

United States International Trade Commission

APPAREL INPUTS IN "SHORT SUPPLY" (2001):

**Effect of Providing Preferential
Treatment to Apparel From
Sub-Saharan African and
Caribbean Basin Countries**

Compilation of Reports Requested in 2001

Investigation No. 332-428
USITC Publication 3492
February 2002



U.S. International Trade Commission

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Washington, DC 20436**

OVERVIEW

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the U.S. International Trade Commission (Commission) instituted investigation No. 332-428, *Apparel Inputs in "Short Supply" (2001): 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 2001 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). For further information on the investigation, see appendix A for a copy of the USTR request letter and appendix B for a copy of the Commission's notice of institution, which was published in the *Federal Register* (66 F.R. 15886) on March 21, 2001.

During 2001, the Commission was requested to provide advice under the "short supply" provisions for 10 petitions. A copy of the Commission's advice in connection with each of these petitions is included in this report, with any confidential business information deleted. The table below provides a brief description of the articles named in each petition, the date on which each petition was received by the Committee for the Implementation of Textile Agreements (CITA), whether the advice was requested under the AGOA and/or the CBTPA, and whether the specified apparel articles were subsequently designated by CITA as eligible for duty-free and quota-free treatment under the "short supply" provisions of the AGOA and the CBTPA.¹

¹ In Executive Order No. 13191, the President delegated to CITA, chaired by the U.S. Department of Commerce, 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 the USTR to submit the required report to the Congress, and delegated to USTR the authority to obtain advice from the Commission.

No.	Brief product description	Date of receipt	AGOA	CBTPA	CITA decision
001	Apparel of cashmere and camel hair yarns . . .	02/28/01		X	No
002	Blouses and nightwear of certain fabrics	03/01/01	X		Yes
003	Apparel of crushed panne velour fabrics	03/06/01		X	Yes
004	Knit apparel of viscose rayon yarns	03/12/01		X	No
005	Apparel of textured polyester yarns	03/26/01		X	No
006	Apparel of certain nonwoven fabrics	05/08/01		X	No
007	Apparel of certain polyester-wool yarns	05/11/01	X	X	No
008	Apparel of rayon filament yarns	05/23/01	X	X	Yes
009	Knit apparel of open-end spun rayon yarns . . .	06/29/01	X	X	No
010	Apparel of cuprammonium rayon filament yarns	11/20/01	X	X	(¹)

¹ CITA determined that the subject yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. On January 18, 2002, CITA and the USTR submitted a report to the House Committee on Ways and Means and the Senate Committee on Finance that set forth the action proposed, the reasons for such action, and advice obtained, as required by the AGOA and the CBTPA. Following expiration of the congressional layover period of 60 calendar days, CITA will consider whether to extend short supply treatment to apparel articles made of the subject yarns.



Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-001

Products	Apparel of cashmere and camel hair yarns
Requesting Party	Amicale Industries, Inc., New York, NY
Commission Report to: USTR Public	April 16, 2001 April 27, 2001
Commission Contact	Larry Johnson (202-205-3351); ljohnson@usitc.gov

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO THE PRESIDENT ON APRIL 16, 2001. ALL CONFIDENTIAL BUSINESS INFORMATION HAS BEEN REMOVED AND REPLACED WITH "**."**

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 Caribbean Basin countries from certain cashmere or camel hair yarns, regardless of the source of the yarns, would likely have some adverse effect on U.S. producers of such yarns, U.S. apparel firms that produce the apparel domestically, and their workers, but would likely benefit U.S. producers of fabrics made from such yarns, U.S. apparel firms with assembly operations in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some of the duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel 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 2001 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 February 28, 2001, alleging that certain cashmere and camel hair 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 made in eligible CBTPA beneficiary countries from fabrics produced in the United States of such yarns, regardless of the source of such yarns. The President is required to submit a report to the House Ways and Means and Senate Finance Committees 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

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

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.

Brief discussion of products

The cashmere and camel hair yarns named in the petition are classified in subheading 5108.10.60 of the Harmonized Tariff Schedule of the United States (HTS), which provides for yarns of carded fine animal hair, other than of Angora rabbit hair, not put up for retail sale. Apparel articles made from the subject yarns are classified in HTS chapters 61 (knitted or crocheted) and 62 (other apparel of textile materials) under provisions for garments of all types of "wool or fine animal hair."³ The principal apparel articles made from the subject yarns are men's and women's woven coats and jackets, the rates of duty on which average 19 percent ad valorem equivalent.

U.S. imports of the subject yarns totaled \$2.5 million in 2000 and came almost entirely from the United Kingdom and Italy. The cashmere fibers (the soft hair of the cashmere goat) and camel hair originate in China, Mongolia, Afghanistan, and Iran.⁴ Industry sources claim that the U.S. embargo on cashmere fibers and other goods from Afghanistan and Iran puts U.S. yarn producers at a significant disadvantage relative to yarn spinners in other countries, who have access to Afghan and Iranian raw materials.⁵ The Afghan and Iranian cashmere fibers reportedly are coarser, and normally less expensive, than those from China and Mongolia.⁶ According to Amicale Industries, the cost of yarn made in the United States from Chinese and Mongolian cashmere fibers is \$70 per pound, compared with \$50 per pound for imported yarn made from Afghan and Iranian cashmere fibers.⁷

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

The affected segments of the U.S. textile and apparel industries include producers of yarns, fabrics, and apparel. The four known firms believed to currently make the subject yarns in commercial quantities are (1) Amicale Industries, Inc., New York, NY (the petitioner); (2) Warren Corp., Stafford Springs, CT (the U.S.-based operations of Loro Piana of Italy); (3) Family Yarns Inc., Etna, ME; and (4) Pittsfield Woolen Mills Co., Inc., Pittsfield, ME.⁸ Amicale Industries and Loro Piana have vertically integrated operations in the United States to spin cashmere and camel hair fibers into yarns, weave the yarns into fabrics, and market the finished fabrics. Amicale Industries spins *** pounds of the subject yarns per year in its Charlotte, NC mill and supplements its output with annual imports of about *** pounds.⁹ Family Yarns and Pittsfield Woolen Mills are commission spinners making the subject yarns for L.W. Packard & Co., Inc., (Packard) Ashland, NH, a fabric producer that sold its spinning equipment a few years ago. Packard represents *** percent of the annual yarn output of Family Yarns, which employs a total of *** workers, and *** of that of Pittsfield, which employs a total of 45 workers.¹⁰ The commission spinners' yarn output for Packard consists of yarns named in the petition (i.e., made wholly or in chief weight of cashmere or camel hair) and blended yarns not covered by the petition (***).¹¹

Amicale Industries, Loro Piana, and Packard are the only known U.S. producers of fabrics made from the subject yarns. These firms sell the fabrics to U.S. apparel companies that assemble the garments domestically or in CBTPA countries and Mexico. Amicale Industries states that, if apparel articles made

³ Official U.S. statistics on imports and domestic production of apparel made from cashmere and camel hair yarns are not separately reported.

⁴ U.S.-produced 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.

⁵ Karl Spilhaus, President, Cashmere and Camel Hair Manufacturers Institute (CCMI), Boston, MA, written submission to CITA, Mar. 23, 2001.

⁶ Written submissions received by CITA from Karl Spilhaus, CCMI, and James J. Ammeen, President, Neema Clothing Ltd., New York, NY, Mar. 19, 2001.

⁷ Boris Shlomm, President, Amicale Industries, Inc., New York, NY, written submission to the Commission, Apr. 9, 2001.

⁸ Two other firms state that they have the ability and excess capacity to make the subject yarns, but do not currently make them (JILJ Enterprises Inc., West Wyoming, PA, and Victor Forstmann, Inc., Dublin, GA).

⁹ Boris Shlomm, President, Amicale Industries, Inc., telephone interviews by Commission staff, Apr. 5, 2001.

¹⁰ Telephone interviews by Commission staff with Joe Marchelletta, President, Family Yarns Inc., Apr. 5, 2001, and Randy Wright, Pittsfield Woolen Mills Co., Apr. 6, 2001.

¹¹ Joe Marchelletta, President, Family Yarns Inc., and James D. McEwen, Vice President, Finance, and fiber buyer, L.W. Packard & Co., Inc., telephone interviews by Commission staff, Apr. 5, 2001.

from non-U.S. cashmere and camel hair yarns become eligible for preferential treatment under the CBTPA, the firm ***.¹² Packard states that ***.¹³ Loro Piana indicates that ***.

There reportedly are at least 15 significant U.S. producers of apparel made from the subject cashmere and camel hair yarns. This segment of the apparel industry reportedly employs more than 1,000 workers in production, clerical, and sales positions.

Views of interested parties

The only written statement filed with the Commission came from Amicale Industries, which states that yarns made in the United States from Chinese and Mongolian cashmere fibers are more expensive than imported yarns made from Afghan and Iranian cashmere fibers.¹⁴ Amicale states that U.S.-made yarns of Chinese and Mongolian cashmere fibers lead to much higher costs for the finished apparel product, which in turn cannot compete with imported apparel made from Afghan and Iranian cashmere. According to Amicale, the cost of making a coat from fabric woven in the United States of U.S. yarns made from Chinese and Mongolian cashmere fibers is approximately \$350 to \$400, compared with about \$250 to \$300 for an imported coat made from Afghan and Iranian cashmere fibers. The petitioner contends that both U.S. fabric and apparel producers will lose market share to imports of the finished apparel articles if the petitioned yarn is not permitted under the CBTPA program.

Probable economic effect advice¹⁵

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible CBTPA beneficiary countries from the subject cashmere and camel hair yarns, regardless of the source of the yarns, would likely have some adverse effect on U.S. producers of such yarns and their workers. The segment of the U.S. textile industry producing fabrics of the subject yarns would likely expand its imports of the yarns, particularly the lower priced imported yarns made from Afghan and Iranian fibers. The expected increase in yarn imports would likely displace some domestic production of the subject yarns. The extent to which this displacement occurs depends on the reliability of sources of supply for U.S. firms using the imported yarns and on the importance of quality differences relative to price differences to final U.S. consumers. In addition, a portion of the cashmere yarns made domestically are cashmere blends that are not covered by the petition and, therefore, would not be adversely affected by the proposed preferential treatment.

The proposed preferential treatment would benefit U.S. producers of fabrics made from the subject yarns and their workers, and spur demand for the U.S. fabrics. The competitive position of the fabric producers should be enhanced to the extent that they would be able to use imported yarns, which are less expensive than those made domestically, in the production of fabrics for apparel products under the CBTPA program.

The proposed preferential treatment would also benefit U.S. and other apparel firms making garments in eligible CBTPA beneficiary countries from non-U.S. cashmere and camel hair yarns. The expected increase in imports of such apparel from the CBTPA countries would mostly displace imports of similar apparel entering free of duty from Mexico under the North American Free Trade Agreement and dutiable imports from Asian countries. However, the proposed preferential treatment would likely have some adverse effect on U.S. firms making garments domestically and on their workers; it also could spur U.S. apparel firms to move more assembly operations to the CBTPA countries.

U.S. consumers of apparel made from 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.

¹² Boris Shlomm, Amicale Industries, Inc., telephone interviews by Commission staff, Apr. 5, 2001.

¹³ John L. Glidden, President, L.W. Packard & Co., telephone interview by Commission staff, Mar. 24, 2001.

¹⁴ Boris Shlomm, President, Amicale Industries, Inc., New York, NY, written submission to the Commission, Apr. 9, 2001.

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



Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-002¹

Products	Blouses and nightwear of certain fabrics
Requesting Party	Esquel Enterprises Limited of Hong Kong and Textiles Industries Limited in Mauritius
Commission Report to: USTR Public	April 16, 2001 April 27, 2001
Commission Contact	Jackie W. Jones (202-205-3466); jones@usitc.gov

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Summary of Findings

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of blouses and nightwear made in eligible sub-Saharan African countries from certain fabrics, regardless of the source of the fabrics, would likely have little adverse effect on U.S. producers of blouses and nightwear and their workers and little or no adverse effect on affected segments of the U.S. fabric and yarn industries or their workers. U.S. consumers would likely benefit from any duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel 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 2001 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).²

The Commission's advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on March 1, 2001, alleging that certain fabrics for use in blouses and nightwear cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for such apparel articles made in eligible AGOA beneficiary countries from such fabrics, regardless of the source of the fabrics. The President is required to submit a report to the House Ways and Means and Senate Finance Committees. The report must set forth the action proposed to be proclaimed, the reasons for such action, and the

¹ Commissioner Marcia E. Miller did not participate in this review.

