similar fabrics. TCA and CMA also stated that granting the proposed preferential treatment “would effectively allow embargoed Iranian fiber to enter the United States and be used to manufacture apparel under the CBTPA.”³⁷

The Northern Textile Association (NTA), whose members include “most of the known spinners of animal fiber yarns” in the United States and Canada, and the Cashmere and Camel Hair Manufacturers Institute (CCMI), representing spinners of cashmere and camel hair yarns in the United States, Western Europe, and Japan, submitted separate statements under one cover letter in which they stated their support for the proposed preferential treatment.³⁸ NTA and CCMI stated that the subject yarns cannot be supplied by the domestic U.S. yarn spinning industry in commercial quantities in a timely manner.

²⁸ David A. Starr, Counsel to TCA, written submission to the Commission, Jan. 25, 2002.

²⁹ Walter B.D. Hickey, Jr., Chairman, Hickey-Freeman Co., Inc., Rochester, NY, telephone interview by Commission staff, Jan. 31, 2002.

³⁰ Ibid.

³¹ James Thorne, Jos. A. Banks, telephone interview by Commission staff, Jan. 24, 2002.

³² Greg Kent, Nordstrom, Seattle, WA, telephone interview by Commission staff, Jan. 22, 2002.

³³ Thomas C. Chubb III, Oxford Industries, telephone interview by Commission staff, Jan. 24, 2002.

³⁴ James Ammeen, CEO, Neema Clothing, telephone interview by Commission staff, Jan. 30, 2002.

³⁵ David A. Starr, Counsel to TCA, joint TCA/CMA written submission to the Commission, Jan. 25, 2002.

³⁶ The tariff inversion is where imports of the fabrics have been subject to higher duty rates than imports of apparel made from such fabrics.

³⁷ The United States has an embargo on imports of fibers and other goods from Afghanistan and Iran. However, if such fibers are used in a third country to produce yarn, the yarn is a product of that third country and would not be subject to the embargo.

³⁸ David Trumbull, NTA, written submission to the Commission, Jan. 28, 2002, containing copies of letters submitted to CITA by Karl Spilhaus, President of NTA and CCMI, Boston, MA, Dec. 19, 2001.

Amicale Industries, Inc., a U.S. producer of cashmere and camel hair fabrics with mills in South Carolina and Pennsylvania, stated that the firm supports the proposed preferential treatment because it would provide an economic benefit to U.S. manufacturers of fabric composed of the subject yarns by making it possible for them to produce fabrics eligible for CBTPA benefits.³⁹ The firm stated that additional benefits would also accrue to U.S. consumers who would be able to purchase apparel made from such U.S. fabrics at the lower prices made possible by receipt of the CBTPA benefits. Amicale indicated that the decline of more than 75 percent in the supply of imported cashmere and camel hair fiber currently available in the United States has created a corresponding decline in the quantity of cashmere and camel yarns that could be, and are, spun in the United States, because without the imported fibers, the yarns cannot be spun domestically. The firm claimed that its inability to supply U.S.-formed fabric to its customers, which they could use to make CBTPA-eligible apparel, results in business losses and adversely affects U.S. employment in this sector.

Probable economic effect advice⁴⁰

The Commission's analysis shows that granting duty-free and quota-free treatment to apparel made in eligible CBTPA beneficiary countries from fabrics made in the United States of the subject yarns, regardless of the source of the yarns, would likely have no adverse effect on the yarn-spinning segment of the U.S. textile industry, because there are no known U.S. producers of such yarn. The proposed preferential treatment would likely benefit U.S. producers of fabrics made from the subject yarns, and their workers, to the extent that demand increases for U.S. fabrics used in the production of apparel in eligible CBTPA beneficiary countries.

The proposed preferential treatment would also benefit U.S. and other apparel firms that produce apparel in eligible CBTPA countries from fabrics made of the subject yarns. The expected increase in imports of such apparel from these countries, although likely to be small, would likely displace some imports of similar apparel from other countries. Based on the information available to the Commission, it appears that imports of tailored clothing made in the Caribbean from the subject yarns, particularly suits and sport coats, likely would not be substitutable with U.S.-produced tailored clothing that sells in the upper range of the U.S. market, including virtually all garments made of 100-percent cashmere or camel hair. However, there may be some substitutability with U.S.-produced tailored clothing that sells in the mid to mid-high range in the market, particularly garments made from certain worsted fabrics in combed wool/cashmere blends or combed wool/camel hair blends. As such, there could be a negligible adverse effect on any U.S. firms producing apparel domestically from such fabrics.

U.S. consumers of apparel articles made from the subject yarn would likely benefit from the proposed preferential treatment because importers and retailers are likely to pass through some of the duty savings to consumers in today's highly competitive retail apparel market.

³⁹ John S. Rode, Rode & Qualey, New York, NY, on behalf of Amicale Industries, Inc., New York, NY, written submission to the Commission, Jan. 29, 2002.

⁴⁰ The Commission's advice is based on information currently available to the Commission.



Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-436-003¹

Products	Certain apparel of fine-yarn, high-count woven fabrics from AGOA countries
Requesting Party	Esquel Enterprises Limited of Hong Kong and Textile Industries Limited in Mauritius
Date of Commission Report: USTR PUBLIC	April 11, 2002 April 2002
Commission Contact	Jackie W. Jones (202-205-3466); jones@usitc.gov

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON APRIL 11, 2002. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (***)

Summary of Findings

The Commission’s analysis shows that granting duty-free and quota-free treatment to U.S. imports of certain trousers, shorts, skirts, dresses, handkerchiefs, dressing gowns, boxer shorts, and certain other apparel products made in countries eligible for preferential treatment under the African Growth and Opportunity Act (AGOA) from certain fine-yarn, high-count, woven fabrics, regardless of the source of the fabrics, could have some adverse effect on affected U.S. yarn producers and their workers, a slight adverse effect on affected U.S. fabric producers and their workers, and a negligible adverse effect on U.S. apparel producers and their workers. U.S. consumers would likely benefit from any duty savings resulting from the proposed preferential treatment.

Background

On January 17, 2002, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-436, *Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2002 in connection with petitions filed by interested parties under the “short supply” provisions of the AGOA and the United States-Caribbean Basin Trade Partnership Act (CBTPA).²

The Commission’s advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on February 28, 2002, alleging that certain fine-yarn, high-count woven fabrics for use in trousers, shorts, skirts, dresses, handkerchiefs, dressing gowns, boxer shorts, and certain other apparel cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for such apparel made in eligible AGOA beneficiary countries from such fabrics, regardless of the source of the fabrics. The

¹ Commissioner Marcia E. Miller did not participate in this review.

² For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of January 25, 2002 (67 F.R. 3733) and its website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be proclaimed, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.³

Brief discussion of the product

The woven fabrics named in the petition are classified in the Harmonized Tariff Schedule of the United States (HTS) under a large number of provisions, depending on such factors as the fiber in chief weight, whether the fabric is finished or unfinished, and the fabric weight.⁴ The fabrics are fine-yarn, high-count, light-weight fabrics⁵ of cotton or manmade fibers; made of various plain weaves, such as poplin, broadcloth, sheeting, printcloth, oxford, twill, and satin, and most of them have an average yarn number exceeding 135 metric.⁶

The subject fabrics are for use in higher priced women's and men's apparel, such as trousers, shorts, skirts, dresses, dressing gowns, boxer shorts, and apparel accessories, particularly handkerchiefs.⁷ A representative of the petitioners stated that one of the petitioners, Esquel, a Hong Kong-based apparel producer that manufactures apparel in AGOA eligible countries, has received inquiries from customers about producing these apparel products from the subject fabrics.⁸ The subject apparel products made from the subject fabrics are classified in HTS chapter 62, which provides for articles of apparel and clothing accessories of textile materials, not knitted or crocheted. The normal trade relations rates of duty on the subject apparel range mostly from 4.5 percent to 16.8 percent ad valorem.

Certain apparel products made of the subject fabrics are already eligible for preferential treatment under "short supply" provisions. Men's woven shirts made of the subject fabrics, regardless of the source of the subject fabrics, are considered to originate in North America and thus are eligible for duty-free and quota-free treatment under the North American Free Trade Agreement (NAFTA).⁹ The Trade and Development Act of 2000 includes this exemption in both section 112 of the AGOA and section 211—the Caribbean Basin Trade and Partnership Act (CBTPA).¹⁰ Women's and girls' blouses and nightwear made of the subject fabrics became eligible for preferential treatment under the AGOA on September 24, 2001.¹¹ CITA designated blouses and nightwear that are both cut and sewn or otherwise assembled in an eligible AGOA country, from these fabrics, as eligible for quota-free and duty-free treatment under the textile and

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. He authorized CITA and USTR to submit the required report to the Congress.

⁴ The fabrics are classified in HTS subheadings 5208.21, 5208.22, 5208.29, 5208.31, 5208.32, 5208.39, 5208.41, 5208.42, 5208.49, 5208.51, 5208.52, 5208.59, 5210.21, 5210.31, 5407.81, 5407.82, 5407.83, 5513.11, and 5513.21.

⁵ Fabrics woven with yarns having an average yarn number exceeding 135 metric are very light-weight fabrics, weighing less than 200 grams per square meter or 5.9 ounces per square yard, according to an official of the American Textile Manufacturers Institute (ATMI), Washington, DC, telephone interview by Commission staff, Mar. 20, 2002.

⁶ According to many industry sources, in general, an average yarn number of 135 metric is equal to an 80s single cotton yarn, based on the English cotton count. See discussion which follows in text for a more detailed definition of 135 metric.

