

UNITED STATES INTERNATIONAL TRADE COMMISSION

**APPAREL INPUTS IN "SHORT SUPPLY": APPAREL OF COMBED
CASHMERE AND CAMEL HAIR YARN**

Investigation No. 332-436-002

February 2002



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
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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 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.