

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2004):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO APPAREL OF
COMBED COMPACT YARNS FROM SUB-SAHARAN AFRICAN,
CARIBBEAN BASIN, AND ANDEAN COUNTRIES**

Investigation No. 332-458-001

February 2004



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

U.S. International Trade Commission Investigation No. 332-458-001

Products	Apparel of combed compact yarns
Requesting Parties	Warren Corp., Stafford Springs, CT
Date of Commission Report: USTR Public	February 24, 2004 February 2004
Commission Contact	Cynthia Trainor (202-205-3354; trainor@usitc.gov)

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON FEBRUARY 24, 2004. 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 sub-Saharan African, Caribbean Basin, and Andean countries from combed compact yarns of wool or fine animal hair, or from fabrics made in the United States of such yarns, would likely have no adverse effect on U.S. yarn spinners because there are no known current U.S. producers of the yarns. A U.S. yarn producer reportedly might begin production of the yarns this year; if so, the extent to which the proposed preferential treatment could adversely affect such production is unknown. The proposed preferential treatment could have a negligible adverse effect on U.S. producers of the apparel and their workers, but would likely benefit U.S. firms producing fabrics of the subject yarns and firms making the apparel in eligible countries and their U.S.-based workers, as well as U.S. consumers.

Background

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

The Commission's advice in this report concerns a petition received by CITA on January 14, 2004, alleging that certain yarn 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 AGOA, CBTPA, and Andean countries from such yarn, or from U.S.-formed fabrics containing such yarn, regardless of the source of the yarn. The President is required to submit a report to the House Committee

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

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.²

Discussion of the product

The yarns named in the petition are combed compact yarns of wool or fine animal hair (e.g., camel hair) classified in the Harmonized Tariff Schedule of the United States (HTS) under subheadings 5107.10 and 5107.20 (of wool) and 5108.20 (of fine animal hair). The HTS divides the combed wool yarns into those containing 85 percent or more wool by weight (5107.10) and those containing less than 85 percent wool (5107.20). The yarns can be singles or plied yarns and of any micron count. Garments made from the yarns are classified in HTS chapter 61 (apparel, knitted or crocheted) and chapter 62 (apparel, not knitted or crocheted) under provisions for apparel of "wool or fine animal hair." Among the apparel articles made from the yarns are men's worsted wool tailored clothing, for which the 2004 general duty rates are approximately 17.5 percent ad valorem.

According to the petitioner, a U.S. producer of yarns and fabrics primarily for men's tailored clothing, ***. The petition states that the yarn is an emerging, technologically advanced product created by a reduction of the air space between fibers during the spinning process.³ The appearance, strength, and durability of the yarn make it a more desirable and effective yarn for the production of fine apparel fabric. In comparison to traditional combed yarns, the compact yarns are made of fibers aligned more uniformly and closer together; have a less hairy surface, making the fabric more resistant to pilling; and show increased elongation and strength, which improves weaving performance and enhances the wear and crease-resistant properties of the garment.

The American Yarn Spinners Association, Inc., (AYSA), Gastonia, NC, a trade association representing U.S. yarn producers, stated that "traditional ring spinning makes 'hairy' yarn, meaning small strands of fiber protrude from the finished yarn. Compact spinning uses air suction or other means to pull all the strands of fiber into the yarn during the actual twisting process, thereby reducing undesirable yarn hairiness and increasing yarn strength. Compact yarns are typically fine count yarns made on the short staple and worsted spinning systems. This is a relatively new technology already in use among manufacturers of certain ring spun combed cotton yarns, and the technology will soon be installed for worsted [wool] spinning."⁴

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

There are no known U.S. producers of the subject compact yarns for commercial sale.⁵ The National Textile Association (NTA), Boston, MA, a trade association representing U.S. producers of wool yarns and fabrics, said it was not aware of any domestic production of the yarns.⁶ However, AYSA said compact

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. The President authorized CITA and USTR to submit the required report to the Congress.

³ Information on the yarn is from the petition submitted by Warren Corp. to CITA, dated Jan. 12, 2004.

⁴ Michael S. Hubbard, Executive Vice President, AYSA, written submission to the Commission, Feb. 18, 2004.