² For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

advice obtained from the Commission and the appropriate advisory committee, and must be submitted within 60 days after a request is received from an interested party.³

Brief discussion of products

The fabrics named in the petition are classified in the Harmonized Tariff Schedule of the United States (HTS) under a large number of provisions, depending on such factors as the fiber in chief weight, whether the fabric is finished or unfinished, and fabric weight.⁴ The fabrics are fine-yarn, high-count shirting fabrics of cotton or manmade fibers and they include different types of weave patterns, such as plain weave, dobby, and oxford construction, and most of them have an average yarn number exceeding 135 metric.⁵ The fabrics are for use in the manufacture of women's and girls' blouses and men's, boys', women's, and girls' nightwear, which are classified in HTS chapter 62, which provides for articles of apparel and clothing accessories of textile materials, not knitted or crocheted.⁶ The normal trade relations rates of duty on the subject blouses and nightwear range from 7.6 percent to 27.4 percent ad valorem.

The subject fabrics are used primarily in better quality men's dress shirts, for example pinpoint oxford fabrics. The AGOA already authorizes duty-free and quota-free treatment for men's shirts made from these fabrics, regardless of the source of these fabrics.⁷ Although data are not available on U.S. imports and production of the blouses and nightwear made from the subject fabrics, it is believed that the domestic market for these apparel articles is relatively small. The blouses generally sell in the upper end of the retail market. ***⁸ Oxford Industries, a major U.S. producer of men's apparel, stated that the use of the subject fabrics in men's dress shirts has increased in recent years as retail consumers demand higher quality goods at competitive prices.⁹

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

Dan River Inc., Danville, VA, is believed to be the only domestic producer of fabrics similar to those named in the petition. The firm ***,¹⁰ Dan River currently produces ***. Most of the fabrics named in the petition, including those of oxford construction, have an average yarn number exceeding 135 metric. Dan River has a vertically integrated operation to spin fibers into yarn, weave the yarn into fabric, and dye or otherwise finish these materials at different stages of production. The firm has ***.

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. He authorized CITA and USTR to submit the required report to the Congress.

⁴ The fabrics are classified in HTS subheadings 5208.21, 5208.22, 5208.29, 5208.31, 5208.32, 5208.39, 5208.41, 5208.42, 5208.49, 5208.51, 5208.52, 5208.59, 5210.21, 5210.31, 5407.81, 5407.82, 5407.83, 5513.11, and 5513.21.

⁵ An average yarn number of 135 metric is equal to 80s 2-ply cotton yarn, based on the English cotton count.

⁶ The apparel articles are classified in HTS subheadings 6204.22, 6204.23, 6204.29, 6206.30, 6206.40, 6206.90, 6211.42, 6211.43, 6207.21, 6207.22, 6207.91, 6207.92, 6208.21 and 6208.91. The petition also includes HTS subheading 6206.10, women's or girls' blouses of silk. However, the fabrics named in the petition do not include silk fabrics. As such, blouses of silk would not be affected by the short supply determination. Imports of silk apparel, regardless of the source of the silk fabrics, are already duty- and quota-free under the AGOA.

⁷ These fabrics used in the production of men's woven shirts are exempt from the yarn-forward rule of origin under the North American Free Trade Agreement (NAFTA). The Trade and Development Act of 2000 includes this exemption in both section 112 (AGOA) and section 211 (CBTPA). See U.S. Department of Customs Service's Textile Bulletin Notice-TBT 02301—which was distributed administratively.

⁸ Official of Liz Claiborne, Inc., New York, NY, telephone interview by Commission staff, Mar. 23, 2001.

⁹ Official of Oxford Industries, Atlanta, GA, telephone interview by Commission staff, Mar. 23, 2001.

¹⁰ Information in this paragraph on Dan River Inc. is from Jim Martin, President, Apparel Fabrics Division, Dan River Inc., telephone interviews by Commission staff, Mar. 20 and 26, 2001.

According to an industry source, only one U.S. firm produces commercial quantities of yarns with an average yarn number of 135 metric in the United States—Buhler Quality Yarns Corporation, Jefferson, GA.¹¹ According to Buhler's Internet site, the company has 120 employees.

Oxford Industries, Atlanta, GA, a major U.S. producer of men's and women's apparel, including men's dress shirts of the fabrics named in the petition and of fabrics similar to those named in the petition, *** shirts are designated as in "short supply" under annex 401 of the NAFTA, and that determination was included by statute for the AGOA and the CBTPA beneficiaries, the shirts made *** in Mexico and eligible CBTPA countries are eligible to enter the United States free of duty and quota even though they contain third-country (e.g., Asian) fabrics. ***.

Views of interested parties

The only written statement submitted to the Commission concerning this review was from Scheck, Rosenblum, Sierra Textiles, Inc., a dyer and finisher of fabrics similar to those in the petition.¹² The submission stated that they import 100-percent cotton shirting fabric of 80s 2-ply construction under HTS subheading 5208.19.8020, because the fabric is in short domestic supply. Their statement emphasized that because of this, they import the fabric from India, Malaysia, and Indonesia, and would like that this fabric be exempt from U.S. duties. (However, the cotton shirting fabrics entering under this HTS subheading are not included in the petition.)

Probable economic effect advice¹³

The Commission's analysis shows that granting duty-free and quota-free treatment to blouses and nightwear sewn in eligible AGOA beneficiary countries from the specified fabrics, regardless of the source of the fabrics, would likely have little effect on domestic production of and U.S. employees producing the subject apparel. The U.S. markets for blouses and nightwear made from the subject fabrics are believed to be relatively small and supplied largely by imports. To the extent that imports from the eligible countries increase, these imports would likely displace imports from other countries to a greater degree than they would displace U.S. production. U.S. apparel companies tend to produce these items domestically to supply market niches in which quick turnaround is important.

* * * * *

The Commission's analysis further shows that the U.S. yarn industry, consisting of one company—Buhler Quality Yarns Corporation—and its employees, would likely experience little or no adverse effect from granting short-supply status to the subject fine-yarn, high-count shirting fabrics. The finest yarns Buhler produces domestically are those with an average yarn number of 135 metric, and most of the subject shirts are made with an average yarn number exceeding 135 metric. ***.

The final consumers of the blouses and nightwear would likely benefit from the duty- and quota-free treatment of the subject apparel, because the duty and other cost savings resulting from the preferential treatment are likely to be passed on to retail consumers in today's highly competitive apparel retail market. In addition, retail consumers may benefit from having a greater variety of blouses and nightwear.

¹¹ Carlos Moore, Executive Vice President, American Textile Manufacturers Institute (ATMI), written statement to CITA, dated Mar. 14, 2001, p. 1, and attachment. Telephone calls by Commission staff to the President of Buhler Quality Yarns were not returned.

¹² Murray Yenis, President, Scheck, Rosenblum, Sierra Textiles, Inc., New York, NY, written submission to the USITC, Apr. 2, 2001.

¹³ The advice below is based on information currently available to the Commission.



Apparel Inputs in "Short Supply": Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-003¹

Products	Apparel of crushed panne velour fabrics
Requesting Party	Granada Sales Corporation, New York, NY
Commission Report to: USTR Public	April 23, 2001 April 27, 2001
Commission Contacts	Sundar Shetty (202-205-3486; shetty@usitc.gov) Jackie W. Jones (202-205-3466; jones@usitc.gov)

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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 Caribbean Basin Countries from certain crushed panne velour fabrics, regardless of the source of the fabrics, would likely have some adverse effect on U.S. producers of similar fabrics, U.S. producers of apparel made from the subject imported and domestic fabrics, and their workers. U.S. consumers would likely benefit from some of the duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in "Short Supply": Effect of Providing Preferential Treatment to Apparel 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 2001 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).²

The Commission's advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on March 6, 2001, alleging that certain crushed panne velour 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 articles made in eligible CBTPA beneficiary countries from such fabrics, regardless of the source of the fabrics. The President is required to submit a report to the House Ways and Means and Senate Finance Committees 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.³

¹ Commissioner Marcia E. Miller did not participate in this review.

² For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

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. He authorized CITA and USTR to submit the required report to the Congress.

Brief discussion of products

The fabrics named in the petition are crushed panne velour fabrics classified in subheading 6001.92.00 (statistical reporting number 6001.92.0030) of the Harmonized Tariff Schedule of the United States (HTS), specifically knitted or crocheted velour fabrics (other than “long pile” and looped pile fabrics) of man-made fibers, weighing not more than 271 grams per square meter.⁴ The subject fabrics are closely-napped velvet-like fabrics having a rich, shiny, and silky look and feel. The fabrics are used in such apparel as loungewear, nightwear, dressing gowns, tops, and pants, mostly for women.⁵ These knitted garments are classified in HTS chapter 61, which covers articles of apparel and clothing accessories, knitted or crocheted. The rates of duty on the subject knitted or crocheted apparel articles range from 16.3 percent to 32.8 percent ad valorem.

The petition states that the subject fabrics are circular-knit crushed panne velour fabrics that are finer and brighter and have greater stretchability and draping qualities than the warp-knit panne velour fabrics produced by U.S. firms.⁶ In circular knitting, fabric is produced in the form of a tube, with a yarn or thread running continuously around the fabric. Warp knitting involves yarns running lengthwise through the fabrics, with one or more yarns for each needle. U.S. producers of the warp-knit fabrics state that the term “crushed” describes the surface finishing treatment and that this treatment can be imparted into the fabrics during the pre- or post-dyeing and finishing processes.⁷

Some uncertainty exists as to the substitutability of the circular-knit velour fabric with the warp-knit velour fabric. Although the petitioner emphasizes that circular-knit panne velour fabrics are not substitutable with warp-knit panne velour fabrics, most U.S. producers of warp-knit velour fabrics state that the two fabrics are substitutable for one another.⁸ In its submission to CITA, Lee Fashions—a U.S. producer of warp-knit velour fabrics—also indicated that “fabric can be supplied by the domestic industry in commercial quantities in a timely manner which is substitutable for the intended use.”⁹ Industry sources also differ as to the cost differences between the two types of velour fabrics, with some stating that the warp-knit fabrics generally sell for approximately twice the price of the imported circular-knit fabrics, and another industry source emphasizing that, in general, warp-knit velour fabrics may be priced competitively with the imported circular knit fabrics.¹⁰ Although official statistics on U.S. imports of the subject fabrics are not separately available, it is believed that the imported fabrics come almost entirely from Taiwan and Korea. In conclusion, many variations of circular-knit and warp-knit crushed panne velour fabrics may be manufactured depending upon many factors, including the type of fibers and the yarn size used. Within these ranges of types of velour fabrics, some may be substitutable and some may not.

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

The Commission staff contacted three U.S. firms that either currently produce, or had produced, the warp-knit panne velour fabrics for apparel—Fab Industries, Guilford Mills, and Lee Fashions. Fab Industries stated that it produces about *** yards of the warp-knit panne velour fabrics each week and that it has the capacity to expand production. Guilford Mills said that it closed its warp-knit apparel fabric facilities in September 2000 because of unfavorable market conditions as well as intense import competition and pricing pressures from Asian exporters. Guilford Mills stated that it currently produces

⁴ For the purpose of the statistical reporting number 6001.92.0030, the term “velour” refers to fabrics containing 12 or more stitches per centimeter in the vertical direction (see statistical note 1 to chapter 62). The fabrics named in the petition cover only a small, but unknown portion of all fabrics that are classified in the statistical reporting number 6001.92.0030.

⁵ Official U.S. statistics on imports and domestic production of apparel made from the subject fabrics are not separately reported.

⁶ Most industry sources stated that circular knit velour fabrics are no longer produced domestically, although a few sources were uncertain. Commission staff was unable to locate any domestic producers of the circular knit velour fabrics.