⁷ The apparel articles are classified in HTS subheadings 6201.92, 6203.19, 6203.22, 6203.42, 6204.12, 6204.22, 6204.42, 6204.52, 6204.62, 6207.11, 6207.91, 6207.92, 6208.19, 6208.91, 6211.32, 6211.42, 6213.20, and 6217.90.

⁸ Ronald J. Sorini, Senior Trade Advisor, Sandler, Travis, & Rosenberg, P.A., Washington, DC, telephone interview with Commission staff, Mar. 21, 2002.

⁹ Subheading rule preceding GN 12(t)/62.30. On Feb. 26, 2002, CITA received a petition from ATMI requesting CITA to commence consultations with the governments of Canada and Mexico for the purpose of amending the rules of origin set forth in Annex 401 of the NAFTA for men's woven shirts classified in HTS subheadings 6205.20-6205.30. In particular, ATMI requested that paragraph (c) (which describes certain fabrics for use in the manufacture of the subject men's woven shirts) of the subheading rule applicable to HTS subheadings 6205.20-6205.30 be deleted. ATMI stated in its petition that Dan River, Inc., currently produces a line of fabric which meets one of the descriptions in paragraph (c).

¹⁰ See U.S. Customs Service's Textile Bulletin Notice (TBT 02301).

¹¹ See *Federal Register* of Sept. 25, 2001 (66 F. R. 49005-49007).

apparel short supply provisions of the AGOA, thereby covered by HTS subheading 9819.11.24 and allowed to enter free of quotas and duties.

Brief discussion of affected U.S. industries, workers, and consumers

There is believed to be one U.S. firm producing finer yarns domestically which are woven into the subject fabrics—Buhler Quality Yarns Corporation, Jefferson, GA. ***12***13***14***

According to a submission to CITA by the American Textile Manufacturers Institute (ATMI), Dan River, Inc., Danville, VA, produces or is capable of producing three of the categories of fabrics included in the petition.¹⁵ These fabrics are made primarily of cotton or blends with manmade fibers, may be bleached or dyed or made of yarns of different colors, are made of plain weave construction, and consist primarily of oxford cloth and broadcloth and, to a lesser extent, poplin, twill, satin, and sheeting. Dan River produces primarily oxford cloth and broadcloth for the men's shirting market, and to a lesser extent, for the blouse market. The submission also emphasizes that because Dan River produces fabrics of 80s 2-ply yarn and the conversion of a yarn number of 135 metric results in a yarn number of 79.76 English (cotton) count, it follows that Dan River produces fabrics with an average yarn number exceeding 135 metric. According to the U.S. Customs national import specialist for the subject fabrics, a yarn with an average yarn number of 135 metric is equivalent to a yarn number of 79.72 English (cotton) count.¹⁶ However, the average yarn number is likely to vary when a starch, sizing, or dye is applied to the yarn or when the yarn is woven into fabric and a starch, sizing, or dye is applied to the fabric. The heavier the yarn, the lower is the yarn number. Therefore, if a fabric is woven with a yarn which has an average yarn number of 80 English (cotton) count system, that is slightly over 135 metric, and the fabric is then dyed, the average yarn number of the yarns in the fabric will be less than 80 or less than 135 metric because the dye will increase the weight of the yarn and, thus decrease the average yarn number.

Dan River has a vertically integrated operation to spin fibers into yarn, weave the yarn into fabric, and dye or otherwise finish these materials at different stages of production. The firm has ***17 An official of Dan River stated that the company has the capacity to meet current U.S. demand for the 80s 2-ply yarn which is then woven by Dan River into the subject fabrics.¹⁸

A trade source, whose company imports many of the subject fabrics, stated that to the best of his knowledge, many of the subject fabrics made with yarn of an average yarn number exceeding 135 metric are not made in the United States.¹⁹ He also stated that it is less expensive to purchase the fabric from India, for example, than to produce the fabric in the United States. ***20***21

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¹⁵ Charles V. Bremer, Director, International Trade, ATMI, written submission to CITA, Mar. 22, 2002.

¹⁶ Alan Tytelman, U.S. Customs national import specialist, New York, NY, telephone interviews by Commission staff, Apr. 1 and Apr. 4, 2002.

¹⁷ Jim Martin, President, Apparel Fabrics Division, Dan River, Inc., telephone interviews by Commission staff, Mar. 20 and 26, 2001.

¹⁸ Jim Martin, President, Apparel Fabrics Division, Dan River, Inc., telephone interview by Commission staff, Apr. 4, 2002.

¹⁹ Murray Yenis, President, Sheck, Rosenblum, Sierra Textiles, Inc. (SRS Textiles), New York, NY, Mar. 11, 2002.

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²¹ *** The prices of the fabrics have been converted from price per linear yard to price per square meter to make the foreign and the U.S. prices comparable.

Views of interested parties

No written submissions were filed with the Commission.

Probable economic effect advice²²

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of the subject apparel made in eligible AGOA beneficiary countries from the subject fabrics, regardless of the source of the fabrics, could have some adverse effect on affected segments of the U.S. yarn sector, a slight adverse effect on affected segments of the U.S. fabric sector, and a negligible effect on affected segments of the apparel industry. *** The one U.S. fabric producer, Dan River, Inc., which reportedly produces or can produce some of the subject fabrics, may experience a slight adverse effect. However, it currently markets this fabric primarily for the production of men's shirts, and to a lesser extent women's blouses, both of which already receive preferential treatment under the AGOA. Dan River is currently not producing much, if any, of the subject fabrics, for the production of the apparel which are the subject of this review, such as trousers, shorts, skirts, dresses, boxer shorts, and handkerchiefs. ATMI's submission to CITA states that trousers, shorts, and skirts are generally not made of many of the subject fabrics because the fabrics are too light weight. In addition, the U.S. markets for many of the subject apparel made of the subject fabrics—skirts, dresses, dressing gowns, and handkerchiefs—are believed to be relatively small and supplied largely by imports. To the extent that imports from eligible countries increase, these imports would likely displace imports from other countries to a greater degree than they would displace U.S. production, and hence, there would likely be a negligible adverse effect. U.S. apparel companies that may produce apparel from the subject fabrics domestically are likely to be few and tend to produce these items domestically to supply market niches in which quick turnaround is important.

U.S. distributors and consumers of the subject apparel would likely benefit from the proposed preferential treatment, because importers are likely to pass through some of the duty savings, given the highly competitive apparel market.

²² The Commission's advice is based on information currently available to the Commission.



Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-436-004

Products	Apparel of flannel fabrics
Requesting Party	Intradeco Corp., Miami, FL
Date of Commission Report: USTR PUBLIC	July 23, 2002 July 2002
Commission Contact	Cynthia Trainor (202-205-3354); trainor@usitc.gov

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON JULY 23, 2002. ALL CONFIDENTIAL INFORMATION HAS BEEN
REMOVED AND REPLACED WITH ASTERISKS (***)

Summary of Findings

The Commission’s analysis shows that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Caribbean Basin countries from certain cotton flannel fabrics, regardless of the source of the fabrics, would likely have some adverse effect on U.S. producers of such fabrics,¹ U.S. apparel firms producing the apparel domestically, and their workers, but would likely benefit U.S. apparel firms producing the apparel in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some of the duty savings resulting from the proposed preferential treatment.

Background

On January 17, 2002, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-436, *Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2002 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).²

The Commission’s advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on June 11, 2002, alleging that certain cotton, yarn-dyed flannel fabrics for use in apparel cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for such apparel made in eligible CBTPA beneficiary countries from such fabrics, regardless of the source of the fabrics. The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such

¹ U.S. producers of the subject fabric have vertical operations and produce their own yarn.

² For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of January 25, 2002 (67 F.R. 3733) and its website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.³

Brief discussion of the product

The flannel fabrics named in the petition are classified in subheading 5208.43.00 of the Harmonized Tariff Schedule of the United States (HTS), which provides for woven fabrics of cotton, containing 85 percent or more by weight of cotton, weighing not more than 200 grams per square meter, of yarns of different colors, and of the construction 3-thread or 4-thread twill, including cross twill. The subject fabrics are yarn-dyed, 100-percent cotton flannel fabrics, of construction 2X2 twill weave 64X54 (approximately 140 grams per square meter).⁴ Garments made from flannel, a woven fabric having a soft, raised or fuzzy surface, are classified in HTS chapter 62 (apparel, not knitted or crocheted), and consist mostly of sleepwear, underwear, shirts, blouses, and trousers. The column 1 general rates of duty on such apparel range from 6.2 percent to 20 percent ad valorem. Cotton is comfortable because of its softness, moisture absorbency, air permeability, and pliability. Flannel is a fabric with unique nap characteristics which impart softness and warmth to the fabric.⁵ Yarn-dyed flannel is generally made in short runs, is more durable than printed fabric, and provides a neater, cleaner pattern than printed flannel.

The HTS uses the metric system of weights and measures. HTS subheading 5208.43.00 of the petition states the subject fabric may not weigh more than 200 grams per square meter. The U.S. textile and apparel industries use the English system of weights and measures and provide fabric specifications in ounces per square yard. The English weights and measures cited in the report were converted to metric equivalents and are provided in parentheses immediately following specifications in the English system. Conversions used are as follows:

1 gram = 0.035 ounce
1 meter = 39.37 inches

Yarn-dyed, 100-percent cotton flannel weighing over 200 grams per square meter (or 5.9 ounces per square yard) exceeds the weight stipulations of the petition and is classified under napped fabrics of HTS subheading 5209.43.00 and is not subject to the petition.

