

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2003):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO APPAREL OF
VISCOSE RAYON FILAMENT YARN FROM ANDEAN COUNTRIES**

Investigation No. 332-450-009

January 2004



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. 332-450-009

Products	Apparel of viscose rayon filament yarn
Requesting Parties	Encajes S.A., Bogota, Colombia
Date of Commission Report: USTR Public	January 5, 2004 January 2004
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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON JANUARY 5, 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 apparel made in eligible Andean countries from certain viscose rayon filament yarn, regardless of the source of the yarn, would likely have no adverse effect on most of the U.S. yarn industry, because the subject yarn is not produced domestically. However, the preferential treatment could have a small adverse effect on U.S. producers of acetate filament yarn that might compete with the subject yarn and U.S. producers of fabrics made from the subject yarn and from acetate filament yarn. The proposed preferential treatment would likely benefit U.S. firms making apparel in eligible Andean countries, 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 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).¹

The Commission's advice in this report concerns a petition received by CITA on November 24, 2003, alleging that certain rayon yarns cannot be supplied by the domestic industry in commercial quantities in a

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 the Commission's website at www.usitc.gov/332s/shortsup/shortsupintro.htm

timely manner and requesting that the President proclaim preferential treatment for apparel articles containing such yarns assembled in one or more ATPDEA beneficiary countries, 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.²

Brief discussion of the product

The rayon yarns named in the petition are classified in subheading 5403.41.00 of the Harmonized Tariff Schedule of the United States (HTS), which provides for multiple (folded) or cabled viscose rayon filament yarn (other than sewing thread), not put up for retail sale. According to the petition filed by Encajes S.A. of Bogota, Colombia, a producer of lace, curtain panels, lace tablecloths, and curtain fabric, the firm uses the subject yarn primarily in the production of lace.³ The petitioner stated that there are no substitutes for the viscose rayon filament yarn. His customers—mostly lingerie producers—require lace made with “special color combinations” that can only be achieved through cross dyeing, which allows for dyeing the lace in two-color combinations.⁴ The petitioner added that many of their customers are U.S. companies, such as Target and Sara Lee.⁵ The petitioner explained that, in general, rayon fibers accept dyes more readily than acetate fibers,⁶ and that, acetate must be dyed at higher temperatures than rayon. The lace is used mainly in women’s lingerie, and to a lesser extent, other apparel, classified in HTS chapters 61 (knitted or crocheted apparel) and 62 (apparel, not knitted or crocheted). The 2003 rates of duty on lingerie range from 0.9 percent to 16.1 percent ad valorem.

The subject yarns are either multiple (folded) yarns, which are plied yarns made of two or more single yarns twisted together, or cabled yarns, which consist of two or more plied yarns twisted together.⁷ The yarns are filament yarns made of viscose rayon, an artificial manmade fiber (as opposed to a synthetic manmade fiber such as polyester). In general, the manufacture of the subject yarns involves (1) processing cellulosic materials such as wood pulp into a viscose liquid and (2) extruding the liquid through a spinneret (a “showerhead-like” metal disc having many tiny holes) in an acid bath into long fiber filaments.

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

The United States does not produce the subject rayon filament yarn or any other type of rayon filament yarn. Rayon staple yarn is made domestically by one firm (Liberty Fibers Corp. (formerly Lenzing Fibers Corp.), Lowland, TN), but the staple yarn does not compete with the subject filament yarn because of significant differences between them in terms of physical properties and end-use characteristics, such as fabric sheen, silkiness, texture, and durability.⁸ For example, rayon staple yarn cannot be used to produce

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 Juan Carlos Atehortua, General Manager, Encajes S.A., Bogota, Colombia, petition submitted to CITA, Nov. 24, 2003. Information on products made by the petitioner is from the firm’s website at <http://www.encajes.com>, Dec. 15, 2003.

⁴ E-mails from Juan Carlos Atehortua, General Manager, Encajes, S.A., Bogota, Colombia, to Commission staff, Dec. 16 and 19, 2003.

⁵ Ibid.

⁶ Like rayon, acetate is an artificial manmade fiber made with cellulosic materials, as opposed to polyester, for example, which is made entirely of manmade materials.

⁷ In November 2001, CITA determined that rayon filament yarns classified in HTS subheadings 5403.31 and 5403.32 cannot be supplied by the domestic industry in commercial quantities in a timely manner. These rayon filament yarns are “single” yarns, while the rayon filament yarns named in the petition under current review are “multiple” or “cabled” yarns. CITA’s decision in the 2001 review was published in the *Federal Register* of November 19, 2001 (66 F.R. 57942), p. 57942.

