

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2003):  
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO APPAREL OF VISCOSE  
RAYON YARNS FROM SUB-SAHARAN AFRICAN AND CARIBBEAN BASIN COUNTRIES**

Investigation No. 332-450-007

December 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. 332-450-007

Products	Apparel of viscose rayon yarns
Requesting Parties	Fabritex, Inc., Lincolnton, NC
Date of Commission Report: USTR Public	December 15, 2003 December 2003
Commission Contact	Laura V. Rodriguez (202-205-3499; lrodriguez@usitc.gov)

### NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR  
ON DECEMBER 15, 2003. ALL CONFIDENTIAL INFORMATION HAS BEEN  
REMOVED AND REPLACED WITH ASTERISKS (\*\*\*)

### Summary of Findings

The petition filed by Fabritex with the Committee for the Implementation of Textile Agreements (CITA) on November 3, 2003, is identical to the petition that it filed with CITA in June 2001. CITA denied the earlier petition, stating that the subject yarns could be supplied by the domestic industry in commercial quantities in a timely manner.<sup>1</sup> In the current petition, Fabritex stated that there have been "changed circumstances in the domestic yarn spinning industry" since 2001, stating that the subject yarns have not been and are not currently made in the United States and that the sole respondent of record opposing its 2001 petition does not oppose the current petition.<sup>2</sup>

The Commission is unaware of any firm that makes the subject yarns in the United States. As such, the Commission in the current review finds that granting duty-free and quota-free treatment to apparel made in eligible Caribbean Basin and sub-Saharan African 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 U.S. yarn producers.<sup>3</sup> The Commission also finds that, like in the 2001 review, granting the proposed preferential treatment would likely benefit U.S. producers of fabrics made of the subject yarns and U.S. firms making apparel in eligible Caribbean Basin and sub-Saharan African countries from such U.S.-made fabrics, and their U.S.-based workers, but would likely have a negligible adverse effect on U.S. producers of similar apparel and their workers. U.S. consumers would likely benefit from any duty savings resulting from the proposed preferential treatment.

<sup>1</sup> The petition filed by Fabritex in June 2001 was the second of two petitions that it filed on rayon yarns that year. The second petition clarified the product coverage of the first petition, which was also denied by CITA. CITA's decisions on the 2001 petitions appeared in the *Federal Register* of May 3, 2001 (66 F.R. 23237) and Sept. 6, 2001 (66 F.R. 46608).

<sup>2</sup> Edward Moskowitz, Chief Executive Officer, Fabritex, Inc., petition submitted to CITA on Nov. 3, 2003.

<sup>3</sup> Based on information available in its review of the second petition filed by Fabritex in 2001, the Commission found that the proposed preferential treatment "would likely have a negligible adverse effect on U.S. producers having the capacity to make the subject yarns or similar yarns." The Commission's reports on the two Fabritex petitions in 2001, *Knit Apparel of Viscose Rayon Yarns* (Inv. No. 332-428-004), Apr. 27, 2001, and *Knit Apparel of Open-End-Spun Yarn* (Inv. No. 332-428-009), Aug. 15, 2001, are available on the Commission website at [http://www.usitc.gov/332s/shortsup/332\\_428\\_004.pdf](http://www.usitc.gov/332s/shortsup/332_428_004.pdf) and [http://www.usitc.gov/332s/shortsup/332\\_428\\_009.pdf](http://www.usitc.gov/332s/shortsup/332_428_009.pdf), respectively.

## 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 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).<sup>4</sup>

The Commission’s advice in this report concerns a petition received by CITA alleging that certain rayon yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for apparel produced in eligible CBTPA and AGOA beneficiary countries from fabrics made in the United States of such yarns, regardless of the source of yarns. 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.<sup>5</sup>

## Brief discussion of the product

The rayon yarns named in the petition are classified in subheading 5510.11.00 of the Harmonized Tariff Schedule of the United States (HTS), which provides for singles yarn (other than sewing thread), not put up for retail sale, containing 85 percent or more by weight of artificial staple fibers. According to Fabrictex, the subject yarns are very fine, high-quality yarns used to make fabrics having exceptional “hand,” drape, and silkiness, and for which there are no viable substitutes.<sup>6</sup> The fabrics are used in fashion apparel, particularly women’s tops, pants, skirts, and intimate apparel, and men’s underwear. The 2003 rates of duty on these garments, classified in HTS chapter 61 (knitted or crocheted apparel) and chapter 62 (apparel, not knitted or crocheted), range from 8.9 percent to 32.3 percent ad valorem.