The petitioner, Intradeco Corp., Miami, FL (Intradeco), a manufacturer of knit fabrics in the United States and assembler of both knit and woven garments in El Salvador, states that it has made attempts to purchase yarn-dyed cotton flannel fabric from U.S. mills and converters, with no success. Intradeco requires one million linear yards (914,401.8 linear meters) of yarn-dyed, 100-percent cotton flannel to be supplied within four weeks from the time the fabric pattern and colors are approved by Intradeco's U.S. retail customers.⁶

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. He authorized CITA and USTR to submit the required report to the Congress.

⁴ Conversion courtesy of Alan Tytleman, National Import Specialist, U.S. Customs Service, telephone interview by Commission staff, July 16, 2002. The fabric count (64X54) refers to the number of yarns per inch, or the closeness of the weave; that is, there are 64 yarns in 1 inch of the warp and 54 yarns in 1 inch of the filling. Warp yarns run lengthwise in the fabric and filling yarns run across the width of the fabric. A twill weave is often described in terms of the pattern of warp yarns crossing filling yarns; in a 2X2 weave, the first digit refers to the number of filling yarns crossed over by the warp and the second digit to the number of filling yarns the warp passes under before returning to cross the filling again. See Phyllis G. Tortora and Billie J. Collier, *Understanding Textiles*, 5th ed. (Upper Saddle River, NJ: Prentice-Hall, Inc., 1997), pp. 270, 271, and 276.

⁵ Napping a fabric surface is accomplished by passing the fabric over cylinders on which there are fine metal wires with small hooks. The hooks pull fiber ends to the surface of the fabric and create the nap. Napping can be done on one or both sides of the fabric. In soft twill-weave fabrics such as flannel, it is the filling yarn that is designed for napping; warp yarns are kept strong to provide durability to the fabric. Fabrics with a napped surface are generally warmer than the same weight fabric without napping. The nap provides air pockets that increase the insulating properties of the fabric. See Marjory L. Joseph, *Essentials of Textiles*, 4th ed. (Holt, Rinehart, and Winston, Inc., 1988), p. 266.

⁶ Petition received by CITA from Ronald Sorini, Sandler, Travis, & Rosenberg, LLC, Washington, DC, counsel for petitioner, June 10, 2002.

Brief discussion of affected U.S. industries, workers, and consumers

The segments of the U.S. textile and apparel sector affected by the proposed preferential treatment are yarn spinners and dyers, fabric manufacturers, and apparel producers. According to a submission to the U.S. International Trade Commission by Dan River, Inc. (Dan River), Danville, VA, a fabric manufacturer, this firm produces a variety of yarn-dyed cotton flannel fabrics that are within the specifications cited in the petition.⁷ The submission further states that yarn-dyed cotton flannel fabrics supplied by Dan River are being utilized in the categories of garments cited by petitioner.⁸

Dan River has a vertically integrated operation to spin fibers into yarn, dye the yarn, and weave the yarn into fabric. The firm states that it produces yarn-dyed, 100-percent cotton flannel ***⁹ and that it has the capacity to produce approximately 250,000 yards (228,600 meters) per month of yarn-dyed, 100-percent cotton flannel, with capability to double this capacity to approximately 500,000 yards (457,200 meters) per month with reasonable notice. Dan River states that the lead time is approximately eight weeks from receipt of order to delivery of finished fabric.¹⁰ Dan River further states ***.¹¹

According to a submission to CITA by Wade Manufacturing Co. (Wade), Wadesboro, NC, a fabric manufacturer, the firm produces yarn-dyed, 100-percent cotton flannel subject fabric, ***.¹² Wade produces about *** per month of yarn-dyed, 100-percent cotton flannel with current production capacity to supply *** per month with a four-week lead time, and potential production capacity to weave approximately *** per month upon demand. Wade is a vertically integrated operation that spins cotton fiber into yarn, ***, and weaves the yarn into fabric. Wade states that ***.¹³

Other U.S. textile producers with the capability of producing the subject yarn-dyed cotton flannel were also identified and contacted.¹⁴ ***¹⁵ ***.¹⁶

The apparel cut and sewn from the subject fabric is primarily men's and women's cotton sleepwear, underwear, men's shirts and trousers, and women's blouses and trousers. There are significant U.S. producers that manufacture apparel made from the subject yarn-dyed, 100-percent cotton flannel in the United States, although most production of apparel made from the subject fabric occurs off-shore. Apparel producers differ as to whether 100-percent cotton, yarn-dyed flannel is in short supply.

⁷ James E. Martin, President, Apparel Fabrics Division, Dan River, Inc., written submission to the U.S. International Trade Commission, July 2, 2002.

⁸ Ibid.

⁹ James E. Martin, President, Apparel Fabrics Division, Dan River, Inc., and Annette Baker, Dan River, Inc., telephone interviews by Commission staff, July 11 and 16, 2002, respectively.

¹⁰ James E. Martin, President, Apparel Fabrics Division, Dan River, Inc., written submission to the U.S. International Trade Commission, July 2, 2002.

¹¹ James E. Martin, President, Apparel Fabrics Division, Dan River, Inc., telephone interview with Commission staff, July 11, 2002.

¹² Bernard M. Hodges, President, Wade Manufacturing Co., written submission to CITA, July 12, 2002, and telephone interviews by Commission staff, July 15 and 18, 2002.

¹³ Bernard M. Hodges, President, Wade Manufacturing Co., telephone interview by Commission staff, July 18, 2002.

¹⁴ Charles Bremer, Director, International Trade, American Textile Manufacturers Institute, telephone interview by Commission staff, July 11, 2002.

¹⁵ ***, telephone interview by Commission staff, July 11, 2002.

¹⁶ ***, telephone interview by Commission staff, July 15, 2002.

Kellwood Co. (Kellwood), St. Louis, MO, a firm whose product lines include sportswear and intimate apparel, purchases U.S.-made, yarn-dyed, 100-percent cotton flannel ***.¹⁷ Kellwood further states that ***.¹⁸

***.¹⁹

***, states that Dan River has the capability of and capacity for making yarn-dyed, 100-percent cotton flannel, ***.²⁰ ***, states that no company has tried to show *** samples of or tried to sell it cotton flannel in the past 5 years.²¹ ***, states that it is unaware of any domestic producers of the subject fabric.²²

Views of interested parties

Statements filed with the Commission concerning this review include a letter from Dan River, which states it is a U.S. commercial manufacturer and seller of the subject fabric and requests the petition be denied.²³ In a letter to the Commission, Carolina Mills states ***.²⁴ ***.²⁵ ***.²⁶

Probable economic effect advice²⁷

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of the subject apparel made in eligible Caribbean Basin beneficiary countries from the subject fabrics, regardless of the source of the fabrics, would likely have some adverse effect on U.S. producers of the subject fabric and their workers.²⁸ Since such fabric producers tend to be vertically integrated, it does not appear that U.S. yarn producers would be adversely affected, however, some fabric producers outsource yarn dyeing, so there could be some adverse effect on yarn dyers. The expected increase in U.S. apparel imports made from the subject fabric would likely displace some domestic production of the subject fabric. The extent to which this displacement could occur depends on the reliability of sources of supply and any quality differences relative to price difference for U.S. firms using the imported fabric. Although information on the quality, price, and delivery time of imported fabric was not readily available, it is believed that differences between domestic and imported fabric are likely to be small ***. The proposed preferential treatment also would likely have some adverse effect on U.S. firms making garments domestically, and on their workers.

The proposed preferential treatment would likely benefit U.S. and other apparel firms making garments in CBTPA eligible countries from the subject fabrics, regardless of the source of the fabrics, by increasing the supply of "eligible" fabrics and of lower priced fabrics. U.S. consumers of apparel made from the subject fabrics would benefit from the proposed preferential treatment to the extent that importers pass on some of the duty savings to retail consumers in today's highly competitive flannel garment market.

¹⁷ Wendy Wieland Martin, Director, Trade Services, Kellwood, written submission to CITA, June 26, 2002, telephone interview by Commission staff, July 10, 2002. ***, telephone interview by Commission staff, July 15, 2002.

¹⁸ ***, Kellwood, telephone interview by Commission staff, July 16, 2002.

¹⁹ ***, telephone interviews by Commission staff, July 15 and 16, 2002.

²⁰ ***, telephone interview by Commission staff, July 15, 2002.

²¹ ***, telephone interview by Commission staff, July 11, 2002.

²² ***, e-mail to Commission staff, July 12, 2002.

²³ James E. Martin, President, Apparel Fabrics Division, Dan River, Inc., written submission to the U.S. International Trade Commission, July 2, 2002.

²⁴ Daniel Sullivan, General Manager, Carolina Mills, Inc., written submission to the U.S. International Trade Commission, July 12, 2002.

²⁵ ***

²⁶ ***

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

²⁸ U.S. producers of the subject fabric have vertical operations and produce their own yarn.



Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-436-005

Products	Men’s suits and suit jackets of certain worsted wool fabrics
Requesting Party	Oxford Industries, Inc., Atlanta, GA
Date of Commission Report: USTR Public	September 9, 2002 September 2002
Commission Contact	Kimberlie Freund (202-708-5402); kfreund@usitc.gov

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON SEPTEMBER 9, 2002. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (***) .

Summary of Findings

The Commission’s analysis shows that granting duty-free and quota-free treatment to men’s suits and suit jackets made in eligible Caribbean Basin countries from certain worsted wool fabrics, regardless of the source of the fabrics, likely would have some adverse effect on U.S. producers of the fabrics, and their workers. The proposed trade preferences likely would have a negligible effect on U.S. producers of yarn used in the manufacture of the fabrics, but it likely would benefit U.S. firms making the garments in the Caribbean Basin, their U.S.-based workers, and U.S. consumers.

