

UNITED STATES INTERNATIONAL TRADE COMMISSION

APPAREL INPUTS IN "SHORT SUPPLY": CERTAIN NONWOVEN FABRICS

Investigation No. 332-428-006

June 2001



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

U.S. International Trade Commission Investigation No. 332-428-006

Products	Apparel of certain nonwoven fabric
Requesting Party	The Freudenberg Nonwovens Group, Durham, NC
Date of Commission Report: USTR Public	June 25, 2001 June 2001
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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON JUNE 25, 2001. ALL CONFIDENTIAL BUSINESS 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 articles made in eligible Caribbean Basin countries from certain nonwoven fabrics, regardless of the source of the fabric, would likely have a negligible effect on U.S. producers of nonwoven fabrics that may be similar to the subject fabric. The proposed preferential treatment would likely have a negligible effect on U.S. apparel firms producing the high-performance sports apparel and protective work apparel domestically, and their workers, and would likely benefit U.S. apparel firms assembling the apparel in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: 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 2001 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

¹ For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

The Commission's advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on May 9, 2001, alleging that a microfilament nonwoven fabric of continuous polyester and nylon filaments with an average size of 0.02 to 0.8 decitex² 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 the subject nonwoven fabric, regardless of the source of the fabric. 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.³

Brief discussion of products

The nonwoven fabric named in the petition is reported under the residual (or "basket") statistical reporting numbers of subheadings 5603.11.00, 5603.12.00, 5603.13.00, and 5603.14.90 of the Harmonized Tariff Schedule of the United States (HTS), which provide for nonwovens of manmade-fiber filaments; the subject fabrics are not impregnated, coated or covered with any materials or finishes. Nonwoven fabrics are among the few textile articles that can enter free of duty from countries eligible for general duty rates. The garments made from the subject nonwoven fabric are classified in HTS chapter 62 (apparel, not knitted or crocheted) and consist mostly of high-performance apparel (e.g., for use in such activities as biking, hiking, and skiing) and, to a lesser extent, workwear. The general rates of duty for both the high-performance apparel and the workwear range from 7.2 percent to 16.3 percent ad valorem.

Nonwoven apparel fabrics traditionally have been used in disposable, or one-time use apparel designed for use in hospitals, clinics, laboratories, or contaminated areas. In contrast, the subject nonwoven fabrics are designed for use in apparel that can be cleaned and worn multiple times (hereafter referred to as "durable" apparel).

Nonwoven fabrics are sheets or webs of randomly oriented textile fibers, usually manmade fibers. The fibers may be either filaments (long and sometimes continuous fibers) or staple (shorter fibers). These fibers are mechanically bonded, forming webs that are strengthened by the physical entanglement of the fibers using high pressure water jets (referred to as hydro-entanglement).

The subject nonwoven fabrics include Evolon®, a fabric newly developed and patented by Freudenberg Vliesstoff KG of Germany, the parent company of The Freudenberg Nonwovens Group, Durham, NC (the petitioner). According to the petition, the fabric is the first continuous microfiber spun-bonded nonwoven fabric developed for apparel applications.⁴ The petition states that the fabric (1) has a high strength-to-weight ratio allowing for a combination of durability, stretchability, softness, and drape; (2) is washable, dry cleanable, and breathable, and has high moisture transport rates, ultra-violet (UV) protection, and wind barrier properties; (3) can be sewn without seam finishes because the edges of the fabric do not fray and can be processed using such techniques as ultrasonic sewing, heat sealing, and laser cutting; and (4) can be made for many apparel end uses by altering the construction of the fabric or changing the finishes applied to the fabric. Evolon® is manufactured in one continuous process from the polymer chip to the fabric.

² Decitex is one-tenth of a tex. A tex is a unit for expressing linear density, equal to the weight in grams of one kilometer of filament, yarn, fiber, or other textile strand.

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 Beth C. Ring, Sandler, Travis & Rosenberg, PA, New York, NY, on behalf of The Freudenberg Nonwovens Group, Durham, NC, "Short Supply Petition for Evolon® Fabric," submission to CITA, May 7, 2001, p. 2.