The subject yarns are 30 singles and 36 singles yarns made of very fine (micro-denier), solution-dyed, viscose rayon staple fibers that are spun into yarns on the open-end spinning system.<sup>7</sup> In general, the manufacture of these yarns involves (1) processing cellulosic materials such as wood pulp into a viscose liquid, (2) extruding the liquid through a spinneret (a “showerhead-like” metal disc having many tiny holes) into fiber filaments and cutting them into short, staple fibers, and (3) spinning the fibers into yarn.<sup>8</sup> The

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<sup>4</sup> 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 the Commission’s website at <http://www.usitc.gov/332s/shortsup/shortsupintro.htm>

<sup>5</sup> 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.

<sup>6</sup> Edward Moskowitz, Chief Executive Officer, Fabrictex, Inc., telephone interview by Commission staff, Nov. 14, 2003.

<sup>7</sup> The terms 30 singles and 36 singles yarns are a measure of yarn fineness and represent the number of 840-yard lengths in a pound of yarn (30 or 36) and the number of plies (single ply). The higher the yarn number, the finer the yarn. Denier is a measure of fiber size. Micro-denier is 1 denier or less (the number of unit weights of 0.05 grams per 450-meter length). The lower the number, the finer the fiber.

<sup>8</sup> Yarns are usually made of staple fibers or filaments. A filament is a long (e.g., as much as miles in length), thin strand of extruded material, and consists mainly of manmade fibers (artificial and synthetic). Staple fibers usually measure 1 inch to 4 inches in length and include natural fibers (e.g., cotton) and cut lengths of filament. To form yarn from staple fibers, the fibers

subject yarns are solution dyed—that is, the color is added to the viscose liquid before extrusion, making the yarn more colorfast than fiber dyed after it has been made into yarn.<sup>9</sup>

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

The only known U.S. producer of rayon staple fibers, Liberty Fibers Corp. (formerly Lenzing Fibers Corp.), Lowland, TN, does not perform solution dyeing.<sup>10</sup> A company official said the expertise and equipment needed for solution dyeing does not exist in the United States and it is not economically feasible to import the needed expertise and equipment.<sup>11</sup>

There are no known U.S. producers of the subject yarns, according to representatives of the American Yarn Spinners Association (AYSA), the sole respondent of record opposing the petition filed by Fabrictex in June 2001, and the American Textile Manufacturers Institute (ATMI).<sup>12</sup> Commission staff contacted all U.S. yarn producers cited in the previous two reviews, and confirmed that none of them currently make the subject yarns.<sup>13 \*\*\*14\*\*\*15\*\*\*</sup> Fabrictex said it believes that there are a few other small U.S. producers of fabrics similar to its fabrics.<sup>16</sup>

According to Fabrictex, which produces knitted fabrics from the subject yarns imported mainly from Spain and also Germany, the unavailability of the yarns from domestic sources has caused the firm to lose fabric orders from customers that require AGOA- and CBTPA-compliant fabrics—that is, fabrics made in the United States of U.S. yarns. Fabrictex stated that since the denial of its petitions by CITA in 2001, the firm \*\*\*17 and, according to the petition, reduced the size of the workforce in its North Carolina mill from more than 300 workers in March 2001 to 200 in 2003. In a letter to CITA concerning the second petition filed by Fabrictex in 2001, Liz Claiborne Inc. said it “has recently been compelled to discontinue sourcing fabrics from Fabrictex for use in Caribbean apparel production. With Fabrictex’s inability to supply a CBTPA-compliant fabric, it is more cost effective for our company to use non-U.S. fabrics and pay the duty [on the finished garment] than to use Fabrictex fabrics.”<sup>18</sup>

Information on U.S. firms making apparel from the subject yarns is not readily available, partly because of the wide range of apparel articles involved and partly because imports likely account for most of the domestic market for such garments. Fabrictex stated that if the proposed preferential treatment is granted,

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are cleaned, aligned in a parallel manner, and then wound together (spun) so that the fibers adhere to each other.

<sup>9</sup> Marjory L. Joseph, *Essentials of Textiles*, 4th ed. (Holt, Rinehart and Winston, Inc., 1988), p. 83.

<sup>10</sup> Effective on November 21, 2003, the Austrian-based Lenzing Group sold its residual share in Lenzing Fibers Corp. to the majority shareholder of the firm, a private equity group. See “The Lenzing Group Withdraws from US Minority Holding Lenzing Fibers Corporation,” press release, Nov. 24, 2003, found at <http://www.lenzing.com> on Dec. 4, 2003.