Background

On January 17, 2002, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-436, *Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2002 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).¹

The Commission’s advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on July 19, 2002, alleging that certain worsted wool fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for certain men’s apparel made in eligible CBTPA countries from these fabrics. The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be

¹ For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* on January 25, 2002 (67 F.R. 3733), and its website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

proclaimed, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.²

Brief discussion of the product

The fabrics named in the petition are classified in subheading 5112.19.95 of the Harmonized Tariff Schedule of the United States (HTS), a residual or “basket” provision for woven fabrics of combed wool or fine animal hair, containing 85 percent or more by weight of wool or fine animal hair, weighing more than 200 grams per square meter, and of yarns having an average fiber diameter greater than 18.5 microns (the higher the fiber diameter number, the coarser, or thicker, the fiber). The 2002 general rate of duty on such “coarse-micron” fabrics is 27.2 percent ad valorem.³ The fabrics are for use in the production of men’s suits and suit-type jackets for suits, dutiable in 2002 under subheading 6203.11.90 at 10.6 cents per kilogram plus 18.2 percent ad valorem (ad valorem equivalent of 18.9 percent), and subheading 6203.31.90 at 18.4 percent ad valorem, respectively.⁴ In addition to tariffs, quotas apply to imports of such garments made in several CBTPA beneficiary countries.⁵

The petition filed by Oxford Industries states that the fabrics are for use in the manufacture of men’s suits and “suit separates,” in which the suit jacket and pants are displayed and priced separately at retail, but are made from identical fabric and are intended to be worn as a suit.⁶ In order for the finished articles to match up as a suit, the fabric used must be made with a high degree of color consistency, because there is no way to ensure that the jacket and pants will be cut from the same roll of fabric or even in the same plant. The petition states that “the only way to achieve such [color] consistency in the manufacture of wool fabrics is through the dyeing of the wool in the fiber stage (known as stock- or top-dyeing).”⁷ The petition further states that, following recent actions by Burlington Industries to reduce its U.S. production base for apparel fabrics, “top-dyed 100% worsted wool woven fabrics are not available in the domestic market in commercial quantities” (see below for more information on Burlington).

The subject top-dyed fabrics are made wholly of combed wool that is processed into yarns on the worsted system and, hence, are known as worsted wool fabrics. The production of such fabrics can be divided into three broad stages: (1) preparing the fibers for spinning, (2) spinning the fibers into yarns, and (3) weaving the yarns into fabrics. In the first stage, the fibers undergo (a) scouring to remove impurities from the fibers; (b) carding to disentangle the fibers, yielding wool in the form of a loose, untwisted, rope-like “sliver;” and (c) combing to remove the shorter fibers and further align the longer ones, producing a

² 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. He authorized CITA and USTR to submit the required report to the Congress.

³ The Trade and Development Act of 2000, as amended by the Trade Act of 2002, created tariff-rate quotas (TRQs) for the purpose of reducing import tariffs on worsted wool fabrics for use in men’s and boys’ tailored clothing for 5 years through 2005. Under the TRQ that includes the subject fabrics, the tariff rate for 2002 is 18.4 percent ad valorem on the first 3.5 million square meter equivalents and 27.2 percent ad valorem on imports over that amount. For more information, see U.S. International Trade Commission, *Certain Wool Articles: First Annual Report on U.S. Market Conditions* (investigation No. 332-427), publication 3454, Sept. 2001, and *Certain Wool Articles: Second Annual Report on U.S. Market Conditions* (investigation No. 332-427), (scheduled for publication in Sept. 2002); and HTS subchapter II of chapter 99.

⁴ The suit-type jackets are imported as parts of suits that do not meet the requirements for tariff classification as suits (e.g., the outer shells of the jackets do not contain the required four or more panels). The petition does not cover certain sets of garments classified as suits—namely, morning dress, evening dress, and dinner jacket suits.

⁵ The designated CBTPA beneficiary countries subject to U.S. quotas on men’s and boys’ wool suits are Costa Rica, the Dominican Republic, and Guatemala, which filled 44, 90, and 93 percent of their respective quotas for 2001. These countries are eligible to ship such suits under preferential quotas (guaranteed access levels), provided the suits are made from fabric formed and cut in the United States.

⁶ In its 2001 annual report, Oxford Industries said it has manufacturing and sourcing operations in over 40 countries. The firm markets a wide range of apparel, including Nautica® and Oscar de la Renta® suits. It recently signed a licensing agreement with Levi Strauss & Co. to market a Slates line of tailored clothing, including suit separates.

⁷ In the fiber stage, wool can be dyed in the form of loose fibers (or “stock”) for spinning on the woolen system (stock dyeing) or after the fibers are combed into top for spinning on the worsted system (top dyeing).

smoother, more uniform sliver known as “top.” The top is then spun into worsted wool yarns (second stage), followed by weaving of the yarns into worsted wool fabrics (third stage).

Although textile articles can be dyed at the fiber, yarn, fabric, or garment stage, the subject fabrics are made from wool that is dyed in the fiber stage in the form of top. Fiber dyeing results in the highest level of dye penetration, and fibers tend to take up the dye evenly.⁸ Producers of certain fabrics prefer fiber dyeing because “this process yields better results when the desired effect is (1) a subtle blending of colors known as a *mélange* or (2) to achieve a high degree of [color] consistency over a very large run of fabric weaving.”⁹ It is for the latter reason that the top-dyed fabrics are used by Oxford Industries in the manufacture of men’s suit separates. In addition, it is for this color consistency that top-dyed fabrics generally are used to make U.S. military uniforms.¹⁰

Brief discussion of affected U.S. industries, workers, and consumers

Segments of U.S. industry that might be affected by the proposed preferential treatment (i.e., producers of certain wool top, yarn, fabric, and tailored clothing) are examined below.

Wool top

The only significant U.S. producer of combed wool top is believed to be Chargeurs Wool USA (formerly Prouvost USA, Inc.), Jamestown, SC.¹¹ The firm, a subsidiary of Chargeurs Wool of France, makes and sells wool top in the undyed form. ***. The only firms in the United States that have, or plan to have, the capability to dye wool top are several integrated fabric producers; however, these firms do not sell dyed top on the open market but use it internally in the production of worsted wool yarn. There are no known independent yarn spinners or “commission dyers” in the United States that dye wool top.

Yarn

U.S. production of top-dyed yarns used in the manufacture of the subject fabrics for men’s suits and suit separates is believed to be very small.¹² Of the three major independent spinners of worsted wool yarns for apparel fabrics (Hanora Spinning Inc., Woonsocket, RI; Jagger Brothers Inc., Springvale, ME, and Kent Manufacturing Co., Pickens, GA), ***. ***

⁸ Phyllis G. Tortora and Billie J. Collier, *Understanding Textiles*, 5th ed. (Upper Saddle River, NJ: Simon & Schuster, 1997), pp. 415-416.

⁹ Karl Spilhaus, President, Northern Textile Association, Boston, MA, written submission to CITA, Aug. 16, 2002.

¹⁰ Top-dyed, worsted wool fabrics are made in the United States in significant quantities for use in the manufacture of U.S. military uniforms. The “Berry Amendment,” enacted as Title IX of Public Law 102-396, as amended, requires U.S. military procurement of uniforms, among other goods, to be manufactured in the United States from U.S.-produced components.

¹¹ Eric Durand, Commercial Manager, Chargeurs Wool USA, telephone interview by Commission staff, Aug. 20, 2002.

¹² Information in this section is from Walter Mercier, Vice President, Manufacturing, and Francis Lareau, Production Manager, Hanora Spinning Inc.; Scott A. Grey, Sales Manager, Jagger Brothers Inc.; and William C. Bagwell, Chief Operating Officer, Kent Manufacturing Co., telephone and e-mail correspondence with Commission staff, Aug.-Sept. 2002.

Fabric

The principal U.S. producers of worsted wool fabrics for men's tailored clothing are Burlington Industries, Inc., Greensboro, NC; Cleyn & Tinker, Inc., Malone, NY; Forstmann Co., Dublin, GA; and Warren Corp., Stafford Springs, CT. ***

Burlington filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code in November 2001.¹³ As part of its reorganization plan, Burlington significantly downsized its U.S. manufacturing base for apparel fabrics. ***

Cleyn & Tinker, Inc. (CTI), a Canadian-based fabric producer, makes worsted wool fabrics at its division in Malone, NY.¹⁴ The firm said it makes CBTPA-eligible worsted wool fabrics (i.e., fabrics made in the United States from U.S. yarns), ***. ***

Warren Corp., an affiliate of Loro Piana & C.s.p.a. of Italy, said it has expanded its production of the subject fabrics in recent years.¹⁵ The firm said it has substantial unused capacity to make the subject fabrics (50 percent of its capacity is now idle), despite offering fabrics in a wide range of styles and designs. It also said that its workforce is fully trained and capable of making the subject fabrics. ***

The Forstmann Co., an integrated producer of woolen and worsted fabrics, stated that it has substantial unused capacity in which to make the subject fabrics.¹⁶ It makes woolen yarns, but not worsted yarns, which it purchases from outside vendors. The firm said it has the capability to dye at the fiber (stock dyeing), yarn, and fabric stages, and has invested recently to develop the capacity to do top dyeing. ***

Apparel

Three large U.S. producers of men's tailored clothing, Hartmarx Corp., The Tom James Co., and Hartz & Co., along with Hugo Boss, a German-based firm with production in the United States, ***.¹⁷ Two clothing firms (Bayer Clothing Group, Inc., New York, NY, and Fabian Couture Group International, Lyndhurst, NJ) stated that the subject fabrics are in short supply in the United States.

