

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2004):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO
APPAREL OF CERTAIN COTTON FLANNEL FABRICS
FROM CARIBBEAN BASIN COUNTRIES**

Investigation No. 332-458-015

August 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. 332-458-015

Products	Apparel of Certain Cotton Flannel Fabrics
Requesting Parties	Picacho, S.A., La Libertad, El Salvador
Date of Commission Report: USTR Public	August 25, 2004 August 2004
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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON AUGUST 25, 2004. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (***) .

Summary of Findings

This report contains advice for two flannel fabrics contained in one petition. The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Caribbean Basin countries from the two flannel fabrics subject to this review, regardless of the source of the fabrics, would likely have no adverse effect on U.S. fabric producers and their workers, because there is currently no known U.S. production of such fabrics. However, one U.S. producer asserted that it can produce the two subject fabrics as specified in the petitions. The proposed preferential treatment would likely have little or no effect on U.S. producers of apparel and their workers, but would likely benefit U.S. firms making the apparel in the Caribbean Basin 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 August 12, 2004, alleging that certain cotton flannel fabrics 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 Feb. 9, 2004 (69 F.R. 6003) and the Commission's website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

timely manner.² The petitioner requests that the President proclaim preferential treatment for apparel made in eligible CBTPA 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 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.³

Discussion of the product

The two fabrics named in the petition are 100-percent cotton flannel fabrics for use in shirts, trousers, nightwear, robes and dressing gowns, and woven underwear classified in statistical reporting number 5209.31.60.50 of the Harmonized Tariff Schedule of the United States (HTS). The 2004 general rate of duty on the fabrics is 8.4 percent ad valorem. The apparel articles are classified in HTS chapter 62 (apparel, not knitted or crocheted), and the rates of duty range from 6.1 percent to 19.7 percent ad valorem.

The petitioner, Picacho, S.A., is a manufacturer of woven apparel located in El Salvador, and is in partnership with Ben Wachter Associates (BWA), a U.S. apparel company.⁴ The flannel fabrics are a specific type of flannel called “chamois cloth” and are primarily used in shirts and pajamas. For each of the fabrics, the filling yarn is open-end spun yarn and the warp yarn is ring spun yarn. The petitioner indicated that “the warp yarns must be ring spun in order to provide the additional tensile strength required to offset the degrading effects of heavy napping on both sides” of the fabric, and the filling yarns must be open-end spun to impart the required loft and softness to the fabric. All of the fabrics are also napped on both sides (napping provides the fuzzy finish) and sanforized (to prevent shrinkage), but differ from each other by weight, finish, construction, and/or yarn size. The petitioner indicated that production of the subject fabrics requires specialized machinery for the napping process. The table below provides a complete list and description of the fabrics. The two fabrics are piece-dyed, or dyed after they have been woven into fabric, which generally results in a solid-color fabric.

² The two fabrics are very similar to the 12 cotton flannel fabrics described in 12 separate petitions filed with CITA on July 14, 2004 and July 30, 2004. See CITA notices, published in the *Federal Register* on Aug. 2, 2004, (69 F.R.46137) and Aug. 6, 2004 (69 F.R.47915). The 12 fabrics are the subject of USITC Inv. Nos. 332-458-009 (9 of the fabrics) and 332-458-010 (3 of the fabrics).

³ 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.

⁴ Information in this paragraph is from the petitions and from Andrew Lerner, Ben Wachter Associates (BWA), telephone interview by Commission staff, Aug. 5, 2004.