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

The segments of the U.S. textile and apparel sector that might be affected by the proposed preferential treatment are U.S. manufacturers of nonwoven fabrics; high-performance knit and woven fabrics; and high-performance apparel and protective workwear. According to the petition, there is no U.S. production of the subject nonwoven fabric for use in apparel because the equipment to produce the fabric is not available domestically.^{6 *** 7}

The Commission contacted three U.S. companies, whose officials stated the firms produce or are in the process of developing the capability to produce nonwoven fabrics which have similar characteristics to those of the subject fabric: Kimberly-Clark Corporation (KCC), Dallas, TX; DuPont Nonwovens, Old Hickory, TN; and Polymer Group, Inc. (PGI), Benson, NC.^{8 *** 9 10 11}

KCC, a large U.S. producer of nonwoven fabrics used in disposable apparel for the medical and professional health care markets, ***¹²

DuPont Nonwovens, which produces primarily nonwoven fabrics and one-time use or disposable medical and surgical apparel and worker protection coveralls made from such fabrics, indicated that it can supply the U.S. market with nonwoven fabrics that have the same characteristics as the subject nonwoven fabrics made by the petitioner.^{13 *** 14 15 16}

Polymer Group, Inc. (PGI) produces Miratec® domestically with its proprietary Apex® technology, ***^{17 18}

***¹⁹ Reportedly, one major difference between Evolon® and Miratec® is that the former is made with continuous microfiber filaments and the latter with staple (shorter) fibers. ***^{20 21} PGI states that

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⁶ Beth C. Ring, on behalf of The Freudenberg Nonwovens Group, Durham, NC, written submission to CITA, May 7, 2001, p. 3.

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⁸ All three companies produce nonwoven fabrics for use primarily in the production of disposable apparel for the medical and industrial markets.

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¹³ Scott L. Gettelfinger, Global Business Strategist, DuPont Nonwovens, written submission to the Commission, June 6, 2001.

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Miratec® fabrics are washable, durable, breathable, and have UV protection and high moisture transport rates.²² ***²³

Because the subject nonwoven fabric made by Freudenberg is not yet on the market, the Commission was unable to ascertain the substitutability of such fabric with the many types of knitted and woven high-performance fabrics produced in the United States, such as Gore-Tex® by Gore-Tex® Products, CoolMax® by DuPont, Innova® by American Fibers and Yarn Co., and the Polartec® series, by Malden Mills. ***²⁴ In addition, the Commission was unable to obtain information from any U.S. apparel producers that are in the process of developing garments made with Evolon® or that make apparel from Miratec® or Tyvek®.

Views of interested parties

The Commission received written submissions from KCC and DuPont Nonwovens, each of which state opposition to a short supply designation for the subject nonwoven fabrics because the firms make such fabrics in the United States.²⁵ The KCC submission stated ***.

Probable economic effect advice²⁶

The Commission's analysis shows that granting duty-free and quota-free treatment to apparel articles made in eligible CBTPA beneficiary countries from the subject nonwoven fabric, regardless of the source of fabric, would likely have a negligible effect on U.S. producers that make, or are in the process of developing, nonwoven fabrics that may be similar to the subject nonwoven fabric made by the petitioner (Freudenberg). It is believed that most nonwoven fabrics sold by potentially competing U.S. producers in the domestic market are produced domestically. The estimated impact of the proposed preferential treatment is based on ***.

The proposed preferential treatment is likely to benefit U.S. and other apparel firms that may produce garments in eligible CBTPA beneficiary countries from the subject nonwoven fabric. The proposed preferential treatment is likely to have a negligible effect on U.S. producers making high-performance sports apparel and workwear in the United States, and their workers, because the domestic market for such durable apparel made from nonwoven fabrics is in the developmental stage.

U.S. consumers of apparel made from the subject nonwoven fabric would likely benefit from the proposed preferential treatment because importers and retailers may pass through some of the duty savings to consumers in today's highly competitive retail apparel market. In addition, consumers may benefit from having access to a wider range of high-performance sports apparel made from the subject nonwoven fabric.

²² M. Jerry Garfinkle, Director of Contracts Administration and Assistant General Counsel, PGI, written submission to CITA, June 5, 2001, p. 1.

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