Bayer Clothing Group stated that Burlington had been its largest, and only domestic, supplier of the subject fabrics.¹⁸ Bayer said there is no viable domestic substitute available to make the fabrics in commercial quantities and meet demand and color match requirements. It stated that maintaining color consistency over an extended period of time requires that top dyeing, spinning, and weaving be conducted within a vertically integrated mill and that the use of inputs from multiple sources is unacceptable.

¹³ Information on Burlington is from its press release, "Burlington to Reposition Apparel Fabrics Group," Jan. 10, 2002, and Ross Haymes, Burlington Industries, telephone and e-mail correspondence with Commission staff, Aug. 2002.

¹⁴ Information on CTI is from Jonathan Hurstfield-Meyer, President, Quebec, Canada, telephone and e-mail correspondence with Commission staff, Aug. 23, 2002.

¹⁵ Lisa A. Cornish, Vice President of Finance and Administration, Warren Corp., written submission forwarded by e-mail to Commission staff, Aug. 21, 2002, and telephone interviews by Commission staff, Aug. 2002.

¹⁶ Mike Jump, Supply Chain & Project Director, Victor Forstmann Inc., dba The Forstmann Co., written submission forwarded by e-mail to Commission staff, Aug. 21, 2002, and telephone interviews by Commission staff, Aug. 2002.

¹⁷ Andy Zarr, Hartmarx Corp.; Keith Melrose, Senior Vice President and Director of Marketing, Hartz & Co.; Michelle Joyce, Hugo Boss Cleveland, Inc.; and Gordon Denny, Tom James Co., telephone interviews by Commission staff, Aug. 2002.

¹⁸ Information on Bayer Clothing Group is from Robert I. Bayer, President, written statement to the Commission, Aug. 15, 2002, and Philip Looby, Chief Operating Officer, telephone interview by Commission staff, Aug. 16, 2002.

Fabian Couture Group International makes formalwear (e.g., tuxedos) under such labels as Calvin Klein and Geoffrey Beene.¹⁹ ***²⁰ ***

Views of interested parties

The Commission received written submissions in support of the petition from Burlington Industries, the American Apparel and Footwear Association (AAFA), and Bayer Clothing Group, and in opposition from the American Textile Manufacturers Institute (ATMI), Forstmann Co., and Warren Corp.²¹ AAFA, a national association whose members include U.S. producers of men's tailored clothing, stated that the assertions made by the petitioner reflect those that have been made on several occasions by other AAFA firms seeking to purchase U.S.-made worsted wool fabrics. It stated that AAFA firms repeatedly encounter difficulties sourcing such fabrics from U.S. mills in terms of styles and varieties. Bayer Clothing Group stated that the subject fabrics are in short supply in the domestic market, and that there is no viable U.S. substitute to make the fabrics in commercial quantities and meet demand and color match requirements. Bayer stated that the short supply situation is further complicated by high seasonal demand, which requires a peak fabric delivery capacity of three or more times the average monthly demand. According to Bayer, CTI is the only U.S. fabric producer having capacity to make the subject fabrics eligible for CBTPA, but its U.S. production capacity for such fabrics is extremely small.

Regarding the opposition statements, ATMI, an industry association whose members include U.S. producers of worsted wool yarn and fabric, stated that although the subject fabric is likely not being made in the United States, it can be produced. ATMI said the potential for fraud is great because it is very difficult to determine whether garments are made from top-dyed or piece-dyed (dyed in fabric form) fabrics. Warren Corp. also expressed concern about this Customs enforcement issue. In addition, Warren Corp. said it makes the subject fabrics and has substantial unused capacity in which to make them. Forstmann stated that it produces the type of fabric that Oxford Industries needs for its production in the Caribbean Basin and that it would be unfair to allow Oxford to use foreign fabric. Forstmann said it recently invested to develop the capacity to top dye wool and that this top-dyeing capability will enable it to supply top-dyed fabrics in partnership with its U.S. yarn suppliers.

Probable economic effect advice²²

The Commission's analysis shows that granting duty-free and quota-free treatment to men's suits and suit-type jackets for suits made in designated CBTPA beneficiary countries from the subject fabrics, regardless of the source of the fabrics, likely would have some adverse effect on U.S. producers of the fabrics, as well as their workers. ***. However, given recent steps by Burlington Industries to downsize its U.S. production base for apparel fabrics, it is uncertain whether U.S. producers of the subject fabrics have sufficient capacity to supply the fabrics in the quantities and range of styles required by Oxford Industries and other tailored clothing firms assembling men's suits and suit jackets under the CBTPA program.

The proposed preferential treatment likely would have a negligible effect on U.S. producers of yarns for use in the manufacture of the subject fabrics, and their workers, because U.S. production of such yarn is believed to be very small. The proposed trade preferences likely would benefit U.S. and other firms that

¹⁹ Information on Fabian is from Daniel Cohen, Vice President, telephone interview by Commission staff, Aug. 21, 2002.
²⁰ ***

²¹ Submissions are from John D. Englar, Senior Vice President, Burlington Industries, Greensboro, NC; Stephen Lamar, Senior Vice President, AAFA, Arlington, VA; Robert I. Bayer, President, Bayer Clothing Group, New York, NY; Charles V. Bremer, Vice President, International Trade, ATMI; Mike Jump, Supply Chain & Project Director, Forstmann Co.; and Lisa A. Cornish, Vice President of Finance and Administration, Warren Corp., Aug. 2002.

²² The Commission's advice is based on information currently available to the Commission.

make men's clothing under the CBTPA program from the subject fabrics, and their workers. The expected increase in imports of such clothing from eligible CBTPA countries likely would displace imports of similar apparel from other countries rather than U.S. production of men's tailored clothing, which generally sells in the upper range of the U.S. market.

U.S. consumers of apparel articles made from the subject fabrics would likely benefit from the proposed preferential treatment because importers and retailers are likely to pass through some of the duty savings to consumers in today's highly competitive retail apparel market.



Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-436-006

Products	Apparel made with certain fusible interlinings
Requesting Party	Levi Strauss and Co., San Francisco, CA
Date of Commission Report: USTR Public	January 23, 2003 January 2003
Commission Contact	Cynthia Trainor (202-205-3354); trainor@usitc.gov

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON JANUARY 23, 2003. ALL CONFIDENTIAL INFORMATION HAS BEEN
REMOVED AND REPLACED WITH ASTERISKS (***) .

Summary of Findings

The Commission’s analysis shows that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Caribbean Basin countries with certain interlining fabrics,¹ regardless of the source of the fabrics, would likely have a negligible effect on U.S. producers of such fabrics, U.S. producers of fibers used in these fabrics, apparel firms producing the apparel domestically, and their workers. The proposed preferential treatment would likely benefit U.S. apparel firms producing the apparel in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some of the duty savings resulting from the proposed preferential treatment.

Background

On January 17, 2002, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-436, *Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2002 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).²

The Commission’s advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on December 12, 2002, alleging that certain interlining fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for apparel made in eligible CBTPA beneficiary countries with such fabrics, regardless of the source of the fabrics. The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such action, and the advice

¹ ***.

² For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of January 25, 2002 (67 F.R. 3733) and its website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.³

Brief discussion of the product

The two interlining fabrics named in the petition are classified in subheading 5903.90.25 of the Harmonized Tariff Schedule of the United States (HTS), which provides for textile fabrics of manmade fibers, impregnated, coated, covered or laminated with plastics other than with poly(vinyl chloride) or polyurethane, not over 70 percent by weight of rubber or plastics.⁴ The subject fabrics are (1) a certain ultra-fine Lycra crochet outer-fusible material with a fold line that is knitted into the fabric and (2) a fine Lycra crochet inner-fusible material with an adhesive coating that is applied after going through a finishing process to remove all shrinkage from the material.⁵ Both interlining fabrics are used in the waistband construction of apparel articles that have waistbands, such as pants, shorts, and skirts. These garments are classified in HTS chapter 62 (apparel, not knitted or crocheted). The 2003 column 1-general rates of duty on such apparel range from 8.2 percent ad valorem for cotton skirts and divided skirts (skorts) to 16.7 percent ad valorem for men's and women's cotton pants. The fabrics themselves have a 2003 general rate of 7.6 percent ad valorem.

The first of the two subject fabrics is an ultra-fine Lycra crochet outer-fusible material, with a fold line that is knitted into the fabric (a patent is pending for this fold-line fabric). The fabric is a 45 mm wide base substrate, crochet knitted in narrow width, synthetic fiber based (49 percent polyester/43 percent elastane/8 percent nylon with a weight of 4.4 oz., a 110/110 stretch, and a dull yarn), stretch elastomeric material with adhesive coating, and has the following characteristics: (a) the 45 mm is divided as follows: 34 mm solid followed by a 3 mm seam allowing it to fold over followed by 8 mm of solid; (b) in the length it exhibits excellent stretch and recovery properties at low extension levels; (c) it is delivered pre-shrunk with no potential for relaxation shrinkage during high temperature washing or fusing and delivered lap laid, i.e., tension free; (d) it is supplied pre-coated with an adhesive that will adhere to 100- percent cotton and to other composition materials such as polyester/cotton blends, during fusing at a temperature of 180 degrees ***; (e) the adhesive has a melt flow index that will not strike back through the interlining substrate or strike through the fabric to which it is fused and an adhesion level that will be maintained or improved at temperatures of up to 350 degrees *** and dwell times of 20 minutes; and (f) the duration and efficacy of the bond will be such that the adhesive will not, during industrial washing or in later garment wear or after-care of 50 home washes, become detached from the fabric or base substrate.