⁷ Officials of Fab Industries, New York, NY; Guilford Mills, Greensboro, NC; Lee Fashions, New York, NY; and KoSa, Shelby, NC, telephone interviews by Commission staff, Mar. 28 and 29, 2001, and Apr. 2, 2001.

⁸ Officials of Fab Industries, New York, NY, and Lee Fashions, New York, NY; telephone interviews by Commission staff, Mar. 29, 2001, and Apr. 16, 2001.

⁹ Regina Conroy-Keller, Executive Vice President, Lee Fashion Fabrics, New York, NY, written submission to CITA, Mar. 21, 2001.

¹⁰ Officials of Alaska Textiles, New York, NY; Fab Industries, New York, NY; and Lee Fashion Fabrics, New York, NY; telephone interviews by Commission staff, Mar. 19, 2001, Mar. 29, 2001, and Apr. 16, 2001.

crushed velvets for the automotive and home furnishings industries. Lee Fashions stated that most of its panne velour fabrics for apparel are "not crushed" because currently there is not a strong demand for such apparel fabrics. Lee Fashions indicated that it sells all of its apparel panne velour fabrics domestically and that it buys domestically-made specialized yarns from manmade-fiber producers KoSa and Celanese.

Information on U.S. producers of apparel made from the subject fabrics is not readily available given the range of apparel articles involved and ***. One U.S. producer of girls' apparel made from U.S.-made warp-knit panne velour fabrics stated that it does not know how the proposed preferential treatment would affect its production of such garments.¹¹

Views of interested parties

No written statements were filed with the Commission.

Probable economic effect advice¹²

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible CBTPA beneficiary countries from the subject crushed panne velour fabrics, regardless of the source of such fabrics, would likely have some adverse effect on U.S. producers of warp-knit panne velour fabrics and their workers. U.S. producers manufacturing apparel of the subject fabrics in CBTPA beneficiary countries would likely expand their imports of the circular-knit fabrics. The expected increase in imports of the subject fabrics would likely displace some U.S. production of the warp-knit fabrics. The extent to which this displacement occurs depends upon the substitutability of the imported circular-knit fabrics with the domestic warp-knit fabrics in terms of appearance and quality as perceived by the final U.S. consumer relative to the price differences.

The proposed preferential treatment would likely benefit U.S. and other apparel producers that assemble apparel in eligible CBTPA beneficiary countries from the subject fabrics. The expected increase in imports of such apparel from the CBTPA countries would mostly displace imports of similar apparel entering free of duty from Mexico under the North American Free Trade Agreement and dutiable imports from Asian countries. However, the proposed preferential treatment would likely have some adverse effect on U.S. firms making the garments domestically and on their workers; it also could spur U.S. apparel firms to move more assembly operations to the CBTPA countries.

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

¹¹ U.S. industry official, telephone interview by Commission staff, Apr. 10, 2001.

¹² The advice below is based on information currently available to the Commission.



Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-004

Products	Knit apparel of viscose rayon yarns
Requesting Party	Fabrictex, Inc., Lincolnton, NC
Date of Commission Report: USTR Public	April 27, 2001 May 2001
Commission Contact	Dave Michels (202-205-3352; dmichels@usitc.gov)

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO THE PRESIDENT ON APRIL 27, 2001. ALL CONFIDENTIAL BUSINESS INFORMATION HAS BEEN REMOVED AND REPLACED WITH “***.”

Summary of Findings

The Commission’s analysis shows that granting duty-free and quota-free treatment to knit apparel made in eligible Caribbean Basin countries from certain viscose rayon yarns, regardless of the source of the yarns, would likely have little adverse effect on U.S. producers of the yarns, U.S. apparel firms producing the apparel domestically, and their workers, but would likely benefit U.S. producers of fabrics made from the yarns, U.S. apparel firms assembling the apparel in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some of the duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel 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 2001 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 March 12, 2001, alleging that certain viscose 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 made in eligible CBTPA beneficiary countries from knitted fabrics produced in the United States of such yarns, regardless of the source of yarns. The President is required to submit a report to the House Ways and Means and Senate Finance Committees that sets forth the action proposed to be proclaimed, the reasons for such action,

¹ For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

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 products

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 single yarns (other than sewing thread), containing 85 percent or more by weight of artificial staple fibers, not put up for retail sale. The subject yarns are used in the manufacture of knitted fabrics for apparel classified in HTS chapter 61 (knitted or crocheted apparel). The principal knitted garments made from the subject yarns are women's higher-end fashion wear, such as tops (e.g., shirts), skirts, pants, and maternity wear, the rates of duty on which range from 6 percent to 28.7 percent ad valorem.

The yarns named in the petition are 30 singles (30/1) and 36 singles (36/1) solution-dyed, spun viscose rayon yarns.³ The subject yarns tend to be finer than the more commonly available domestic or imported single rayon yarns, which typically have a yarn number of 16, 18, or 20. According to the petitioner, the subject yarns are distinctive because they are (1) solution dyed (i.e., the dyeing process occurs before spinning, while the yarn is still in fiber form); (2) extremely fine, while those made domestically are coarser; and (3) spun on open-end spindles, which results in a more uniform yarn.⁴ The petitioner states that these high-quality yarns are used in the manufacture of specialty knitted fabrics, which exhibit exceptional "hand" and drape, and a silkiness and smoothness not found in other knitted fabrics, and for which there are no viable substitutes. The petitioner indicates that these fabrics also contain spandex, a synthetic elastic material similar to natural rubber.

All rayon is produced by the viscose process. In the viscose process, cellulosic materials such as wood chips, pulp, or cotton linters are dissolved in an alkaline solution. The solution is treated with a carbon disulfide to produce a solution of cellulose xanthate. This solution is then forced through tiny spinnerets in an acid bath to produce the essential rayon fiber. Solution-dyed fiber is produced by adding a dye as the rayon fiber is being forced through the spinnerets so that the fibers are colored as they are formed. Solution dyeing produces a rayon fiber that is much more colorfast than rayon dyed at a later stage of processing. The rayon fibers are cut into shorter length staple fiber used for spinning. Single yarns are spun after the rayon has been cut.

Although rayon fiber is produced in the United States, an industry source indicated that the expertise and equipment needed for solution dyeing currently does not exist in the United States and that it is not economically feasible to import the necessary expertise and equipment.⁵ The petitioner stated that there are only a few yarn producers in Spain, France, and Germany that can provide the firm with the subject yarns.⁶ The petitioner stated that it imports the subject yarns from Spain.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 The numbers 30/1 and 36/1 indicate the number of 840-yard lengths in a pound of yarn (30 or 36) and the number of plies (1, or single, ply). The higher the yarn number (e.g., 30 or 36), the finer the yarn.

⁴ Brenda A. Jacobs and Leigh Fraiser, Powell, Goldstein, Frazer & Murphy LLP, Washington, DC, on behalf of Fabrictex Inc., written submission to the Commission, Apr. 13, 2001, p. 2.

⁵ Dan Blair, Lenzing Fibers, Lowland, TN, telephone interview by Commission staff, Mar. 26, 2001.

⁶ The general rate of duty on the subject yarns is 9.6 percent ad valorem. Additional duties also exist for certain single yarns from selected countries. Effective July 29, 1999, following completion of an investigation under section 301 of the Trade Act of 1974, the President created HTS subheading 9903.02.42, and imposed a 100 percent ad valorem duty on imports of single yarns, the product of France or the Federal Republic of Germany. This duty was one element of a broader action taken in response to the failure of the European Union to end its ban on the importation of U.S. meat from animals treated with certain hormones.

⁷ Brenda A. Jacobs and Leigh Fraiser, on behalf of Fabrictex, Inc., written submission to the Commission, Apr. 13, 2001.

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

The affected segments of the U.S. textile and apparel industries include producers of yarns, fabrics, and apparel. According to the American Yarn Spinners Association (AYSA), Gastonia, NC, and the American Textiles Manufacturers Institute (ATMI), Washington, DC, there are at least five domestic producers of single rayon yarns using imported solution-dyed fibers: Richmond Yarns, Inc., Rockingham, NC; Carolina Mills, Maiden, NC; Cavalier Specialty Yarn Co., USA, Gastonia, NC; Four Leaf Textiles LLC, Shelby, NC; and Belding Hausman, Inc., Lincolnton, NC. All of these firms state that they have the equipment and the capability to accept orders of any size for the subject yarns, with production lead times similar to those required for the imported material.⁸ The AYSA states that there is ample domestic spinning capacity to produce yarns of almost any cotton fiber number, and that the subject yarns are produced in the United States in commercial quantities and are produced by several of their members.

The petitioner, Fabrictex Inc., states that the subject yarns are not available from U.S. producers in a timely manner and it is the unavailability of such yarns that threatens to undermine Fabrictex's domestic production of fabrics.⁹ The petitioner states that the domestic spinners are unable to meet its needs. The petitioner states that the domestic spinners cannot ensure adequate delivery of orders, noting that, in one instance, a domestic spinner was not used because of unacceptable delivery dates and that another domestic spinner could not be used because of contamination issues.¹⁰ Fabrictex explains that the domestic yarn spinners, which must import the solution-dyed fibers, are likely to lose time in the production process of the spun yarn as they must be concerned with the contamination of the natural fibers they spin into yarn with solution-dyed fibers.¹¹ To avoid this contamination, the domestic spinners must clean spindle rooms or maintain separate spindle capacity. Fabrictex states that the domestic yarn spinners would likely not keep inventories of the imported solution dyed fibers in colors other than basic colors (e.g., black), because the subject yarns are used for fashion fabrics, and, therefore, it is not practical or economical to keep fiber inventory on hand.

According to the petitioner, there are two other domestic producers of fabrics similar to those made by Fabrictex. This information could not be confirmed, because one of the firms, ***.¹²

Information on U.S. companies that produce apparel from the subject yarns is not readily available, partly because of the range of apparel articles involved and partly because imports are likely to account for most of the domestic market for such apparel articles. ***.¹³

Apparel industry sources emphasized the importance of being able to source the knitted fabrics in the quality and colors they need to complete their fashion line in a timely and reliable manner.¹⁴ ***.¹⁵

⁸ Jim Conner, Executive Vice President, AYSA, written submissions to CITA and telephone interviews by Commission staff, Mar. 20-29, 2001; Carlos Moore, Executive Vice President, ATMI, written submission to CITA, Mar. 29, 2001.

⁹ Brenda A. Jacobs and Leigh Fraiser, Powell, Goldstein, Frazer & Murphy LLP, Washington, DC, on behalf of Fabrictex Inc., written submission to the Commission, Apr. 13, 2001, p. 2.

¹⁰ Brenda Jacobs, Powell, Goldstein, Frazer & Murphy, on behalf of Fabrictex, written submission to CITA, Apr. 3, 2001, pp 2-4.

¹¹ Brenda A. Jacobs and Leigh Fraiser, on behalf of Fabrictex, written submission to the Commission, Apr. 13, 2001, p. 6.

¹² ***.

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¹⁴ Frank Kelly, Liz Claiborne, North Edison, NJ, telephone interview by Commission staff, Mar. 22, 2001, and Ron Shulman, The Limited, Inc., Columbus, OH, written submission to CITA, Apr. 4, 2001.

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Views of interested parties

The only written statement submitted to the Commission was filed on behalf of Fabrictex, the petitioner, which states that the imported rayon yarn is not comparable to any yarn made domestically.¹⁶ According to Fabrictex, the CBTPA is causing a major shift in the production of apparel in the United States and the Caribbean region. In 1999, Fabrictex believes that virtually all of the fabric it sold was cut to shape in the United States and that about 75 percent of those pieces were assembled in the United States. The rest was shipped to Caribbean Basin countries for assembly, under "807" programs. Today, with the implementation of the CBTPA and its "809" provision, Fabrictex believes that less than 50 percent of its fabric is cut in the United States. Fabrictex said that its customers now want the fabric shipped directly to CBTPA countries, while previously Fabrictex shipped to domestic facilities. Fabrictex states that its inability to supply fabrics that qualify for CBTPA benefits means that its apparel customers will stop doing business with Fabrictex. According to Fabrictex, *** worth of orders -- the level of business done by Fabrictex in 2000 -- will be lost if Fabrictex cannot supply CBTPA qualifying fabrics.