⁵ Except as noted, information in the paragraph is based on information from several sources, including a written statement from Jeffrey H. Peck, Executive Vice President - General Manager, Apparel Fabrics, Burlington Industries LLC, Greensboro, NC, Feb. 17, 2004, and telephone interviews with Mark Kent, President & CEO, The Kent Manufacturing Co., Pickens, SC, and Scott A. Grey, Sales Manager, Jagger Brothers Inc., Springvale, ME, Feb. 18, 2004.

⁶ David Trumbull, Director, Member Services, NTA, telephone interview by Commission staff, Feb. 17, 2004.

yarns “will soon be available in commercial quantities in a timely manner from a major U.S. wool spinner.”⁷ It stated that *** . ***⁸ ***⁹ ***¹⁰

U.S. industry sources said compact yarns are “virtually indistinguishable” from traditional non-compact yarns, making it very difficult to determine whether a wool garment is made from compact or non-compact yarns ***.¹¹ Industry sources stated that the only difference between the two yarns is that compact yarns “undergo an additional processing step that decreases the amount of air space within the yarn itself” and that existing equipment could be retrofitted at a relatively small cost to perform this step.¹² Industry sources indicated that the two yarns have “identical end use applications” in apparel and that domestic demand for the compact yarns is small because of their higher cost.

Views of interested parties

The Commission received written submissions in opposition to the petition from Burlington Industries and AYSA. Burlington Industries said it has more than 1,000 workers engaged in production of wool yarns and fabrics in the United States, primarily in Virginia and North Carolina. The firm said compact yarns are virtually indistinguishable from non-compact yarns, as compact yarns are made from readily available wool fibers with identical micron size and spun into the same size yarns as non-compact yarns. Burlington cites the difference between compact and non-compact yarns as an additional processing step that reduces the amount of air space within the yarn itself. The firm stated that compact yarns will compete directly with non-compact yarns for the same apparel customers located in beneficiary countries and that approval of the petition will allow U.S. manufacturers to import yarns for use under various trade preference programs that could easily be serviced by yarns available in the United States. The firm indicated that it disagrees with claims that the subject compact yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner.¹³

AYSA said it opposes the petition because the compact yarns will soon be available in commercial quantities in a timely manner from a major U.S. wool spinner ***.¹⁴ AYSA stated that approval of the petition, with focus on a specific technology, would inhibit product development and modernization of U.S. spinning mills during a period that demands flexibility and specialization. AYSA also said that approval of the petition could prove a disincentive for U.S. yarn spinners to install the new technology, which in turn could limit the types of yarns available as U.S. spinners focus on specialized products.

Probable economic effect advice¹⁵

The Commission’s analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible sub-Saharan African, Caribbean Basin, and Andean countries from the subject yarns or from U.S.-formed fabrics of the yarns, regardless of the source of the yarns, would likely have no adverse effect on U.S. yarn spinners because there are no known current U.S. producers of such yarns.

⁷ Michael S. Hubbard, Executive Vice President, AYSA, written submission to the Commission, Feb. 18, 2004.

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⁹ ***, telephone interview by Commission staff, Feb. 20, 2004.

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¹³ Jeffrey H. Peck, Executive Vice President - General Manager, Apparel Fabrics, Burlington Industries LLC, Greensboro, NC, written submission to the Commission, Feb. 17, 2004. Burlington said it recently streamlined its wool fabric operations to reduce excess capacity, yet remains positioned to be a major player in the U.S. worsted wool fabric market. In a press release of November 11, 2003, WL Ross & Co., LLC, announced that it had completed the purchase of Burlington.

¹⁴ Michael S. Hubbard, Executive Vice President, AYSA, written submission to the Commission, Feb. 18, 2004.

¹⁵ The Commission’s advice is based on information currently available to the Commission.

A U.S. yarn producer reportedly might begin production of the yarns this year; if so, the extent to which the proposed preferential treatment could adversely affect such production is unknown.¹⁶

The proposed preferential treatment would likely benefit U.S. producers of fabrics of the subject yarns and their workers, to the extent that demand increases for U.S. fabrics used in the production of apparel in eligible beneficiary countries. It would also benefit U.S. firms that make the apparel in eligible beneficiary countries, and their U.S.-based workers. The expected increase in imports of such apparel from the eligible countries would likely displace imports of similar apparel from other countries, but could have a negligible adverse effect on any U.S. producers of such apparel.

U.S. consumers of apparel 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 market for men's tailored clothing.

¹⁶ ***.