In summary, the ultra-fine Lycra interlining fabric has been coated with an adhesive after going through a finishing process to remove all shrinkage from, and impart a stretch to, the fabric. This finishing process of imparting stretch to fabrics is covered by U.S. Letters Patent 5,987,721.

The second subject fabric is a fine Lycra crochet inner-fusible fabric with an adhesive coating that is applied after going through a finishing process to remove all shrinkage. Specifically, the fabric is a 40 mm synthetic-fiber based stretch elastomeric fusible (80 percent nylon type 6/20 percent spandex with a

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. He authorized CITA and USTR to submit the required report to the Congress.

⁴ ***.

⁵ Crocheting joins together a series of interlocked yarn loops, with a single needle or hook, into a variety of open and/or closed patterns. The ASTM defines non-woven textile fabrics as textile structures "produced by bonding or interlocking of fiber, or both, accomplished by mechanical, chemical, or solvent means, and combinations thereof." (ASTM 1986). See Phyllis G. Tortora and Billie J. Collier, *Understanding Textiles*, 5th Edition (Upper Saddle River, NJ: Prentice-Hall, Inc., 1997), pp. 325 and 341.

weight of 4.4 oz., a 110/110 stretch and a dull yarn), with the following characteristics: (a) it is supplied pre-coated with an adhesive that will adhere to 100-percent cotton, and to other composition material such as polyester/cotton blends, during fusing at a temperature of 180 degrees ***; (b) the adhesive has a melt flow index that will not strike back through the interlining substrate or strike through the fabric to which it is fused and an adhesion level that will be maintained or improved through garment processing at temperatures of up to 350 degrees *** and dwell times of 20 minutes; (c) the duration and efficacy of the bond will be such that the adhesive will not become detached from the fabric or base substrate during industrial washing or in later garment wear or after-care of 50 home washes; and (d) it is delivered on rolls of more than 350 yards (318.5 meters) or lap laid in boxes.

The adhesive coating adds approximately 25-30 percent by weight to the ultra-fine Lycra interlining and approximately 20-25 percent by weight to the fine Lycra interlining. These fabrics are used in garment waistband construction. The ultra-fine interlining fabric reinforces the pant fabric and also exclusively contributes to the “stretch ability” of the pant fabric in the waistband area. The fine Lycra interlining fabric is used on the underside of the garment waistband lining fabric and reinforces the waistband lining which is made from pocketing-type fabric, and it also exclusively contributes to that fabric’s “stretch ability.” It also serves to “firm up” the seam area of the waistband lining so that the fabric will not rip or otherwise be damaged during the assembly/sewing process.

The petitioner, Levi Strauss and Co., San Francisco, CA (Levi Strauss), a manufacturer of apparel articles in the United States and an assembler of woven garments in ***, states that it has made attempts to purchase the two subject interlining fabrics from U.S. manufacturers of such products, with no success. Levi Strauss states that it requires approximately *** linear yards (***) linear meters) per month of Lycra crochet knitted fusible interlinings, as described above, to be supplied within one to two weeks of fabric request.⁶

***⁷ ***⁸

Brief discussion of affected U.S. industries, workers, and consumers

The segments of the U.S. textile and apparel sector affected by the proposed preferential treatment are manmade fiber manufacturers, non-woven fusible interlining fabric manufacturers, and apparel producers.

Manmade fiber manufacturers

***, states that it produces comparable fibers, such as ***, but is unable to determine from the fabric description what denier is required by Levi Strauss. Given that a U.S. patent has been granted on the technology required to meet Levi Strauss specifications, *** questioned whether any U.S. manmade-fiber producer or non-woven fusible interlining manufacturer would be able to produce to the specifications of the petition. The company representative further questioned the availability in the U.S. marketplace of textile equipment able to impart a 110/110 stretch.⁹

⁶ ***, telephone interview by Commission staff, Jan. 14, 2003, and Petition received by CITA from Teresa M. Polino, Sandler, Travis, & Rosenberg, LLC, Washington, DC, counsel for petitioner, Dec. 12, 2002.

⁷ ***, telephone interview by Commission staff, Jan. 15, 2003, and ***, telephone interview by Commission staff, Jan. 16, 2003.

⁸ ***, telephone interview by Commission staff, Jan. 15, 2003.

⁹ ***, telephone interview by Commission staff, Jan. 15, 2003.

***, manufactures manmade fibers around the world and will ship such fibers to any fabric producer. ***.¹⁰

***.¹¹

Non-woven fusible interlining fabric manufacturers

***, does not produce non-woven fusible interlinings. The company expressed concern over the description of the adhesive as thermoplastic given that the fusible substrate is applied at 180 degrees and subsequently holds up at 350 degrees for 20 minutes duration, and states that only a thermoset adhesive would exhibit such properties.¹²

***, states that the subject interlining fabrics are products it does not currently make, but that it would be better able to determine production capability upon sample analysis.¹³

***.¹⁴

The Freudenberg Nonwovens Group, Durham, NC (Freudenberg), a supplier of waistband fusible interlining products, states that it is "currently involved in the development of a domestically produced product which will have the stretch and recovery desired by the market place." Freudenberg "believe(s) therefore that the lack of domestically produced alternatives is a temporary situation, which will be rectified within the next six months." ***.¹⁵

***, states that the two fusible interlinings are not similar to any items in its current product line nor would the firm entertain making such products in the future.¹⁶

***, states that at this time, with its in-house equipment, it does not have a fusible interlining commercially available within two weeks that would meet Levi Strauss specifications. ***.¹⁷

***, states that it does not produce any fabrics similar to either fusible interlining, and to its knowledge, such fabrics are not produced in the United States. As a U.S. patent has been granted for the pre-shrink/stretch finishing technology, and a patent is pending for the knitted-in fold line technology, the firm stated that such facts lead one to believe that the two subject fabric products do not exist in the United States.¹⁸

¹⁰ ***, telephone interview by Commission staff, Jan. 14, 2003.

¹¹ ***, telephone interviews by Commission staff, Jan. 16 and 20, 2003.

¹² ***, telephone interview by Commission staff, Jan. 8, 2003.

¹³ ***, telephone interview by Commission staff, Jan. 14, 2003.

¹⁴ ***, telephone interview by Commission staff, Jan. 8, 2003.

¹⁵ Stephanie Seale, Director of Sales & Marketing, Interlinings Division, The Freudenberg Nonwovens Group, written submission to the Commission, Jan. 10, 2003.

¹⁶ ***, telephone interviews by Commission staff, Jan. 14 and 15, 2003.

¹⁷ ***, telephone interviews by Commission staff, Jan. 10 and 13, 2003.

¹⁸ ***, telephone interview by Commission staff, Jan. 14, 2003.

Apparel manufacturers

***, states that granting the waiver would have no effect on its apparel business. The company believes that the interlinings as specified in the petition are proprietary Levi Strauss products that are not available in the United States. ***.¹⁹

Kellwood Co., St. Louis, MO (Kellwood), states that granting the waiver would have no effect on its apparel business.²⁰

***, states that there are some stretch fusibles which may not be available domestically from companies such as ***, or if available, are offered at high prices. *** opined that such interlinings could be developed domestically. With respect to duty-free treatment for apparel made with the subject fabrics, *** states that to grant such a waiver would allow Levi Strauss to bring a superior product to market with a price advantage.²¹

Associations

According to a submission to CITA by the National Textile Association (NTA), Boston, MA, "NTA member companies produce elastomeric fabrics in the U.S. of yarns produced in the U.S. Our members companies produce, in the U.S., elastomeric waistband fabrics of the type, or substitutable for the type, described in the request."²²

The Clothing Manufacturers Association of the U.S. expressed concern over the possible use of the subject non-woven fusible interlinings in suits or wool dress pants.²³

Retailers

***.

Views of interested parties

Three written submissions were received by the Commission, two from Freudenberg and one from Kellwood. Freudenberg cites the lack of a domestically produced alternative as a temporary situation, rectifiable within the next six months, and requests that any duty exemption that may be granted be temporary to enable completion of its own product development and market introduction. Freudenberg also provided a copy of its press release concerning its definitive agreement to transfer certain interlinings business from Duro to Freudenberg.²⁴ Kellwood states that it does not expect that granting this short supply petition would negatively affect its competitiveness in the market.²⁵

¹⁹ ***, telephone interview by Commission staff, Jan. 13, 2003.

²⁰ Wendy Wieland Martin, Director, Trade Services, Kellwood Co., telephone interview by Commission staff, Jan. 15, 2003, and written submission to the Commission, Jan. 21, 2003.

²¹ ***, telephone interview by Commission staff, Jan. 16, 2003.

²² Karl Spilhaus, President, National Textile Association, written submission to CITA, Jan. 2, 2003.

²³ Robert Kaplan, Executive Director, Clothing Manufacturers Association of the U.S., telephone interview by Commission staff, Jan. 7, 2003.

²⁴ Stephanie Seale, Director of Sales & Marketing, Interlinings Division, The Freudenberg Nonwovens Group, written submissions to the Commission, Jan. 10 and 21, 2003.

²⁵ Wendy Wieland Martin, Director, Trade Services, Kellwood Co., written submission to the Commission, Jan. 21, 2003.

