

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS :
APPAREL OF CERTAIN CORDUROY FABRICS**
Investigation No. 332-450-002

April 2003



Commercial Availability of Apparel Inputs (2003): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-450-002

Products	Apparel of certain corduroy fabrics
Requesting Party	Breaker Jeanswear/ARC International, Miami, FL
Date of Commission Report: USTR Public	April 28, 2003 April 2003
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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON APRIL 28, 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 Andean countries from certain corduroy fabrics, regardless of the source of the fabrics, likely would have some adverse effect on U.S. producers of corduroy fabrics and their workers, and have a slight adverse effect on U.S. firms making competitive garments domestically, and their workers. The proposed preferential treatment likely would benefit U.S. apparel firms making garments in the eligible countries, and their U.S.-based workers. U.S. consumers likely would benefit from some of the duty savings resulting from the proposed preferential treatment.

Background

On January 28, 2003, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-450, *Commercial Availability of Apparel Inputs (2003): 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 2003 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, Division D of the Trade Act of 2002).¹

The Commission's advice in this report concerns a petition received by CITA on March 17, 2003, alleging that certain corduroy 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 Andean 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 For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of February 4, 2003 (68 F.R. 5651) 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.²

Brief discussion of the product

The corduroy fabrics named in the petition are classified in subheading 5801.22.90 of the Harmonized Tariff Schedule of the United States (HTS), which provides for cut corduroy cotton fabrics with 7.5 wales per centimeter or less.³ In general, corduroy is a woven cut-pile fabric with ribs or wales running lengthwise in the fabric. According to the petition, the subject fabrics are dyed, either wholly of cotton or 97-98 percent cotton and 2-3 percent spandex, have 6-8 wales per centimeter, and weigh 271 grams per square meter. The petition indicates that the subject fabrics are used in the production of such garments as jackets, pants, shorts, dresses, and skirts, classifiable in HTS chapter 62 (apparel, not knitted or crocheted). The 2003 column 1-general rates of duty on such garments range from 8.2 percent to 16.7 percent ad valorem.

Breaker Jeanswear, the petitioner, stated that apparel articles made with the subject fabrics are marketed in a wide range of retail outlets.⁴ The firm stated that its corduroy consumption requirement averages approximately *** per month of dyed cotton corduroy to be supplied within 4 to 6 weeks following its fabric, pattern, and color selection decisions.⁵

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

The segments of the U.S. textile and apparel sector that may be affected by the proposed preferential treatment are textile mills and apparel producers.

Textile mills

The only known U.S. producers of cotton corduroy fabrics are Galey & Lord, Greenwood Mills, and Majestic Mills, Inc. Galey & Lord, New York, NY, states that it is the only remaining vertical producer of corduroy in the United States, with annual production of more than 7 million yards. The firm states that *** and that it employs about 158 workers in its corduroy operations. The firm weaves corduroy in McDowell County, NC, and dyes and finishes it in Society Hill, SC.⁶ The firm stated that ***. The firm provided ***.⁷

Greenwood Mills, Greenwood, SC, states that ***.⁸

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 Cotton corduroy fabrics with more than 7.5 wales per centimeter, classifiable in HTS subheading 5801.22.10, were designated as "not available in commercial quantities" under the North American Free Trade Agreement (NAFTA) at the time of NAFTA's implementation in 1994. This NAFTA provision was subsequently included in the AGOA, CBTPA, and ATPDEA. Because of that designation, the United States grants duty-free and quota-free treatment to apparel made in eligible NAFTA, AGOA, CBTPA, and ATPDEA beneficiary countries from cotton corduroy fabrics with more than 7.5 wales per centimeter.

⁴ Paul Arcia, CEO, Breaker Jeanswear/ARC International, Miami, FL, telephone interview by Commission staff, Apr. 15, 2003.

⁵ ***. Paul Arcia, CEO, Breaker Jeanswear/ARC International, telephone interview by Commission staff, Apr. 17, 2003, and petition received by CITA on behalf of Breaker Jeanswear/ARC International, from Sandler, Travis & Rosenberg, LLC, Washington, DC, counsel for petitioner, Mar. 17, 2003.

⁶ Robert J. McCormack, President, Galey & Lord, written submission to the Commission, Apr. 15, 2003.

⁷ Robert J. McCormack, President, Galey & Lord, telephone interview by Commission staff, Mar. 26, 2003, and written submissions to the Commission, Apr. 9 and 15, 2003.

⁸ ***, telephone interview by Commission staff, Apr. 17, 2003.

Majestic Mills, Inc., New York, NY, stated that ***.⁹

Apparel manufacturers

***. Breaker Jeanswear manufactures apparel in Colombia ***.¹⁰

***.¹¹

***.¹²

***.¹³

***.¹⁴

Retailers

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Views of interested parties

The only written statements received by the Commission were from Galey & Lord, which stated its opposition to the proposed preferential treatment. Galey & Lord stated that it makes more than 7 million yards of corduroy in the United States annually, much of it within petition specifications. The firm stated that if the proposed preferential treatment is granted, its financial performance, production, and labor force will be adversely impacted, and the communities where the firm is located would be damaged significantly. It cited ***. The firm said it received an inquiry from the petitioner in March 2003, regarding the availability of “fine line” corduroy of 88-percent cotton, 10-percent polyester, and 2-percent Lycra® spandex, in two specified colors. Galey & Lord said it informed the petitioner that it had undyed corduroy fabric available for delivery in four weeks, which, according to the firm, is its standard time to prepare, apply color, and finish the fabric. According to Galey & Lord, the petitioner did not follow up, even after several calls to the petitioner. Galey & Lord stated that it currently produces large quantities of corduroy fabrics in a weight at or near the petitioner’s specifications, that it has produced large quantities of corduroy in petitioner’s blend specifications, and that it is prepared to accommodate petitioner specifications commensurate with an order of commercial quantity.¹⁶

Probable economic effect advice¹⁷

The Commission’s analysis shows that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Andean beneficiary countries from the subject corduroy fabrics, regardless of the source of the fabrics, likely would have some adverse effect on U.S. producers of corduroy fabrics and their workers. The expected increase in U.S. apparel imports made in eligible Andean beneficiary countries from the subject fabrics likely would displace demand for U.S. corduroy fabrics as well as some

⁹ ***, telephone interview by Commission staff, Apr. 10, 2003.

¹⁰ ***, telephone interview by Commission staff, Apr. 10, 2003.

¹¹ ***, telephone interview by Commission staff, Apr. 14, 2003.

¹² ***, telephone interview by Commission staff, Apr. 17, 2003.

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

¹⁴ ***, telephone interview by Commission staff, Apr. 15, 2003.

¹⁵ ***, telephone interview by Commission staff, Apr. 17, 2003.

¹⁶ Robert J. McCormack, President, Galey & Lord, written submissions to the Commission, Apr. 9 and 15, 2003.

¹⁷ The Commission’s advice is based on information currently available to the Commission.

imports of competitive apparel, and there could be a slight adverse effect on U.S. firms making competitive garments domestically.

The proposed preferential treatment likely would benefit U.S. and other apparel firms making garments in eligible Andean beneficiary countries from the subject fabrics by increasing the supply of corduroy fabrics, particularly lower priced corduroy 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 market for corduroy apparel.