⁸ 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

a shiny satin or velvet fabric, while rayon filament yarn cannot be used to make fabrics normally made of rayon staple yarns, such as a lightweight challis fabric. In addition, the production methods and equipment used to make rayon staple yarn differ from those used in the production of rayon filament yarn.

The two remaining U.S. producers of acetate filament yarns, Celanese Ltd. and Eastman Chemical Co., stated that acetate filament yarns are substitutable for rayon filament yarns in the production of fabrics with various end-uses.⁹ A representative of Eastman¹⁰ stated that if the subject rayon yarns were found to be not available domestically in commercial quantities in a timely manner, the yarns could be used in the production of all types of fabrics in eligible Andean countries, not just in the production of lace. Therefore, the subject yarns could be used in the production of fabrics used to manufacture such products as apparel linings, dresses, women's blouses, and bridal clothing, all of which are commonly among the end uses for fabrics made with acetate filament yarns. Eastman indicated that the fabrics made of acetate filament yarns are interchangeable with fabrics made of rayon filament yarns in these and other end uses. In addition, Eastman stated that some lower cost countries such as India and Brazil are producing rayon filament yarn at prices competitive with acetate filament yarn.

According to Dr. Peter D. Kilduff, Textile Product Design and Marketing, University of North Carolina at Greensboro, who conducted a study, funded by Celanese Ltd., on the substitutability of rayon filament yarn for acetate filament yarn (discussed below in the "Views of interested parties"), fabrics made of the subject rayon filament yarn have characteristics that are superior to those of fabrics made of acetate filament yarn.¹¹ Dr. Kilduff stated that if the price of rayon filament yarn fell to that of acetate filament yarn, some apparel producers may switch to using fabrics of rayon filament yarn, depending on the end use.^{12 ***}

According to ICF Industries, Inc., a U.S. importer and distributor of rayon filament yarns,¹³ rayon filament yarns and acetate filament yarns undergo different manufacturing processes and have different physical properties (e.g., anti-static properties, breaking strength, stretch capacity, and moisture retention) that affect dyeing, finishing, and processing; wearing comfort; product life span; and ease of handling in garment manufacturing.¹⁴ As such, in many instances fabrics made from rayon filament yarn and acetate filament yarn have different characteristics such as durability and comfort absorbency. ***. He also stated that the cost of the rayon filament yarn ICF Industries imports from Germany is *** per pound, compared with *** per pound for comparable U.S.-made acetate filament yarn.¹⁵ The viscose rayon filament yarn the petitioner, Encajes, S.A., imports from the Ukraine costs approximately *** per pound.¹⁶

Views of interested parties

The Commission received a statement from Vordian Co., a Division of Eastman Chemical Co., a U.S. producer of cellulose acetate yarn that opposes the petition.¹⁷ Vordian stated that granting the proposed

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

⁹ Telephone interviews with V.A. Robbins Jr., Business Director, Vordian Co., a Division of Eastman Chemical Co., Kingsport, TN, and Keith Nagy, Celanese, Ltd, by Commission staff, Dec. 10 and 16, 2003, respectively. For more information on their views, see Commission review, *Apparel of Rayon Filament Yarn*, (Inv. No. 332-428-008), July 9, 2001, p. 3, found on the Commission's website at http://www.usitc.gov/332s/shortsup/332_428_008.pdf.

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¹¹ Information in this paragraph is from Dr. Peter D. Kilduff, Textile Product Design and Marketing, University of North Carolina at Greensboro, telephone interview by Commission staff, Dec. 16, 2003.

¹² ***.

¹³ Representative for David G. Trachtenberg, Vice President, ICF Industries, Inc., New York, NY, telephone interview by Commission staff, Dec. 16, 2003.

¹⁴ Commission review, *Apparel of Rayon Filament Yarn*, (Inv. No. 332-428-008), July 9, 2001, p. 3, found on the Commission's website at http://www.usitc.gov/332s/shortsup/332_428_008.pdf.

¹⁵ ***.

¹⁶ E-mail from Juan Carlos Atehortua, General Manager, Encajes, S.A., Bogota, Colombia, to Commission staff, Dec. 18, 2003.

¹⁷ V.A. Robbins, Jr., Business Director, Acetate Yarn Fibers Business Group, Vordian, a Division of Eastman Chemical Co., written submission to the Commission, Dec. 2003.

preferential treatment will injure the domestic acetate yarn industry and threaten the more than 500 high-tech, above-average-wage jobs at its plant in Kingsport, TN, associated with the production and sale of cellulose acetate yarn.