Probable economic effect advice¹⁷

The Commission's analysis shows that granting duty-free and quota-free treatment to knitted apparel made in eligible CBTPA beneficiary countries from the subject rayon yarns is expected to have little adverse effect on U.S. producers of the subject yarns and their workers. It is uncertain whether U.S. yarn spinners, which make (spin) the subject yarns from imported solution-dyed fibers, are able to supply the yarns in the required color blends and delivery times that are competitive with what the domestic knitted fabric producer which imports the yarn can provide. It appears that although ample domestic capacity exists to produce the subject yarns, issues such as achieving acceptable quality, color blends, and delivery times exist to the extent that no domestic orders for yarn have been placed.

The proposed preferential treatment is expected to benefit U.S. producers of knitted fabrics made from the subject yarns, and their workers, as a result of increased demand for the U.S. fabrics. It is believed that the expected increased demand for the knitted fabrics would not displace demand for other types of fabrics, because the knitted fabrics are considered to be specialty fabrics used in higher-end coordinated fashions. The finished apparel is very price competitive, and lowering the price on such apparel would likely result in increased sales and corresponding demand for the knitted fabrics.

The proposed preferential treatment is also expected to benefit U.S. and other apparel firms making garments in eligible CBTPA beneficiary countries from non-U.S. yarns. The expected increase in imports of such apparel from the CBTPA countries would mostly displace imports of similar apparel entering free of duty from Mexico under the North American Free-Trade Agreement and dutiable imports from Asian countries. However, the proposed preferential treatment is expected to have a slight adverse effect on any U.S. firms making apparel articles domestically and on their workers; it also could spur U.S. apparel firms to move more assembly operations to the CBTPA countries.

U.S. consumers of apparel made from 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.

¹⁶ Brenda A. Jacobs and Leigh Fraiser, on behalf of Fabrictex, written submission to the Commission, Apr. 13, 2001.

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



Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-005¹

Products	Apparel of textured polyester yarns
Requesting Party	Malden Mills Industries, Inc., Lawrence, MA, and Val D’or, Inc., New York
Date of Commission Report: USTR Public	May 14, 2001 May 2001
Commission Contact	Dave Michels (202-205-3352); dmichels@usitc.gov

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO THE PRESIDENT ON MAY 14, 2001. ALL CONFIDENTIAL BUSINESS INFORMATION HAS BEEN REMOVED AND REPLACED WITH “****.”

Summary of Findings

The Commission’s analysis shows that granting duty-free and quota-free treatment to certain apparel articles made in eligible Caribbean Basin countries from textured polyester yarns, regardless of the source of the yarns, would likely have no adverse effect on U.S. yarn producers because there currently is no known U.S. production of such yarns in commercial quantities. ***. The proposed preferential treatment could have a slight adverse effect on U.S. apparel firms producing the fleece apparel domestically, and their workers, and would likely benefit U.S. producers of fabrics made from such yarns and U.S. apparel firms assembling the apparel in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: 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 2001 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).²

The Commission’s advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on March 26, 2001, alleging that 150 denier/140 filament cationic and disperse-dyeable yarn 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 knitted fabrics produced in the United States of such yarns, regardless of the source of the yarns. The President is required to submit a report to the House

¹ Commissioner Marcia E. Miller did not participate in this review.

² For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

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.³

Brief discussion of products

The yarn named in the petition is classified in subheading 5402.33.60 of the Harmonized Tariff Schedule of the United States (HTS), which provides for textured, multiple (folded) or cabled yarns of polyester filaments. Malden Mills Industries, Inc. (a petitioner) uses the subject yarns principally in the manufacture of knitted fleece fabrics—patented under the brand-name Polar-Tec®—for apparel classified in HTS chapter 61 (knitted or crocheted apparel).⁴ The principal knitted garments made from the subject yarns are women's polar fleece tops, jackets, trousers, and pajamas, for which the general rates of duty range from 16.3 percent to 32.8 percent ad valorem.

The subject yarns are made by intermingling two separate filament fibers, each with different dye absorption characteristics. The filament fibers are produced by the extrusion of melted polyester “chip” through spinnerets.⁵ The filament fibers may be stretched slightly upon drawing from the spinnerets or further drawn as they cool. The drawing process serves to orient the polymer molecules on the longitudinal axis of the filament fibers, which are referred to in the industry as partially oriented yarn (POY).⁶ POY is made in large quantities for a wide range of apparel and non-apparel applications.⁷

To make a yarn that will impart the look or feel of a natural fiber product, the POY is subjected to “texturizing” (or texturing), a process that creates more bends, loops, or crimps in the filament fibers.⁸ The process uses a variety of methods to heat, stretch, spin, fluff, ply, and air brush the filament fibers to achieve the desired qualities in the finished yarn. Texturizing can also impart unique or special qualities to a finished product that do not exist in natural materials.

In the case of the subject yarn, the filament fibers of more than one POY may be combined, or intermingled, in the texturizing process by distributing a certain number of filament fibers evenly throughout the finished yarn.⁹ The two types of filament fibers possess different dye absorption characteristics, so that an evenly mottled or “heather” effect is produced in the dyed fabric and in the end-use apparel articles; improper intermingling (or “entanglement”) results in piece-dyed fabrics that are speckled in color.¹⁰ Malden Mills, which currently imports the subject yarn from Italy, stated that a uniform and proportional distribution of the filament fibers in the yarn is absolutely critical to the physical characteristics of the fabric.¹¹ According to industry sources, the subject yarn is only one of perhaps

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. He authorized CITA and USTR to submit the required report to the Congress.

⁴ If the fleece fabric is made into a lining for a coat or jacket for which the outer shell is made from a woven fabric, the garment would be classified in HTS chapter 62 (apparel, not knitted or crocheted).

⁵ Abit Adanur, *Wellington Sears Handbook of Industrial Textiles*, Technomic Publishing Co., Lancaster, PA, 1995, pp. 57-59.

⁶ *Ibid.*, and *Dictionary of Fiber & Textile Technology*, Product/Technical Communications Services, Hoechst Celanese Corp., 1990, p. 109. POY is sometimes referred to as “pre-oriented yarn.”

⁷ Shawn J. Dougherty, Marketing Strategist, Titan Textile Co., telephone interview by Commission staff, Apr. 19, 2001.

⁸ Abit Adanur, *Wellington Sears Handbook of Industrial Textiles*, pp. 57-59.

⁹ Although the petition states that the subject yarns are made of 140 filaments, an industry source stated that the yarns will have actual filament counts within five of the number stated. Cathy Butihl, Milliken & Co., Inc., telephone interview by Commission staff, Apr. 19, 2001.

¹⁰ Ronald J. Sorini, Senior Trade Advisor, Sandler, Travis & Rosenberg LLC, Chicago, IL, on behalf of Malden Mills and Val D'or, petition filed with CITA, Mar. 23, 2001.

¹¹ Al Morin, Malden Mills, telephone interview by Commission staff, Apr. 20, 2001.

three or four different yarns used together to produce the fleece fabric, and the fabric contains only a relatively small proportion of the subject yarn.¹² Sources stated that the use of the subject yarn is solely for the purpose of creating a unique fashion fabric with the desired heather-dyed qualities.¹³ The petition states that no other yarn available in the United States can be substituted for the subject yarn that will achieve the required look of the fabric needed to make the particular polar fleece garments.¹⁴

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

The segments of the U.S. textile and apparel sector that might be affected by the proposed preferential treatment are the yarn spinners, fabric manufacturers, and apparel producers. According to the American Yarn Spinners Association (AYSA), Gastonia, NC, and the American Fiber Manufacturers Association, Inc., Washington, DC, there are three known domestic firms that state they can or do produce the subject yarn: Titan Textile Co., Inc. Paterson, NJ; Milliken & Co., Spartanburg, SC; and Unifi, Inc., Greensboro, NC. All three firms stated that they have the equipment and the capability to produce and intermingle the POY, and can accept orders of any size for the subject yarn.¹⁵ ***^{16 17 18} Milliken stated that it is not currently making the subject yarn, but is willing to begin production immediately, and has the knowledge base required.¹⁹

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Views of interested parties

The only written statement filed with the Commission concerning this review was from Titan Textile Co., Inc., which states that it has the ability and capability to produce and supply three different yarns that are all within the physical specifications identified by Malden Mills.²³

Probable economic effect advice²⁴

The Commission’s analysis shows that granting duty-free and quota-free treatment to certain apparel articles made in eligible CBTPA beneficiary countries from the subject yarn would have no adverse effect on U.S. yarn producers because there currently is no known domestic production of the subject yarn in commercial quantities. ***.

¹² Jim Conner, American Yarn Spinners Association (AYSA), telephone interview by Commission staff, Apr. 18, 2001.
¹³ Shawn Dougherty, Titan Textiles, telephone interview by Commission staff, Apr. 19, 2001.
¹⁴ Ronald J. Sorini, Sandler, Travis & Rosenberg LLC, submission to CITA, Mar. 23, 2001.
¹⁵ Written submissions to CITA from Shawn J. Dougherty, Marketing Strategist, Titan Textile Co., Inc., Apr. 9, 2001; John F. Nash, Jr., Washington Counsel, Milliken & Co., Apr. 12, 2001; and Stewart Q. Little, Senior Vice President, Sales, Unifi, Inc., Apr. 16, 2001.
¹⁶ ***.
¹⁷ ***.
¹⁸ ***.
¹⁹ John F. Nash, Jr., Milliken & Co., written submission to CITA, Apr. 12, 2001.
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²¹ ***.
²² ***.
²³ Shawn Dougherty, Titan Textile Co., Inc., written submission to the Commission, Apr. 12, 2001.
²⁴ The Commission’s advice is based on information currently available to the Commission.

The proposed preferential treatment is expected to benefit U.S. producers of knitted fleece fabrics made from the subject yarns, and their workers. The finished apparel is price competitive, and lowering the price on such apparel would likely result in increased sales and corresponding demand for the knitted fabrics. The proposed preferential treatment is expected to have little adverse effect on any domestic producers of similar knitted fleece fabrics that are not made from the subject yarn, which compete with the heather-styled fleece fabric used in apparel.

The proposed preferential treatment is also expected to benefit U.S. and other apparel firms making garments in eligible CBTPA beneficiary countries from fabrics made of the subject yarns. The expected increase in imports of such apparel from the CBTPA beneficiary countries, although likely to be small, would most likely displace imports of any similar apparel entering free of duty from Mexico under the North American Free-Trade Agreement and dutiable imports from Asian countries. Although imports are believed to account for the majority of the fleece apparel market, there could be a slight adverse effect on any domestic producers of competing fleece apparel. (The Commission was unable to verify domestic production levels for such apparel within the time constraints for this review.)

U.S. consumers of apparel made from the subject yarns 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. In addition, consumers may benefit from having access to a wider range of apparel articles made from the subject yarns.



Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-006

Products	Apparel of certain nonwoven fabric
Requesting Party	The Freudenberg Nonwovens Group, Durham, NC
Date of Commission Report: USTR Public	June 25, 2001 June 2001
Commission Contact	Jackie W. Jones (202-205-3466); jones@usitc.gov

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON JUNE 25, 2001. ALL CONFIDENTIAL BUSINESS 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 articles made in eligible Caribbean Basin countries from certain nonwoven fabrics, regardless of the source of the fabric, would likely have a negligible effect on U.S. producers of nonwoven fabrics that may be similar to the subject fabric. The proposed preferential treatment would likely have a negligible effect on U.S. apparel firms producing the high-performance sports apparel and protective work apparel domestically, and their workers, and would likely benefit U.S. apparel firms assembling the apparel in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: 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 2001 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

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

The Commission's advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on May 9, 2001, alleging that a microfilament nonwoven fabric of continuous polyester and nylon filaments with an average size of 0.02 to 0.8 decitex² 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 the subject nonwoven fabric, regardless of the source of the fabric. 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.³

Brief discussion of products

The nonwoven fabric named in the petition is reported under the residual (or "basket") statistical reporting numbers of subheadings 5603.11.00, 5603.12.00, 5603.13.00, and 5603.14.90 of the Harmonized Tariff Schedule of the United States (HTS), which provide for nonwovens of manmade-fiber filaments; the subject fabrics are not impregnated, coated or covered with any materials or finishes. Nonwoven fabrics are among the few textile articles that can enter free of duty from countries eligible for general duty rates. The garments made from the subject nonwoven fabric are classified in HTS chapter 62 (apparel, not knitted or crocheted) and consist mostly of high-performance apparel (e.g., for use in such activities as biking, hiking, and skiing) and, to a lesser extent, workwear. The general rates of duty for both the high-performance apparel and the workwear range from 7.2 percent to 16.3 percent ad valorem.