Probable economic effect advice²⁶

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of the subject apparel made in eligible Caribbean Basin beneficiary countries from the subject interlining fabrics, regardless of the source of the interlining fabrics, would likely have a negligible effect on U.S. producers of such interlining fabrics and their workers. Similar products that may come on the market in the near future may offer substitutability, but at yet-to-be-determined quality and price points; therefore, the potential duty-free goods seem to pose a negligible effect on those competing producers. Any effect on U.S. manmade-fiber producers would be negligible as the fiber ***. The expected increase in U.S. apparel imports made with the subject interlining fabrics could likely displace some domestic production of competitive apparel. However, the extent to which this displacement would occur depends on the reliability of sources of supply and any perceived quality differences relative to price differences for U.S. firms using the imported interlining fabrics. Although information on the quality, price, and delivery time of the imported subject interlining fabrics was not readily available, it is believed that differences between domestic and imported interlining fabrics are likely to be moderate. The proposed preferential treatment also would likely have a negligible effect on U.S. firms making competitive garments domestically, and on their workers.

The proposed preferential treatment would likely benefit U.S. and other apparel firms making garments in CBTPA eligible countries with the subject interlining fabrics by increasing the supply of "eligible" fabrics and of lower priced fabrics. U.S. consumers of apparel made with the subject interlining fabrics would benefit from the proposed preferential treatment to the extent that importers pass on some of the duty savings to retail consumers in today's highly competitive market for casual pants, shorts, and skirts.

²⁶ The Commission's advice is based on information currently available to the Commission.



Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-436-007

Products	Blouses of Certain Shirting Fabrics
Requesting Party	School Apparel, Inc., Star City, Arkansas
Date of Commission Report: USTR Public	January 29, 2003 January 2003
Commission Contact	Jackie W. Jones (202-205-3466); jones@usitc.gov

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON JANUARY 29, 2003. ALL CONFIDENTIAL INFORMATION HAS BEEN
REMOVED AND REPLACED WITH ASTERISKS (***)

Summary of Findings

The petition filed by School Apparel with the Committee for the Implementation of Textile Agreements (CITA) on December 18, 2002, is identical to the petition that it filed with CITA in January 2002. CITA denied School Apparel's first petition and stated that the subject shirting fabrics could be supplied by the domestic industry in commercial quantities in a timely manner.¹ Based on new information provided by School Apparel, CITA accepted the current petition. ***

The Commission is unaware of any opposition to School Apparel's current petition. Based on the Commission's current review, the Commission finds that, like in the original review,² granting duty-free and quota-free treatment to U.S. imports of blouses assembled in eligible Caribbean Basin countries from the subject shirting fabrics,³ regardless of the source of the fabrics, would likely have no adverse effect on U.S. yarn and fabric producers, because there currently is no known U.S. production of the subject fabrics and no known plans by any U.S. textile mill to fill School Apparel's order. The proposed preferential treatment also would likely have a negligible adverse effect on U.S. producers of blouses and their workers. U.S. firms producing blouses in eligible Caribbean Basin countries would likely benefit from the granting of the proposed preferential treatment. U.S. consumers also would likely benefit from any duty savings resulting from the proposed preferential treatment.

¹ CITA, "Denial of Short Supply Request under the United States-Caribbean Basin Trade Partnership Act (CBTPA)," Mar. 5, 2002, notice found at <http://otexa.ita.doc.gov/fr2002/short4.htm>.

² U.S. International Trade Commission, *Apparel Inputs in "Short Supply" (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, "Women's and Girls' Blouses of Certain Shirting Fabrics" (investigation No. 332-436-001), Feb. 15, 2002, available at http://www.usitc.gov/332s_436_001.pdf.

³ The Commission was requested to provide advice with respect to shirting fabrics entering under subheadings 5210.21 and 5210.31 of the Harmonized Tariff Schedule of the United States (HTS), which provide for certain "bleached or dyed" fabrics. *** The Commission's advice in this report, as requested, applies only to blouses made from fabrics classified in HTS subheadings 5210.21 and 5210.31.

Background

On January 17, 2002, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-436, *Apparel Inputs in "Short Supply" (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2002 in connection with petitions filed by interested parties under the "short supply" provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).⁴

The Commission's advice in this report concerns a petition received by CITA alleging that certain shirting fabrics for use in the production of women's and girls' blouses cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for such apparel made in eligible CBTPA countries from such fabrics, regardless of the source of the fabrics. The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.⁵

Brief discussion of the product

The shirting fabrics named in the petition are classified in subheadings 5210.21 and 5210.31 of the Harmonized Tariff Schedule of the United States (HTS), which cover bleached (5210.21) and dyed (5210.31) plain-woven fabrics of cotton, containing less than 85 percent by weight of cotton, mixed mainly or solely with manmade fibers, and weighing not more than 200 grams per square meter. The petition identifies the subject fabrics as falling under subheadings 5210.21 and 5210.31 covering broadcloth, not of square construction, containing more than 70 warp ends and filling picks per square centimeter, and of average yarn number exceeding 70 metric (or approximately 42 singles yarn). The 2003 general rates of duty on the bleached fabric (subheading 5210.21) are 8.2 percent ad valorem, if the yarns in the fabrics are of number 42 singles or lower, and 11.4 percent ad valorem, if the yarns are of numbers 43 to 68 singles. The duty rates on the dyed fabrics (subheading 5210.31) are 10 percent ad valorem, if the yarns are of number 42 singles or lower, and 12.2 percent ad valorem, if the yarns are of numbers 43 to 68 singles.

The subject fabrics are used in the production of women's and girls' blouses, particularly girls' school uniform blouses, which are classified in HTS chapter 62 (apparel, not knitted or crocheted). The 2003 general rate of duty on imports of blouses made from the subject fabrics is 15.5 percent ad valorem.

⁴ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of January 25, 2002 (67 F.R. 3733) and its website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

⁵ 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. He authorized CITA and USTR to submit the required report to the Congress.

Brief discussion of affected U.S. industries, workers, and consumers

As stated in the Commission's report concerning the original petition, the only known U.S. fabric mills to have the capacity to produce the subject fabrics at that time were Dan River, Inc., Danville, VA, and Wade Manufacturing Co., Wadesboro, NC. Following CITA's denial of the original petition, ***⁶ ***.⁷

Views of interested parties

No written submissions were filed with the Commission.

Probable economic effect advice⁸

Because the current petition filed by School Apparel covers the same fabrics as its previous petition and because the Commission is unaware of any changes in the U.S. textile industry's capability to supply the subject fabrics since its original review, the Commission's probable economic effect advice remains unchanged from its original review. The probable economic effects of granting duty-free and quota-free treatment to U.S. imports of blouses made in eligible CBTPA beneficiary countries from the subject fabrics, regardless of the source of the fabric, is likely to have no adverse effect on U.S. yarn and fabric producers because there currently is no known U.S. production of the fabric.

The proposed preferential treatment still is likely to have a negligible adverse effect on U.S. firms making women's and girls' blouses domestically from the subject fabrics, and on their employees. The U.S. markets for blouses, including school uniform blouses, made from the subject fabrics continue to be largely supplied by imports from Asia, Mexico, and the CBTPA countries. To the extent that imports of the uniform blouses from eligible countries increase, these imports would likely displace imports from other countries to a greater degree than they would displace U.S. production, because any existing U.S. production is likely to supply niche markets or exist for quick response purposes. U.S. and other firms making blouses in eligible CBTPA countries are likely to benefit from the granting of the proposed preferential treatment.

U.S. distributors and consumers of blouses (school and career uniform blouses) would likely benefit from the proposed preferential treatment, because importers are likely to pass through some of the duty savings, given the highly competitive market for uniform blouses.

⁶ James E. Martin, President, Apparel Fabrics Division, Dan River, Inc., Danville, VA, telephone interview by Commission staff, Jan. 14, 2003.

⁷ Bernard M. Hodges, President, Wade Manufacturing Co., telephone interview by Commission staff, Jan. 16, 2003.

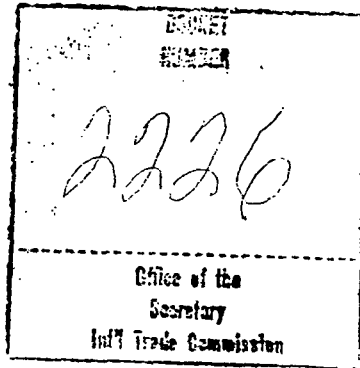
⁸ The Commission's advice is based on information currently available to the Commission.

APPENDIX A

Request Letter from the United States Trade Representative

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

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JAN 11 2002

The Honorable Stephen Koplan
Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Dear Mr. Chairman:

On March 5, 2001, I requested that the Commission initiate an "umbrella" investigation under section 332 of the Tariff Act of 1930 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 with the Committee for the Implementation of Textile Agreements (CITA) under the "short supply" provisions of the African Growth and Opportunity Act and/or the United States-Caribbean Basin Trade Partnership Act. That letter requested the Commission's advice regarding all "short supply" petitions filed with CITA during 2001.

I am writing to request that the Commission initiate a new "umbrella" investigation under section 332 of the Tariff Act of 1930 to provide its advice regarding all "short supply" petitions filed with CITA in 2002. Please consider the terms of this request to be the same as my request of March 5, 2001, except that I request that the Commission provide its advice not later than the 42nd day of the 60-day statutory period, rather than the 47th day. Based on our experience, we have concluded that we need to obtain the Commission's advice earlier in the 60-day statutory period for consideration of "short supply" petitions.

I would also like to take this opportunity to thank the Commission and its staff for the excellent work and analysis that have gone into the Commission's reports on the "short supply" petitions to-date. We greatly appreciate the Commission's assistance in this matter.

Sincerely,

Robert B. Zoellick

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APPENDIX B

Federal Register Notice

California's efforts. One of these actions is execution of an Implementation Agreement (IA) that would commit the Secretary to make Colorado River water deliveries to facilitate implementation of the QSA. The Secretary's execution of the IA is the subject of Reclamation's IA, Inadvertent Overrun and Payback Policy, and Related Federal Actions Draft EIS (INT-DES 01-44), which was recently distributed for public review and comment (67 FR 1988). Impacts to the Colorado River, that would result from the change in point of delivery of IID's conservation and transfer of up to 300,000 acre-feet of Colorado River water, are incorporated into an analysis of all changes in the point of delivery proposed in the IA and included in the QSA.