Voridian stated that rayon filament yarns and acetate filament yarns are interchangeable, especially in the case of woven lining fabrics used to line such garments as suits, jackets, coats, and dresses. The firm cited the *** study of Dr. Peter Kilduff,¹⁸ who at the time was with the College of Textiles at North Carolina State University,¹⁹ stating that “rayon poses a credible threat of taking significant market share away from acetate if its price were to converge with that of acetate. There appears to be a reasonable threat that as low cost rayon imports from developing countries, such as Brazil and India, expand in the U.S. market they will negatively impact demand for acetate filament products. . . .”²⁰ The Kilduff study found that rayon and acetate filament yarns are substitutable because “they have a number of significant common characteristics; share many of the same end-uses; and are used in blends.” In the study, Dr. Kilduff stated that “some fabric companies told him that apparel companies often switch between rayon and acetate in order to meet certain retail price points or changing fashions.”

Voridian stated that the U.S. cellulose acetate yarn industry has declined in size since the early 1970s, largely reflecting the substitution of nylon and polyester for acetate yarn and increasing apparel imports from Asia, Latin America, and Europe. According to Voridian, annual U.S. production capacity for cellulose acetate yarn fell from more than 500 million pounds in 1970 to 108 million pounds in 2001. For 2003, the Voridian statement stated that Voridian and Celanese together will likely supply approximately 60 million pounds to the U.S. textile industry.

Probable economic effect advice²¹

According to industry sources, it appears that, generally, rayon filament yarn has superior qualities compared to acetate filament yarn and may be used in some of the same end uses as that of acetate filament yarn, such as apparel linings.²² Substitution of rayon for acetate in linings has not occurred thus far, in part because the price of quality rayon has been considerably higher than that of acetate. Currently, some industry sources are indicating that if the prices of rayon filament yarns were to fall to prices similar to that of acetate filament yarns, some end users would switch to the use of rayon filament yarn from acetate filament yarn.²³ Industry sources have also indicated that such developing countries as India and Brazil are selling rayon filament yarn at prices competitive with the domestic prices of acetate filament yarn. An analysis of U.S. imports of the subject rayon filament yarn indicate that Germany and China are, by far, the largest suppliers, accounting for 29 percent and 25 percent of the total quantity, respectively, in 2002. India was the 6th largest supplier that year, accounting for 4 percent of the total quantity. Information on the quality and selling prices of the rayon filament yarn from the lower cost supplying countries, such as China and India, cannot be determined. The extent that apparel producers have switched or would switch from using acetate filament yarns to rayon filament yarns also cannot be determined, but is believed to be small. In conclusion, the Commission’s analysis shows that granting duty-free and quota-free treatment to apparel made in eligible Andean countries from certain viscose rayon filament yarn, regardless of the source of the yarn, would likely have no adverse effect on most of the U.S. yarn industry, because the

¹⁸ This is the same study which was discussed in the “Brief discussion of affected U.S. industries, workers, and consumers” section of this review.

¹⁹ The April 2002 study was entitled “An Analysis of the Substitutability of Viscose and Cupramonium (sic) Rayon Filament Yarn for Acetate Filament Yarn.”

²⁰ V.A. Robbins, Jr., Business Manager, Voridian Co., a Division of Eastman Chemical Co., Kingsport, TN, written submission to the Commission, Dec. 12, 2003.

²¹ The Commission’s advice is based on information currently available to the Commission.

²² However, fabrics made of acetate filament yarns may be preferred over fabrics of rayon filament yarns to obtain a certain look in fashion fabrics used in the production of women’s fashion apparel, for example.

²³ Dr. Peter D. Kilduff, Textile Product Design and Marketing, University of North Carolina at Greensboro, telephone interview by Commission staff, Dec. 16, 2003.

subject yarn is not produced domestically. However, the preferential treatment could have a small adverse effect on U.S. producers of acetate filament yarn that might compete with the subject yarn and U.S. producers of fabrics made from the subject yarn and from acetate filament yarn.

The proposed preferential treatment would likely benefit U.S. firms making apparel articles containing such yarns in eligible Andean countries. The expected increase in imports of such apparel from eligible Andean countries would displace some imports of similar apparel from other countries. Although imports are believed to account for the majority of the U.S. market for apparel made of the subject yarn, there could be a negligible adverse effect on any U.S. firms making similar or competing apparel domestically.

U.S. consumers of apparel made of the subject yarns would 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.