Fabric specifications				
HTS statistical reporting numbers	Finish¹	Weight and Width²	Construction	Yarn number for the warp, filling, and overall average yarn number (AYN)³
Fabric 1: 5209.31.60.50	Piece-dyed	291.5 g/m2; 160 cm	24.41 warp ends/cm; 16.53 filling picks/cm; total: 40.94 threads/cm2	Warp: 25.4 metric Filling: 10.16 metric AYN: 14.04 metric
Fabric 2: 5209.31.60.50	Piece-dyed	305 g/m2; 160 cm	24.41 warp ends/cm; 18.11 filling picks/cm; total: 42.52 threads/cm2	Warp: 25.4 metric Filling: 10.16 metric AYN: 13.95 metric
¹ In addition, all the fabrics must be napped on both sides and sanforized. ² All the widths are "cuttable" widths, useable for making the garments. ³ For both fabrics, the warp yarn is ring spun, and the filling yarn is open-end spun.				

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

The segments of the U.S. textile and apparel sector potentially affected by the proposed preferential treatment are U.S. fabric producers, yarn spinners and dyers, and apparel manufacturers.

Fabric producers

Commission staff contacted four firms believed to weave cotton flannel fabric in the United States for apparel: Dan River Inc., Danville, VA; Wade Manufacturing Co., Wadesboro, NC; Mount Vernon Mills,⁵ Inc., Greenville, SC; and Cone Mills LLC, Greensboro, NC. ***⁶ ***⁷***.

***⁸ However, Wade indicated that, in looking at the distinct specifications required for each fabric (e.g., weight, thread count, number of picks, dyeing technique, yarn type, and napping), it has the capability to produce each of the fabrics in question in commercial quantities in a timely manner. *** Wade indicated it also can make the yarns listed in the petition. *** Wade noted that it can match the quality of the fabrics from Portugal. ***

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⁸ Information in this paragraph is from Bernard M. Hodges, President, Wade Manufacturing Co., telephone interview by Commission staff, Aug. 9, 2004.

Yarn producers

The Commission contacted two yarn producers that Wade Manufacturing indicated as possible suppliers of ring spun yarn for flannel fabrics: ***, and ***. ***⁹***.¹⁰

Apparel companies

The Commission contacted BWA, a U.S.-based apparel company that is partnering with the petitioner. BWA indicated that it designs the garments made with the subject fabrics, conducts the merchandising and sales out its New York City offices, and manufactures the garments in partnership with Picacho, S.A. in El Salvador.¹¹ BWA stated that the fabrics used by the petitioner are from Portugal, the highest quality supplier of such fabrics. ***.

According to *** U.S. retailer, it had sourced its chamois-cloth fabric from Cone Mills, but Cone Mills stopped producing these fabrics.¹² *** stated that it is very difficult to produce chamois cloth fabric because of its complexity. It indicated that the U.S. industry is no longer making the fabrics that are the subject of the petitions. ***.¹³

¹⁴.

Views of interested parties

No written submissions were filed with the Commission.

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 CBTPA beneficiary countries from the subject fabrics, regardless of the source of the fabrics, would likely have no adverse effect on U.S. producers of yarn or fabric, or their workers, because there is no known domestic production of the subject fabric or of the yarn used in the fabric. One U.S. producer, Wade Manufacturing, stated that it has the ability and capacity to produce the subject fabrics.

The proposed preferential treatment would likely have little or no effect on U.S. producers of apparel and their workers because any increase in imports would likely displace U.S. imports from other countries rather than U.S. production. However, U.S. firms making apparel in eligible CBTPA countries and their U.S.-based workers would likely benefit from the proposed preferential treatment. U.S. consumers of apparel made from the subject fabric would likely benefit from the proposed preferential treatment to the extent that importers pass on some of the duty savings to retail consumers.

⁹ ***, telephone interview by Commission staff, Aug. 12, 2004.

¹⁰ ***, telephone interview by Commission staff, Aug. 12, 2004.

¹¹ Information in this paragraph is from Andrew Lerner, Ben Wachter Associates (BWA), telephone interview by Commission staff, Aug. 5, 2004.

¹² Information in this paragraph is from ***, telephone interview by Commission staff, Aug. 10, 2004.

¹³ ***

¹⁴ Information in this paragraph is from ***, telephone interview by Commission staff, Aug. 9, 2004.

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