The draft EIR/EIS identifies and summarizes the impacts to the Colorado River associated with IID's proposed change in point of delivery of up to 300,000 acre-feet of Colorado River water, under either the IID/SDCWA Transfer Agreement or QSA. It also describes the anticipated impacts associated with the water conservation measures to be undertaken. IID's proposed methods of conserving the water to be transferred, and use of that water, are also described in the draft EIR/EIS.

IID has applied for a Section 10 permit under which FWS would authorize the incidental take of a number of federally listed species, as well as other sensitive species that are being considered for listing, within the IID water service area, the right-of-way of the All American Canal, and the Salton Sea. The draft EIR/EIS also includes a description of impacts that are anticipated to occur from IID's implementation of an HCP for affected species, once it is approved by FWS.

Copies of the draft EIR/EIS are available for public inspection and review at the following locations:

- Department of the Interior, Natural Resources Library, 1849 C St., NW., Washington, DC 20240.
- Bureau of Reclamation, Denver Office Library, Building 67, Room 167, Denver Federal Center, 6th and Kipling, Denver, CO 80225.
- Bureau of Reclamation, Lower Colorado Regional Office, Nevada Highway and Park St., Boulder City, NV 89006.
- Bureau of Reclamation, Southern California Area Office, 27710 Jefferson Ave., Suite 201, Temecula, CA 92590-2628.
- Bureau of Reclamation, Yuma Area Office, 7301 Calle Agua Salada, Yuma, AZ 85364-9763.

- Lake Havasu City Library, 1787 McCulloch Blvd. North, Lake Havasu City, AZ 86403.
- Mohave County Library, 1170 Hancock Rd., Bullhead City, AZ 86442.
- Parker Public Library, 1001 S. Navajo Ave., Parker, AZ 85344.
- Yuma County Library, 350 S. 3rd Ave., Yuma, AZ 85364.
- Los Angeles Central Library, 630 W. 5th St., Los Angeles, CA 90071.
- Palo Verde Valley Library, 125 W. Chanslor Way, Blythe, CA 92225.
- San Bernardino County Library, 104 W. 4th St., San Bernardino, CA 92401.
- San Diego Central Library, 820 E St., San Diego, CA 92101.
- IID Offices, 1284 Broadway, El Centro, CA 92243.
- IID Offices, 81-600 Avenue 58, La Quinta, CA 92253.
- El Centro Public Library, 539 State Street, El Centro, CA 92243.
- Brawley Public Library, 400 Main Street, Brawley, CA 92227.

Written comments received by Reclamation or IID become part of the public record associated with this action. Accordingly, Reclamation makes these comments, including names and home addresses of respondents, available for public review. Individual respondents may request that we withhold their home address from public disclosure, which we will honor to the extent allowable by law. There also may be circumstances in which we would withhold a respondent's identity from public disclosure, as allowable by law. If you wish us to withhold your name and/or address, you must state this prominently at the beginning of your comment. However, we will not consider anonymous comments. We will make all submissions from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, available for public disclosure in their entirety.

Dated: January 8, 2002.

Terence Martin,

Acting Director, Office of Environmental Policy and Compliance.

[FR Doc. 02-1888 Filed 1-24-02; 8:45 am]

BILLING CODE 4310-MN-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-436]

Apparel Inputs in "Short Supply" (2002): Effect of Providing Preferential Treatment to Apparel From Sub-Saharan African and Caribbean Basin Countries

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation.

SUMMARY: Following receipt of a request from the United States Trade Representative (USTR) on January 14, 2002, the Commission instituted investigation No. 332-436, *Apparel Inputs in "Short Supply" (2002): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice in connection with requests filed in 2002 with respect to the "short supply" provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA). The Commission conducted a similar investigation in 2001 to provide advice with respect to requests filed that year. During 2001, the Commission conducted 10 "short supply" reviews under investigation No. 332-428, *Apparel Inputs in "Short Supply" (2001): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African and Caribbean Basin Countries*.

FOR FURTHER INFORMATION CONTACT: For general information, contact Jackie W. Jones (202-205-3466; jones@usitc.gov) of the Office of Industries; for information on legal aspects, contact William Gearhart (202-205-3091; wgearhart@usitc.gov) of the Office of the General Counsel. The media should contact Margaret O'Laughlin, Public Affairs Officer (202-205-1819). 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. General information about the Commission may be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS On-Line) <http://dockets.usitc.gov/eol/public/>.

Background

Section 112(b)(5) of the AGOA and section 213(b)(2)(A)(v) of the Caribbean Basin Economic Recovery Act, as added by section 211(a) of the CBTPA, allow preferential treatment for apparel made in beneficiary countries from certain fabrics or yarns to the extent that apparel of such fabrics or yarns would be eligible for preferential treatment, without regard to the source of the fabrics or yarns, under Annex 401 of the North American Free Trade Agreement. These sections also authorize the President, on request of an interested party, to proclaim preferential treatment for apparel made in beneficiary countries from additional fabrics or yarns, if the President determines that such fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner and the President complies with certain procedural requirements, one of which is to obtain the advice of the Commission. The President is required to submit a report to the House Ways and Means and Senate Finance Committees that sets forth the action proposed to be proclaimed, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee, within 60 days after a request is received from an interested party.

In Executive Order No. 13191, the President delegated to the Committee for the Implementation of Textile Agreements (CITA) the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. He authorized CITA and the USTR to submit the required report to the Congress, and delegated to USTR the authority to obtain advice from the Commission.

As requested by the USTR, the Commission will provide advice regarding the probable economic effect of providing preferential treatment for apparel made in AGOA and/or CBTPA beneficiary countries from fabrics or yarns, regardless of the source of the fabrics or yarns, which allegedly cannot be supplied by the domestic industry in commercial quantities in a timely manner (i.e., which allegedly are in "short supply"). The advice will be provided as to the probable economic effect of such action on affected segments of the U.S. textile and apparel industries, workers in these industries, and consumers of affected goods.

The Commission will follow the same procedures as it did in conducting "short supply" reviews in 2001 under

Investigation No. 332-428. Thus, during 2002, the Commission will provide advice for each "short supply" review under a single investigation number. The Commission will not publish notices in the *Federal Register* of receipt of individual requests for advice. Instead, the Commission will issue a news release each time it initiates an analysis, and the news release will identify the article(s) under consideration, indicate the deadline for submission of public comments on the proposed preferential treatment, and provide the name, telephone number, and Internet e-mail address of staff who will be able to provide additional information on the request. CITA publishes a summary of each request from interested parties in the *Federal Register*. To view these notices, see the Internet site of the U.S. Department of Commerce, Office of Textiles and Apparel (OTEXA), at <http://otexa.ita.doc.gov/fr.stm>.

The Commission has developed a special area on its Internet site (<http://www.usitc.gov/shortsup/shortsupintro.htm>) to provide the public with information on the status of each request for which the Commission initiated analysis. The Commission has also developed a group list of facsimile addresses of interested parties or individuals who wish to be automatically notified via facsimile about any requests for which the Commission initiated analysis. Interested parties may be added to this list by notifying Jackie W. Jones (202-205-3466; jones@usitc.gov).

The Commission will submit its reports to the USTR not later than the 42nd day after receiving a request for advice. The Commission will issue a public version of each report as soon thereafter as possible, with any confidential business information deleted.

Written Submissions: Because of time constraints, the Commission will not hold public hearings in connection with the advice provided under this investigation number. However, interested parties will be invited to submit written statements (original and 3 copies) concerning the matters to be addressed by the Commission in this investigation. The Commission is particularly interested in receiving input from the private sector on the likely effect of any proposed preferential treatment on affected segments of the U.S. textile and apparel industries, their workers, and consumers. Commercial or financial information that a person desires the Commission to treat as confidential must be submitted in accordance with § 201.6 of the

Commission's rules of practice and procedure (19 CFR 201.6). The Commission's Rules do not authorize filing of submissions with the Secretary by facsimile or electronic means. 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 confidential business information submitted in the course of this investigation in the reports to the USTR. In the public version of these reports, however, the Commission will not publish confidential business information in a manner that could reveal the individual operations of the firms supplying the information. All submissions should be addressed to the Secretary, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436.

List of Subjects: African, Apparel, Caribbean, Fabric, Imports, Tariffs, and Yarn.

By order of the Commission.

Issued: January 18, 2002.

Marilyn R. Abbott,
Acting Secretary.

[FR Doc. 02-1838 Filed 1-24-02; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[USITC SE-02-003]

Sunshine Act Meeting

AGENCY HOLDING THE MEETING: United States International Trade Commission.
TIME AND DATE: February 8, 2002 at 11 a.m.

PLACE: Room 101, 500 E Street SW., Washington, DC 20436 Telephone: (202) 205-2000.

STATUS: Open to the public.

MATTERS TO BE CONSIDERED:

1. Agenda for future meeting: None.
2. Minutes
3. Ratification List
4. Inv. No. 731-TA-920 (Final)

(Certain Welded Large Diameter Line Pipe from Mexico)—briefing and vote. (The Commission is currently scheduled to transmit its determination and Commissioners' opinions to the Secretary of Commerce on February 19, 2002.)

5. Outstanding action jackets: None
In accordance with Commission policy, subject matter listed above, not disposed of at the scheduled meeting, may be carried over to the agenda of the following meeting. Earlier announcement of this meeting was not possible.