Nonwoven apparel fabrics traditionally have been used in disposable, or one-time use apparel designed for use in hospitals, clinics, laboratories, or contaminated areas. In contrast, the subject nonwoven fabrics are designed for use in apparel that can be cleaned and worn multiple times (hereafter referred to as "durable" apparel).

Nonwoven fabrics are sheets or webs of randomly oriented textile fibers, usually manmade fibers. The fibers may be either filaments (long and sometimes continuous fibers) or staple (shorter fibers). These fibers are mechanically bonded, forming webs that are strengthened by the physical entanglement of the fibers using high pressure water jets (referred to as hydro-entanglement).

The subject nonwoven fabrics include Evolon®, a fabric newly developed and patented by Freudenberg Vliesstoff KG of Germany, the parent company of The Freudenberg Nonwovens Group, Durham, NC (the petitioner). According to the petition, the fabric is the first continuous microfiber spun-bonded nonwoven fabric developed for apparel applications.⁴ The petition states that the fabric (1) has a high strength-to-weight ratio allowing for a combination of durability, stretchability, softness, and drape; (2) is washable, dry cleanable, and breathable, and has high moisture transport rates, ultra-violet (UV) protection, and wind barrier properties; (3) can be sewn without seam finishes because the edges of the fabric do not fray and can be processed using such techniques as ultrasonic sewing, heat sealing, and laser cutting; and (4) can be made for many apparel end uses by altering the construction of the fabric or changing the finishes applied to the fabric. Evolon® is manufactured in one continuous process from the polymer chip to the fabric.

² Decitex is one-tenth of a tex. A tex is a unit for expressing linear density, equal to the weight in grams of one kilometer of filament, yarn, fiber, or other textile strand.

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. He authorized CITA and USTR to submit the required report to the Congress.

⁴ Beth C. Ring, Sandler, Travis & Rosenberg, PA, New York, NY, on behalf of The Freudenberg Nonwovens Group, Durham, NC, "Short Supply Petition for Evolon® Fabric," submission to CITA, May 7, 2001, p. 2.

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

The segments of the U.S. textile and apparel sector that might be affected by the proposed preferential treatment are U.S. manufacturers of nonwoven fabrics; high-performance knit and woven fabrics; and high-performance apparel and protective workwear. According to the petition, there is no U.S. production of the subject nonwoven fabric for use in apparel because the equipment to produce the fabric is not available domestically.^{6 *** 7}

The Commission contacted three U.S. companies, whose officials stated the firms produce or are in the process of developing the capability to produce nonwoven fabrics which have similar characteristics to those of the subject fabric: Kimberly-Clark Corporation (KCC), Dallas, TX; DuPont Nonwovens, Old Hickory, TN; and Polymer Group, Inc. (PGI), Benson, NC.^{8 *** 9 10 11}

KCC, a large U.S. producer of nonwoven fabrics used in disposable apparel for the medical and professional health care markets, ***¹²

DuPont Nonwovens, which produces primarily nonwoven fabrics and one-time use or disposable medical and surgical apparel and worker protection coveralls made from such fabrics, indicated that it can supply the U.S. market with nonwoven fabrics that have the same characteristics as the subject nonwoven fabrics made by the petitioner.^{13 *** 14 15 16}

Polymer Group, Inc. (PGI) produces Miratec® domestically with its proprietary Apex® technology, ***^{17 18}

***¹⁹ Reportedly, one major difference between Evolon® and Miratec® is that the former is made with continuous microfiber filaments and the latter with staple (shorter) fibers. ***^{20 21} PGI states that

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⁶ Beth C. Ring, on behalf of The Freudenberg Nonwovens Group, Durham, NC, written submission to CITA, May 7, 2001, p. 3.

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⁸ All three companies produce nonwoven fabrics for use primarily in the production of disposable apparel for the medical and industrial markets.

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¹³ Scott L. Gettelfinger, Global Business Strategist, DuPont Nonwovens, written submission to the Commission, June 6, 2001.

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Miratec® fabrics are washable, durable, breathable, and have UV protection and high moisture transport rates.²² ***²³

Because the subject nonwoven fabric made by Freudenberg is not yet on the market, the Commission was unable to ascertain the substitutability of such fabric with the many types of knitted and woven high-performance fabrics produced in the United States, such as Gore-Tex® by Gore-Tex® Products, CoolMax® by DuPont, Innova® by American Fibers and Yarn Co., and the Polartec® series, by Malden Mills. ***²⁴ In addition, the Commission was unable to obtain information from any U.S. apparel producers that are in the process of developing garments made with Evolon® or that make apparel from Miratec® or Tyvek®.

Views of interested parties

The Commission received written submissions from KCC and DuPont Nonwovens, each of which state opposition to a short supply designation for the subject nonwoven fabrics because the firms make such fabrics in the United States.²⁵ The KCC submission stated ***.

Probable economic effect advice²⁶

The Commission's analysis shows that granting duty-free and quota-free treatment to apparel articles made in eligible CBTPA beneficiary countries from the subject nonwoven fabric, regardless of the source of fabric, would likely have a negligible effect on U.S. producers that make, or are in the process of developing, nonwoven fabrics that may be similar to the subject nonwoven fabric made by the petitioner (Freudenberg). It is believed that most nonwoven fabrics sold by potentially competing U.S. producers in the domestic market are produced domestically. The estimated impact of the proposed preferential treatment is based on ***.

The proposed preferential treatment is likely to benefit U.S. and other apparel firms that may produce garments in eligible CBTPA beneficiary countries from the subject nonwoven fabric. The proposed preferential treatment is likely to have a negligible effect on U.S. producers making high-performance sports apparel and workwear in the United States, and their workers, because the domestic market for such durable apparel made from nonwoven fabrics is in the developmental stage.

U.S. consumers of apparel made from the subject nonwoven fabric would likely benefit from the proposed preferential treatment because importers and retailers may pass through some of the duty savings to consumers in today's highly competitive retail apparel market. In addition, consumers may benefit from having access to a wider range of high-performance sports apparel made from the subject nonwoven fabric.

²² M. Jerry Garfinkle, Director of Contracts Administration and Assistant General Counsel, PGI, written submission to CITA, June 5, 2001, p. 1.

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²⁶ The Commission's advice is based on information currently available to the Commission.



Apparel Inputs in "Short Supply": Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-007

Products	Apparel of certain polyester-wool yarns
Requesting Party	Stillwater Sales, Inc./Metcalf Bros. & Co., Goshen and Augusta Springs, VA
Date of Commission Report: USTR Public	June 27, 2001 June 2001
Commission Contact	Cynthia Trainor (202-205-3354; trainor@usitc.gov)

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON JUNE 27, 2001. ALL CONFIDENTIAL BUSINESS 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 certain apparel articles made in eligible Caribbean Basin and sub-Saharan African countries from certain polyester-wool yarns, regardless of the source of the yarns, would likely have some adverse effect on U.S. producers of such yarns, U.S. apparel firms producing the apparel domestically, and their workers, but would likely benefit U.S. producers of fabrics made from such yarns and U.S. apparel firms assembling the apparel in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in "Short Supply": 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 2001 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 May 11, 2001, alleging that certain yarns of 55-percent polyester staple fibers and 45-percent combed wool 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 AGOA and CBTPA beneficiary countries from woven fabrics produced in the United States from such yarns, regardless of the source of the yarns. The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

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 products

The yarn named in the petition is classified in subheading 5509.52.00 of the Harmonized Tariff Schedule of the United States (HTS), which provides for yarn (other than sewing thread and not put up for retail sale) of polyester staple fibers, mixed mainly or solely with wool or fine animal hair. The petitioner processes (weaves) the subject yarns into woven fabrics that it markets to producers of "specification uniforms" and related career apparel, such as uniform jackets, shirts, and trousers for police officers. The general rates of duty on the principal types of apparel made from the subject yarns (shirts and trousers) range from 14.6 percent to about 22 percent ad valorem. However, the short supply petition, if granted, would apply to any type of apparel of HTS chapter 62 (apparel, not knitted or crocheted) that is made in eligible beneficiary countries of U.S.-produced woven fabrics made from the subject yarns.

The petitioner, Stillwater Sales, Inc./Metcalf Bros. & Co. (Stillwater/Metcalf), states that the uniform industry has consistently required fabrics in an intimate blend³ of 55 percent polyester - 45 percent worsted wool in its specification for uniforms.⁴ The subject yarns are produced on the worsted yarn-spinning system whereby spun yarns are manufactured from natural fibers or cut lengths of manmade-fiber filaments. These "staple," or short, fibers undergo carding, combing, drafting, and spinning.⁵ The subject yarns may also be manufactured from wool top and polyester staple or from pre-blended 55 percent polyester staple - 45 percent worsted wool top.

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

The segments of the U.S. textile and apparel sector that might be affected by the proposed preferential treatment are yarn spinners, fabric manufacturers, and apparel producers. According to an industry source, the one known firm believed to make the subject yarns currently, primarily for internal use, is Burlington Performance Wear, Division of Burlington Industries, Inc. (Burlington), Greensboro, NC.⁶ Burlington has vertically integrated domestic operations to spin polyester staple fiber and worsted wool into the subject yarns, weave the yarns into fabrics, and market the finished fabrics. Burlington employs approximately *** workers in North Carolina and Virginia in this business unit. Burlington's overall production capacity for 55 percent polyester - 45 percent wool worsted yarn ***.⁷ ***.⁸ Burlington stated that it has the capability and the unused capacity to spin ***.⁹ Burlington indicated it had *** of the

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 A technique of mixing two or more dissimilar fibers in a very uniform mixture.

⁴ Petition and written submission received by CITA from Harvey B. Fox, Adduci, Mastriani & Schaumberg, L.L.P., Washington, DC, counsel for petitioner, May 10, 2001 and June 6, 2001, respectively.

⁵ Carding serves to disentangle the fibers to prepare them for spinning, and is done by passing the fibers between rollers covered with fine wire teeth. This step produces wool in the form of a loose, untwisted, rope-like "sliver." Combing serves to remove the shorter fibers and further align the longer ones, to produce "tops," a smoother, more uniform sliver suitable for spinning into worsted yarn. See U.S. Customs Service, "Fibers and Yarns: Construction and Classification Under the HTSUS," *Customs Bulletin and Decisions*, vol. 34, No. 52, Dec. 27, 2000, p. 127.

⁶ Jim Leonard, Advisor on International Trade Issues, telephone interview by Commission staff, May 22, 2001.

⁷ ***, e-mail submission to Commission staff, June 6, 2001.

⁸ ***, telephone interview by Commission staff, June 18, 2001.

⁹ Written submission to the Commission from Harry G. Barto, President, Burlington Performance Wear, Greensboro, NC, June 1, 2001.

subject polyester-wool yarns to ***.¹⁰ Burlington also ***.¹¹ Burlington noted that it has the capability and capacity¹² to provide ***.¹³

Other U.S. yarn producers with the possible capability of producing the subject yarns were also identified and contacted.¹⁴ *** stated it has spun the subject yarns ***.¹⁵ *** spins the subject yarn *** assuming the customer was creditworthy.¹⁶ *** has subject yarn production capability of approximately *** pounds per year depending on yarn sizes and twist levels. ***.¹⁷ *** stated that it has the capability and capacity to produce the subject yarns, desires market segment entry, and projects production of the subject yarns within a month, dependent upon quantity requirements. ***.¹⁸

Stillwater/Metcalf and Burlington are the only known U.S. producers of fabrics made from the subject yarns. These firms sell fabrics woven from the subject yarns to U.S. apparel companies that assemble the garments domestically or in CBTPA countries. The overall domestic market for fabric woven from 55 percent polyester - 45 percent wool worsted yarn is estimated to be ***.¹⁹ Imports of fabric manufactured from the subject yarn are unknown.