<sup>11</sup> Dan Blair, Director of Production, Lenzing Fibers, Lowland, TN, telephone interview by Commission staff, Nov. 13, 2003.

<sup>12</sup> Telephone interviews by Commission staff with Michael Hubbard, Executive Vice President, AYSA, Nov. 10, 2003, and Charles Bremer, Director, International Trade, ATMI, Nov. 19, 2003.

<sup>13</sup> The information was obtained by Commission staff in November 2003 from Kenneth Goodman, Richmond Yarns, Inc.; Conrad Rhyne, Production Manager, Colored Yarns, Carolina Mills, Inc.; David Miller, Vice President, Marketing, Four Leaf Textiles, LLC; Roger Muckenfuss, Vice President, Manufacturing, Belding Hausman, Inc.; and Charles L. Little, President, Yarn Division, Mount Vernon Mills, Inc.

<sup>14</sup> Lise Charron, Vice President, Marketing and Sales, Cavalier Specialty Yarn Co., USA, telephone interview by Commission staff, Nov. 17, 2003.

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<sup>16</sup> Edward Moskowitz, Chief Executive Officer, Fabrictex, Inc., telephone interview by Commission staff, Nov. 19, 2003.

<sup>17</sup> Edward Moskowitz, Chief Executive Officer, Fabrictex, Inc., telephone interview by Commission staff, Nov. 14, 2003.

<sup>18</sup> Don Baum, Vice President, Group Manufacturing Director, Liz Claiborne Brands, North Bergen, NJ, letter to CITA, available on the website of the U.S. Department of Commerce, Office of Textiles and Apparel, at <http://otexa.ita.doc.gov>.

the firm could recapture some of its lost business and substantially increase its existing business. \*\*\*<sup>19</sup> Fabrictex said it currently sells its Savannah line of knitted fabrics \*\*\*. It is believed that many of the garments made for these firms are assembled abroad.<sup>20</sup>

### **Views of interested parties**

No written statements were filed with the Commission.

### **Probable economic effect advice<sup>21</sup>**

The current petition filed by Fabrictex covers the same rayon yarns as its June 2001 petition. The sole respondent of record opposing the June 2001 petition (American Yarn Spinners Association) does not oppose the current petition.<sup>22</sup> In addition, the Commission is unaware of any firm that makes the subject yarns in the United States. As such, the Commission in the current review finds that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible CBTPA and AGOA 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 U.S. yarn producers and their workers because there currently is no known U.S. production of the yarns.<sup>23</sup>

The proposed preferential treatment is likely to benefit U.S. producers of fabrics made from the subject yarns, and their workers, as a result of increased demand for these specialty fabrics that are used in fashion apparel. The apparel is extremely price competitive, and lowering the price on such apparel would likely result in increased sales and corresponding higher demand for the fabrics. The proposed preferential treatment is also likely to benefit U.S. and other firms making apparel in eligible CBTPA and AGOA beneficiary countries from non-U.S. yarns. The expected increase in imports of such apparel from eligible countries is likely to displace dutiable imports of similar apparel from Asian countries. However, the proposed preferential treatment still is likely to have a negligible adverse effect on any U.S. firms making the apparel domestically and on their workers.

U.S. consumers of apparel made from the subject yarns would likely benefit from the proposed preferential treatment because importers are likely to pass on some of the duty savings to retail consumers in today's highly competitive retail apparel market. In addition, consumers may benefit from having access to a wider range of apparel articles made from the subject yarns.

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<sup>20</sup> Ed Moskowitz, Chief Executive Officer, Fabrictex, telephone interview by Commission staff, Nov. 14, 2003.

<sup>21</sup> The Commission's advice is based on information currently available to the Commission.

<sup>22</sup> Michael Hubbard, Executive Vice President, AYSA, telephone interview by Commission staff, Nov. 10, 2003.

<sup>23</sup> Based on information available in its review of the second petition filed by Fabrictex in June 2001, the Commission found that the proposed preferential treatment "would likely have a negligible adverse effect on U.S. producers having the capacity to make the subject yarns or similar yarns." The Commission's report on the petition, *Knit Apparel of Open-End-Spun Yarn* (Inv. No. 332-428-009), Aug. 15, 2001, is available on its website at [http://www.usitc.gov/332s/shortsup/332\\_428\\_009.pdf](http://www.usitc.gov/332s/shortsup/332_428_009.pdf).