The fabric woven from the subject yarns is used primarily in the manufacture of tailored apparel for men and women and in uniform components for the military, public safety, and transportation industries. There are estimated to be 10 to 20 significant U.S. producers that manufacture apparel made from the subject polyester-wool yarns. Apparel producers ***.²⁰ Fabric woven from non-U.S. yarn may not meet U.S. military uniform specifications, as U.S. military uniforms must be made in the United States from entirely U.S.-sourced components.²¹ ***.²² Other apparel manufacturers stated they would consider purchasing fabric woven from foreign-produced yarns if it proved cost effective and met specification requirements, and if apparel articles made from such yarns were eligible for CBTPA duty-free treatment.²³

¹⁰ ***, ***, ***, and ***. Telephone interviews by Commission staff, June 25, 2001.

¹¹ ***, telephone interview by Commission staff, May 22, 2001, meeting with Commission staff, May 31, 2001, and e-mail submission to the Commission from ***, June 6, 2001. ***, and ***. Telephone interviews by Commission staff, June 25 and 26, 2001.

¹² ***.

¹³ Written submission to the Commission from Harry G. Barto, President, Burlington Performance Wear, Greensboro, NC, June 1, 2001.

¹⁴ David Trumbull, Northern Textile Association, telephone interview by Commission staff, May 22, 2001.

¹⁵ ***, telephone interview by Commission staff, May 23, 2001.

¹⁶ ***, telephone interview by Commission staff, May 23, 2001.

¹⁷ ***, telephone interview by Commission staff, May 24, 2001.

¹⁸ ***, telephone interview by Commission staff, June 13, 2001.

¹⁹ ***, telephone interview by Commission staff, June 18, 2001, and ***, telephone interview by Commission staff, June 19, 2001.

²⁰ ***, telephone interview by Commission staff, June 13, 2001, and ***, telephone interview by Commission staff, June 12, 2001.

²¹ The "Berry Amendment," enacted as Title IX of Public Law 102-396, as amended, requires U.S. military procurement of uniforms, among other products, to be manufactured in the United States from U.S.-produced components.

²² ***, telephone interview by Commission staff, June 18, 2001.

²³ ***, telephone interview by Commission staff, June 12, 2001, and ***, telephone interview by Commission staff, June 13, 2001.

Views of interested parties

The only written statement filed with the Commission concerning this review was from Burlington, which states that while it primarily spins the subject yarns for internal use, the firm has unused capacity and the ability to spin these yarns for outside consumption, and is willing to do so. Burlington further states there are several other U.S. textile companies with the capacity and capability to spin worsted yarns, and that for such companies, Burlington can supply the required raw materials. Burlington expresses concern that granting the proposed preferential treatment for apparel made from imported components, in the face of existing U.S. component capacity, would come at the expense of domestic producers.²⁴

Probable economic effect advice²⁵

The Commission's analysis shows that granting duty-free and quota-free treatment to apparel articles made in eligible AGOA and CBTPA beneficiary countries from the subject yarns, regardless of the source of the yarns, would likely have some adverse effect on U.S. producers of such yarns and their workers. The expected increase in U.S. imports of the subject yarns would likely displace some domestic production of the yarns. The extent to which this displacement occurs depends on the reliability of sources of supply and any quality differences relative to price differences for U.S. firms using the imported yarns. Although information on the quality, price, and delivery time of imported yarns was not readily available, it is believed that differences between domestic and imported yarns are likely to be small ***.

The proposed preferential treatment would likely benefit U.S. producers of fabrics made from the subject yarns, and their workers, by spurring demand for the U.S. fabrics for use in the production of apparel products under the AGOA and CBTPA programs. The proposed preferential treatment would also benefit U.S. and other apparel firms making garments in eligible AGOA and CBTPA beneficiary countries from the subject yarns, regardless of the source of the yarns. The proposed preferential treatment would likely have some adverse effect on U.S. firms making garments domestically, and on their workers. U.S. consumers of apparel made from the subject yarns 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 "specification uniform" market.

²⁴ Written submission to the Commission from Harry G. Barto, President, Burlington Performance Wear, Greensboro, NC, June 1, 2001.

²⁵ The Commission's advice is based on information currently available to the Commission.



Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-008

Products	Apparel of rayon filament yarn
Requesting Party	ICF Industries, Inc., New York, NY ¹
Date of Commission Report: USTR Public	July 9, 2001 July 2001
Commission Contact	David G. Michels (202-205-3352); dmichels@usitc.gov

Summary of Findings

The Commission's analysis shows that granting duty-free and quota-free treatment to certain apparel articles made in eligible Caribbean Basin or sub-Saharan African countries from rayon filament yarn, regardless of the source of the yarn, would likely have no effect on any U.S. producers of the yarns or thread made from the subject yarn and would likely benefit U.S. producers of fabrics made from the yarn. The proposed preferential treatment is expected to have little adverse effect on any U.S. producers of similar yarns that may compete with the subject yarn or U.S. producers of fabrics made from such similar yarns. The proposed preferential treatment could have a slight adverse effect on any U.S. apparel producers producing domestically and their workers, but would likely benefit U.S. apparel firms assembling the apparel in eligible beneficiary countries, as well as their U.S.-based workers. U.S. consumers would likely benefit from some duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: 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 2001 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).²

The Commission's advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on May 23, 2001, alleging that rayon filament yarn 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 or AGOA beneficiary countries from fabrics produced in the United States of such yarn, regardless of the source of such yarn.

¹ ICF Industries is an importer and distributor of rayon filament yarn. The domestic yarn users mentioned in the request are: Darlington Fabrics, Westerly, RI; J.B. Martin Company, Inc., Leesville, SC; JPS Apparel Fabrics Corp., Greenville, SC; Keystone Weaving Mills, Inc., Lebanon and York, PA; Kronfli Spundale Mills, Inc., Vernon, CA; Liberty Fabrics Inc., Gordonsville, VA; McGinley Mills, Inc., Easton, PA; NRB Industries, Inc., Radford, VA; Lawrence Schiff Silk Mills, Inc., Quakertown, PA; Robison Anton Textile Company, Fairview, NJ; Schneider Mills, Inc., Taylorsville, NC; Shara-Tex Inc., Vernon, CA; and A. Wimpfheimer & Brothers, Inc., Blackstone, VA.

² For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

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.³

Brief discussion of products

The yarn named in the petition is classified in subheadings 5403.31.00 and 5403.32.00 of the Harmonized Tariff Schedule of the United States (HTS), which provide for single filament yarn of viscose rayon (other than sewing thread and high-tenacity and textured yarn), not put up for retail sale, including artificial monofilament of less than 67 decitex.⁴ The subject yarn is processed primarily into woven satin and velvet fabrics. The rayon satin fabric is often used in the manufacture of shirts, blouses, skirts, and dresses and is often used as a lining material in higher quality suits, coats, jackets, dresses, and skirts. The rayon velvet fabric is used in women's and girls' skirts, dresses, and gowns, and also as trim on some menswear (e.g., tuxedo collars, cuffs, and cummerbunds). The short supply petition, if granted, would apply to any type of apparel of HTS chapters 61 (apparel, knitted or crocheted) and 62 (apparel, not knitted or crocheted), and duty rates range from 6 to 28.7 percent ad valorem.

The subject yarn is a fine-stranded filament yarn with a very low or zero-twist. According to the petitioner, the yarn is considered of high quality and is available in a variety of colors, sizes, and bright, semi-dull, or dull finishes. Rayon filament yarn is generally considered a finished yarn because it is typically used from its packaged form directly on machinery, whether on cones, spindles, or weaving beams.

All rayon is produced by the viscose process. In the viscose process, cellulosic materials such as wood chips, pulp, or cotton linters are dissolved in an alkaline solution. The solution is treated with carbon disulfide to produce a solution of cellulose xanthate. This solution is then forced through tiny spinnerets in an acid bath to produce the essential rayon fiber. Rayon filament is carefully drawn through washing baths and wound on spools, cones or beams as a number of continuous filaments. Most of the filaments are very fine and are given no twist or a simple weaving twist of one or two turns per inch, with no further finishing required to produce the yarn. The yarn may be solution-dyed (i.e., dyed during the formation of the rayon filaments) or finish-dyed (i.e., dyed to the proper color after the yarn has been formed).

According to industry sources, there is no known domestic production of rayon filament yarn. Although there is production of a related product, rayon staple fiber, the production methods and equipment used differ from those for rayon filament yarn. The subject yarn is continuously wound onto spools or beams as a finished yarn, whereas rayon staple fiber consists of cut (short) lengths of filaments for spinning into yarn. According to Lenzing Fibers, Lowland, TN, the only known U.S. producer of rayon staple fiber, the equipment that is currently used to produce such fiber cannot be converted to produce rayon filament yarn.⁵ The Lenzing official also stated that plant conversion to produce rayon filament yarn would require a high level of capital investment. A representative of the petitioner (ICF Industries) stated that the firm obtains most of the subject yarn from Enka Viscose in Germany.⁶

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. He authorized CITA and USTR to submit the required report to the Congress.

⁴ Decitex is a unit of fiber weight equal to one-tenth of a tex. Tex is the weight in grams of a length equal to one kilometer of yarn, filament, fiber, or other textile strand. Hoechst Celanese Corporation, *Dictionary of Fiber & Textile Technology* (Hoechst Celanese Corporation, Charlotte, NC, 1990) pp. 41, 157.

⁵ Doug Noble, Lenzing Fibers, Lowland TN, telephone interview by Commission staff, June 5-6, 2001.

⁶ David Trachtenberg, ICF Industries, New York, NY, telephone interview by Commission staff, June 4, 2001.

Based on information currently available to the Commission, rayon filament yarn has no real substitutes; however, two man-made cellulosic materials, rayon staple fiber and acetate, may appear similar. Although produced by a similar process, rayon staple fiber does not compete with rayon filament. The two types of rayon fibers have different physical qualities such as sheen, silkiness, texture, and durability that prevent substitution of each fiber for the other. Thus, rayon staple fiber cannot be used to produce a shiny satin or velvet, and rayon filament yarn cannot be used to produce fabrics normally made from rayon staple fiber, such as a lightweight challis fabric. U.S. industry sources differ as to whether rayon and acetate filament yarns are substitutable for one another. According to the petitioner, the two yarns are not substitutable because they 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.⁷ As such, fabrics made from rayon filament yarn and acetate filament yarn have different characteristics, such as in appearance and durability. For example, acetate filament yarns, while used in fabrics with a satin weave, do not possess the durability or smoothness of rayon satin. Industry representatives have indicated that there are no substitutes for the quality and richness of the feel of finished rayon satin or velvet fabric demanded by fashion-conscious consumers.⁸ U.S. producers of acetate filament, Celanese Ltd. and Eastman Chemical Co., stated that rayon filament and acetate filament yarns are interchangeable in many fabrics, including crepe woven fabrics.⁹ Eastman Chemical noted that the important physical properties of the two filament yarns are very similar and, as such, the yarns are interchangeable.¹⁰ According to the petitioner, because the average price of rayon filament sold in the United States is approximately double the price of acetate, the end uses for the rayon filament yarn are ones in which the yarn is required because of its unique, non-substitutable properties.¹¹

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

The affected segments of the U.S. textile and apparel industries include producers of yarns, fabrics, and apparel. According to representatives of the American Yarn Spinners Association (AYSA), Gastonia, NC, and the American Textiles Manufacturers Institute (ATMI), Washington, DC,¹² there are no U.S. producers of rayon filament yarn.

ICF Industries represents the 13 firms listed in the petition that produce fabrics from the subject yarn in the United States. Two of the firms have manufacturing facilities in Vernon, CA, while the rest have mills in the eastern United States from Stonington, CT, to Gaffney, SC. All but one produce rayon velvet or satin fabric using the subject yarn. Robison Anton Textile Company manufactures thread and embroidery yarn from rayon filaments, and ships the finished thread and embroidery yarn to apparel producers in the Caribbean Basin, where they are used to sew or decorate lingerie and other garments.¹³ A representative of Robison Anton stated that to its knowledge, Robison Anton is the only U.S. manufacturer of rayon thread and rayon embroidery yarn.¹⁴ According to ICF Industries, the

⁷ David G. Trachtenberg, Vice President, ICF Industries, Inc., New York, NY, written submission to CITA, June 15, 2001.

⁸ Jim Conner, Executive Vice-President, AYSA, and Charles Bremer, Director of International Trade, ATMI, telephone interviews by Commission staff, May 31, 2001.

⁹ H. Newton Williams, Vice President, Government Relations, Celanese Ltd., Arlington, VA, and Richard L. Johnson, Vice President & General Manager, Fibers Business Organization, Eastman Chemical Co., Kingsport, TN, written submissions to CITA, June 4 and 11, 2001, respectively.

¹⁰ Richard L. Johnson, Vice President & General Manager, Fibers Business Organization, Eastman Chemical Co., Kingsport, TN, written submission to CITA, June 11, 2001.

¹¹ David G. Trachtenberg, Vice President, ICF Industries, Inc., New York, NY, written submission to CITA, June 15, 2001.

¹² Telephone interviews with Jim Conner, Executive Vice-President, AYSA, May 31, 2001; and Charles Bremer, Director of International Trade, ATMI, May 31, 2001.

¹³ Bruce Anton, Robison Anton Textile Company, Fairview, NJ, telephone interview by Commission staff, June 5, 2001.

¹⁴ Bruce Anton, Robison Anton Textile Company, Fairview, NJ, telephone interview by Commission staff, June 5, 2001.

manufacturers listed in the petition employ a total of about 6,000 workers. The manufacturers represent some of the larger domestic users of rayon filament yarn.¹⁵

According to the petitioner, the segments of the U.S. textile industry using the subject yarn face intense competition from Asian and other foreign suppliers of fabrics made from rayon filament yarn, and from imports of low-priced apparel made from fabrics of rayon filament yarn. The petitioner also stated that two textile weavers that had used rayon filament yarn in the recent past have been "forced out of business," representing a loss of approximately 1,450 workers.¹⁶

Views of interested parties

No written statements were filed with the Commission.

Probable economic effect advice¹⁷

The Commission's analysis shows that granting duty-free and quota-free treatment to certain apparel articles made in eligible AGOA or CBTPA beneficiary countries from the subject yarn would have no adverse effect on U.S. yarn producers because industry sources report that there currently is no known domestic production of the subject yarn. The proposed preferential treatment would likely benefit U.S. producers of satin and velvet fabrics made from the subject yarn, and their workers, by spurring demand for the U.S. fabrics for use in the production of garments in eligible beneficiary countries. The elimination of U.S. tariffs on imports of the finished apparel from these beneficiary countries would likely result in an increase in sales of such garments and a corresponding increase in demand for the fabrics. The proposed preferential treatment is expected to have little adverse effect on any domestic producers of similar yarns (e.g., acetate) that may compete with the subject yarn and domestic producers of similar fabrics that are made from such similar yarns.

The proposed preferential treatment is also expected to benefit U.S. and other apparel firms making garments in eligible AGOA and CBTPA beneficiary countries from fabrics made of the subject yarn. The expected increase in imports of such apparel from the CBTPA and AGOA beneficiary countries, although likely to be small, would likely 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 from the subject yarn, there could be a slight adverse effect on any U.S. firms producing similar or competing apparel domestically. Several industry sources indicated that many larger apparel manufacturers maintain small manufacturing facilities in the United States to quickly sew and deliver initial orders of apparel representing the latest fashions, while doing the production of larger orders or less trendy apparel offshore.¹⁸

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.

¹⁵ David Trachtenberg, ICF Industries, petition to CITA, May 22, 2001.

¹⁶ David Trachtenberg, ICF Industries, submission to CITA, May 22, 2001.

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

¹⁸ Telephone interviews by Commission staff with David Trachtenberg, ICF Industries, New York, NY, June 4, 2001; Loic de Kertanguy, J.B. Martin, New York, NY, June 7, 2001; Fred Lidsky, A. Wimpfheimer, Fairview, NJ, June 5, 2001; and Bruce Anton, Robison Anton Textile Co., Stonington, CT, June 5, 2001.



Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-009

Products	Knit apparel of open-end-spun rayon yarn
Requesting Party	Fabrictex, Inc., Lincolnton, NC
Date of Commission Report: USTR Public	August 15, 2001 August 2001
Commission Contact	Jackie W. Jones (202-205-3466; jones@usitc.gov)

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON AUGUST 15, 2001. 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 knitted apparel made in eligible Caribbean Basin and sub-Saharan African countries from certain open-end-spun rayon yarns, regardless of the source of the yarns, would likely have a negligible adverse effect on U.S. producers having the capacity to make the subject yarns or similar yarns, U.S. apparel firms producing the apparel domestically, and their workers, and would likely benefit U.S. producers of fabrics made from the yarns, U.S. apparel firms assembling the apparel in eligible Caribbean Basin and sub-Saharan African countries, and their U.S.-based workers. U.S. consumers would likely benefit from some of the duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel 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 2001 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 June 29, 2001, alleging that certain open-end-spun 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 made in eligible CBTPA and AGOA beneficiary countries from knitted fabrics produced 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 proclaimed,

¹ For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

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

This is the second petition submitted by Fabrictex on the subject yarn.³ The current petition clarifies the product coverage, stating that the subject yarn is made of micro-denier, solution-dyed viscose rayon staple fibers and that these fibers are made (spun) into yarns on the open-end spinning system. In addition, the current petition requests that the proposed preferential treatment be granted to apparel made in eligible CBTPA beneficiary countries as well as eligible AGOA beneficiary countries.

Brief discussion of products

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 single yarns (other than sewing thread), not put up for retail sale, containing 85 percent or more by weight of artificial staple fibers. The subject yarns are used in the manufacture of knitted fabrics for apparel classified in HTS chapter 61 (knitted or crocheted apparel). The principal knitted garments made from the subject yarns are women's fashion wear, such as tops (e.g., shirts), skirts, pants, and maternity wear, sold in the higher end of the retail market. The rates of duty on these garments range from 6 percent to 28.7 percent ad valorem.

The yarns named in the petition are 30 singles (30/1) and 36 singles (36/1) yarns made of micro-denier,⁴ solution-dyed, viscose rayon staple fibers that are spun into yarns on the open-end spinning system.⁵ According to the petitioner, the subject yarns are distinctive because they are (1) solution dyed (i.e., the fiber is colored by the introduction of pigments or insoluble dyes into the polymer melt or spinning solution prior to extrusion);⁶ (2) extremely fine, because the yarns are made from micro-denier fibers and the yarns are of relatively high yarn numbers,⁷ and (3) spun on open-end spindles, which reportedly results in a more consistent, uniform yarn,⁸ made at high speeds. The petitioner stated that these high-quality yarns are used in the manufacture of specialty knitted fabrics, which exhibit exceptional "hand," drape, and a silkiness and smoothness not found in other knitted fabrics, and for which there are no viable substitutes. In addition, the petitioner stated that these fabrics, which are marketed under the Savannah brand name, contain spandex, a synthetic elastic material similar to natural rubber.

All rayon is produced by the viscose process. In the viscose process, cellulosic materials such as wood chips, pulp, or cotton linters are dissolved in an alkaline solution. The solution is treated with a carbon

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 On May 3, 2001, CITA denied Fabrictex's petition requesting short supply designation for certain viscose rayon yarn (see CITA's announcement in the *Federal Register* of May 8, 2001 (66 F.R. 23237)). The Commission's report in connection with the first petition filed by Fabrictex, *Knit Apparel of Viscose Rayon Yarns* (Inv. No. 332-428-004), Apr. 27, 2001, may be found on its website <http://www.usitc.gov/332s/shortsup/332_428_004.pdf>.

⁴ Micro-denier is 1 denier or less. (Denier is the number of unit weights of 0.05 grams per 450-meter length.) It is a direct numbering system in which the lower numbers represent the finer sizes.

⁵ The numbers 30/1 and 36/1 indicate the number of 840-yard lengths in a pound of yarn (30 or 36) and the number of plies (1, or single, ply). The higher the yarn number (e.g., 30 or 36), the finer the yarn.

⁶ Celanese Corp., *Man-Made Fiber and Textile Dictionary*, New York, NY, p. 48. Fabrictex's written submission to CITA, dated July 30, 2001, states that in its current petition, the explanation of solution dyed is "inexact," but indicates that the subject yarn imported by Fabrictex is solution dyed.

⁷ According to the petitioner, rayon yarns made domestically usually have lower yarn numbers of 16, 18, or 20 and are typically coarser than the subject yarns imported by Fabrictex.

⁸ Brenda A. Jacobs, Counsel, Powell, Goldstein, Frazer, & Murphy LLP, Washington, DC, on behalf of Fabrictex, Inc., petition filed with CITA, June 29, 2001; Donald Baum, Vice President, Group Manufacturing Director, Liz Claiborne, Inc., telephone interview by Commission staff, July 23, 2001; and Charles Little, President of the Yarn Division, Mount Vernon Mills, Greenville, SC, telephone interview by Commission staff, Aug. 6, 2001.

disulfide to produce a solution of cellulose xanthate. This solution is then forced through tiny spinnerets in an acid bath to produce the essential rayon fiber. Solution-dyed fiber is produced by adding a dye as the rayon fiber is being forced through the spinnerets so that the fibers are colored as they are formed. In solution dyeing, the color becomes an integral part of the fiber and is not easily affected by outside environmental conditions.⁹

Although rayon fiber is produced in the United States, an industry source indicated that the expertise and equipment needed for solution dyeing currently does not exist in the United States and that it is not economically feasible to import the necessary expertise and equipment.¹⁰ This fiber, however, can and is being imported by U.S. yarn producers. Fabrictex stated there are only a few yarn producers in Spain, France, and Germany that can provide it with the subject yarns.¹¹ Fabrictex continues to import the subject yarns from Spain.¹²

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

The affected segments of the U.S. textile and apparel industries include producers of yarns, fabrics, and apparel. In connection with the first petition, the American Yarn Spinners Association (AYSA) stated that there were at least five domestic producers of single rayon yarns using imported solution-dyed fibers: Richmond Yarns, Inc., Rockingham, NC, and its affiliate, Mount Vernon Mills, Greenville, SC; Carolina Mills, Maiden, NC; Cavalier Specialty Yarn Co., USA, a division of Cavalier Textiles, Gastonia, NC; Four Leaf Textiles LLC, Shelby, NC; and Belding Hausman, Inc., Lincolnton, NC. At that time, all of these firms stated that they had the equipment and the capability to accept orders of any size for the subject yarns, with production lead times similar to those required for the imported yarns.¹³

In connection with the second, and current, petition, Fabrictex stated that none of these firms is able to supply it with the open-end-spun (OES) rayon yarns.¹⁴ In telephone interviews by Commission staff, Four Leaf Textiles said it makes neither OES rayon yarns nor yarns that could be used as substitutes for the subject yarns imported by Fabrictex from Spain;¹⁵ ***¹⁶ and Carolina Mills stated that it does not spin any solution-dyed fibers on its open-end spinning system because of contamination issues and that it ***.¹⁷ Cavalier Textiles said it does not make OES rayon yarns domestically but offered to supply Fabrictex with a substitute ring-spun yarn.¹⁸ According to Fabrictex, the sample yarn from Cavalier

⁹ Marjory L. Joseph, *Essentials of Textiles*, 4th ed. (Fort Worth, TX: Holt, Rinehart and Winston, Inc., 1988), p. 291.

¹⁰ Dan Blair, Lenzing Fibers, Lowland, TN, telephone interview by Commission staff, Mar. 26, 2001.

¹¹ The general rate of duty on the subject yarns is 9.6 percent ad valorem. Additional duties also exist for certain single yarns from selected European Union countries. Effective July 29, 1999, following completion of an investigation under section 301 of the Trade Act of 1974, the President created HTS subheading 9903.02.42, and imposed a 100-percent ad valorem duty on imports of single yarns, the product of France or the Federal Republic of Germany. This duty was one element of a broader action taken in response to the failure of the European Union to end its ban on the importation of U.S. meat from animals treated with certain hormones.

¹² Brenda A. Jacobs and Leigh Fraiser, on behalf of Fabrictex, Inc., written submission to the Commission, Apr. 13, 2001; Edward Moskowitz, CEO, Fabrictex, Inc., telephone interview by Commission staff, Aug. 3, 2001.

¹³ Jim H. Conner, Executive Vice President, AYSA, Gastonia, NC, written submissions to CITA and telephone interviews by Commission staff, Mar. 20-29, 2001; Carlos Moore, Executive Vice President, American Textile Manufacturers Institute, written submission to CITA, Mar. 29, 2001.

¹⁴ Brenda A. Jacobs, on behalf of Fabrictex, Inc., petition filed with CITA, June 29, 2001, pp. 4-8.

¹⁵ Roy Lockett, Director of International Sales, Four Leaf Textiles LLC, telephone interview by Commission staff, July 24, 2001.

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¹⁸ Brenda A. Jacobs, on behalf of Fabrictex, Inc., petition filed with CITA, June 29, 2001, p. 7.

Textiles was too coarse for its Savannah fabric line and that the only color supplied was black. Cavalier Textiles said ***.¹⁹

Commission staff also contacted another firm that reportedly spins the subject yarn--Tuscarora Mills, Mount Pleasant, NC. ***.²⁰

Fabrictex stated that it buys the subject yarns from Spain, typically in lot sizes averaging approximately 3,300 pounds per color, and usually receives delivery of the yarns within 4 weeks of order placement.²¹ A sampling of purchase orders and commercial invoices submitted by Fabrictex shows that its order sizes, by color, ***.²² Fabrictex said it orders the subject yarns in colors that are "in stock" rather than in colors that are specially created to its specifications.²³ Fabrictex stated that it orders yarns of certain colors from several suppliers who provide "color cards" indicating the colors they have in stock. According to Fabrictex, it then selects its color line for the season from these suppliers' available colors.²⁴

Fabrictex stated that U.S. yarn spinners would be unable to meet its needs for the subject yarns in terms of minimum order size, variety of colors, and delivery in a timely manner, because the yarn spinners do not keep inventories of color cards and/or colors of solution-dyed rayon staple fibers or rayon staple yarn. AYSA said it contacted producers of rayon staple fibers in Spain, Germany, and Austria,²⁵ and found that their minimum order sizes for solution-dyed colored fibers "not in stock" ranged from 11,000 to 44,000 pounds and delivery times ranged from 10 to 12 weeks.²⁶ According to the petition, Cavalier Textiles said its minimum order size for the yarn would be 9,000 to 11,000 pounds per color (with colors unspecified) with a delivery time of 9 to 10 weeks. According to Cavalier Textiles, it would be unwilling to spin orders of less than 10,000 pounds per color because of contamination issues, which require that yarn spinners, whether U.S. or European, thoroughly clean the equipment before spinning yarn of another color.

AYSA stated there may be alternatives available domestically to using the subject yarn imported by Fabrictex, such as using U.S.-made ring-spun rayon yarns or different dyeing methods.²⁷ AYSA said ring-spun yarns generally have a "better hand" than OES yarns. According to Fabrictex and one of its customers (***), ring-spun yarns are not substitutable for the OES rayon yarns.²⁸ Fabrictex stated that OES and ring-spun rayon yarns have very different characteristics and that OES rayon yarns have the physical characteristics necessary to make the knitted fabrics demanded by its apparel customers.²⁹ The petitioner also stated that the processing of rayon staple fibers into yarns on the open-end spinning system gives the yarns more stiffness or body, which contributes to the characteristic drape of the knitted fabric.³⁰

¹⁹ ***.

²⁰ ***.

²¹ Brenda A. Jacobs, on behalf of Fabrictex, Inc., petition filed with CITA, June 29, 2001, p. 7.

²² Brenda A. Jacobs, on behalf of Fabrictex, Inc., purchase orders and invoices supplied with written submission to CITA, July 30, 2001; and purchase orders supplied to Commission staff, July 26, 2001.

²³ Brenda A. Jacobs, on behalf of Fabrictex, Inc., written submission to CITA, July 30, 2001, p. 2.

²⁴ Brenda A. Jacobs, on behalf of Fabrictex, Inc., written submission to CITA, July 30, 2001, p. 2.

²⁵ Jim H. Connor, AYSA, written submission to CITA, July 24, 2001, p. 2.

²⁶ According to Cavalier Textiles, rayon staple fiber is available from about 12 producers in various countries in Europe.

²⁷ Information in this paragraph, unless otherwise noted, is from Jim H. Conner, AYSA, written submission to CITA, July 24, 2001.

²⁸ Brenda A. Jacobs, on behalf of Fabrictex, Inc., petition filed with CITA, June 29, 2001, p. 4; and ***, telephone interview by Commission staff, July 23, 2001.

²⁹ Edward Moskowitz, Fabrictex, Inc., telephone interview by Commission staff, July 23, 2001.

³⁰ Edward Moskowitz, Chief Executive Officer (CEO), Fabrictex, Inc., telephone interview by Commission staff, July 23, 2001.

AYSA also said dyeing methods other than solution dyeing are available domestically, such as stock dyeing (i.e., dyeing the fibers after they have been formed), yarn dyeing, or piece-dyeing (dyeing the fabric). The petitioner stated that the solution dyeing of the rayon fibers accounts for the color fastness³¹ and characteristic "hand" of the fabric. ***.³² There are believed to be about three U.S. stock dyers, which generally dye smaller lots than solution, yarn, or piece dyers and supply niche markets.³³

During the review of the first petition, apparel industry sources stressed the importance of being able to source the knitted fabrics in the quality and colors they need to complete their fashion line in a timely and reliable manner,³⁴ and stated that they would cease purchasing the knitted fabrics made from the subject yarn from Fabrictex if the use of the fabrics would make their apparel ineligible for preferential treatment under the CBTPA or AGOA. Liz Claiborne stated it has stopped purchasing knitted fabrics made from the subject yarn from Fabrictex and that, to maintain the price points it needs to be competitive in today's highly competitive retail market, it is more cost effective to use non-U.S. made fabrics and pay the duty on the finished garments than to use the Fabrictex fabrics.³⁵ ***.³⁶ Fabrictex stated that because customers like Liz Claiborne are switching to foreign-made fabrics because of the ineligibility of the Fabrictex fabrics for the CBTPA and AGOA programs, its consumption of yarn in the production of the knitted fabrics *** pounds in 1999 to *** pounds in 2000, and that it expects to consume *** of yarn for its Savannah line in 2001.³⁷ Fabrictex also reported that because of the loss of sales in its Savannah line, which accounts for *** of its total sales, it was forced to lay off one-third of its workforce at its North Carolina mill. Fabrictex stated it will lose additional accounts with apparel firms if the short supply designation is not granted in the near future, because apparel firms are developing their production plans for their fall 2002 line and need to know the status of the short supply designation.³⁸

At the time of the first petition, Fabrictex stated there were two other U.S. producers of fabric similar to its fabric. One of these producers stated that it had never made rayon fabric and that it was closing down completely.³⁹ ***.⁴⁰

Information on U.S. firms producing apparel from the subject yarns is not readily available, partly because of the range of apparel articles involved and partly because imports are likely to account for most of the domestic market for such articles. Fabrictex stated it sells its Savannah line of knitted fabrics ***. It is believed that much of the subject garments made for these apparel firms are assembled abroad.

³¹ Brenda A. Jacobs, on behalf of Fabrictex, Inc., written submission to CITA, July 30, 2001, p. 1.

³² ***.

³³ Richard Littlewood, G.J. Littlewood and Son, Inc., Philadelphia, PA, telephone interview with Commission staff, July 26, 2001.

³⁴ Frank Kelly, Liz Claiborne, North Edison, NJ, telephone interview by Commission staff, Mar. 22, 2001, and Ron Shulman, The Limited, Inc., Columbus, OH, written submission to CITA, Apr. 4, 2001.

³⁵ Donald Baum, Liz Claiborne, Inc., North Bergen, NJ, written submission to CITA, July 24, 2001.

³⁶ ***.

³⁷ Brenda A. Jacobs, on behalf of Fabrictex, Inc., petition filed with CITA, June 29, 2001, p. 3.

³⁸ Edward Moskowitz, Fabrictex, Inc., telephone interview by Commission staff, Aug. 2, 2001.

³⁹ An official of Dyersburg Corp., Dyersburg, TN, telephone interview by Commission staff, Aug. 2, 2001.

⁴⁰ ***.

Views of interested parties

No written statements were filed with the Commission.

Probable economic effect advice⁴¹

The Commission's analysis shows that granting duty-free and quota-free treatment to knitted apparel made in eligible CBTPA and AGOA beneficiary countries from the subject rayon yarns can be expected to have a negligible adverse effect on U.S. producers having the capacity to make the subject and similar yarns and their workers. It is uncertain whether U.S. yarn spinners, which may have the capacity to make (spin) the subject yarns from imported solution-dyed fibers, are able to supply the yarns in the required color blends and delivery times that meet the requirements of the domestic knitted fabric producer, which imports the yarn. It is also uncertain whether any similar yarns would be substitutable for the subject yarns. It appears that, even if there may be ample domestic capacity to produce the subject yarns, issues such as achieving acceptable color blends and delivery times exist to the extent that no orders for such domestically spun yarn have been placed.

The proposed preferential treatment can be expected to benefit U.S. producers of knitted fabrics made from the subject yarns, and their workers, as a result of increased demand for the U.S. fabrics. It is believed that the expected increased demand for the knitted fabrics would not displace demand for other types of fabrics, because the knitted fabrics are considered to be specialty fabrics used in higher-end coordinated fashions. The finished apparel is very price competitive, and lowering the price on such apparel would likely result in increased sales and corresponding higher demand for the knitted fabrics.

The proposed preferential treatment can also be expected to benefit U.S. and other apparel firms making garments in eligible CBTPA and AGOA beneficiary countries from non-U.S. yarns. The expected increase in imports of such apparel from the CBTPA and AGOA countries would primarily displace imports of similar apparel entering free of duty from Mexico under the North American Free-Trade Agreement and dutiable imports from Asian countries. However, the proposed preferential treatment can be expected to have a negligible adverse effect on any U.S. firms making apparel articles domestically and on their workers.

U.S. consumers of apparel made from 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.

⁴¹ The advice below is based on information currently available to the Commission.



Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-010

Products	Apparel of cuprammonium rayon filament yarn
Requesting Party	Itochu International Inc., New York, NY ¹
Date of Commission Report: USTR Public	January 7, 2002 January 2002
Commission Contact	Jackie W. Jones (202-205-3466); jones@usitc.gov

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON JANUARY 7, 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 or sub-Saharan African countries from fabrics produced in the United States of cuprammonium rayon filament yarn (which is not made domestically), regardless of the source of the yarn, would likely have a negligible adverse effect on U.S. producers of yarns that are made from other artificial fibers (e.g., acetate) and that may compete with the subject yarn. It also would likely have a negligible adverse effect on U.S. producers of apparel fabrics made from these other yarns, but would benefit U.S. firms producing apparel fabrics made from the subject yarn. The proposed preferential treatment would likely benefit U.S. apparel firms assembling the apparel in eligible beneficiary countries, and their U.S.-based workers, but could have a slight adverse effect on U.S. firms making the apparel domestically, and their workers. U.S. consumers would likely benefit from some duty savings.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: 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 2001 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).²

¹ Itochu International, an importer of the subject yarn, filed the petition on behalf of Unifi, Inc., a yarn producer based in Greensboro, NC, and Symphony Fabrics, a fabric designer and converter in New York, NY. The reasons why Unifi and Symphony are requesting the preferential treatment are discussed in the “fiber and yarn producers” section of this report.

² For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886) and its website at <www.usitc.gov/332s/shortsup/shortsupintro.htm>.

The Commission's advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on November 20, 2001, alleging that cuprammonium rayon filament yarn 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 or AGOA beneficiary countries from fabrics made in the United States of such yarn, regardless of the 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.³

Brief discussion of the product

The cuprammonium rayon filament yarn named in the petition is classified in subheading 5403.39.00 of the Harmonized Tariff Schedule of the United States (HTS), a residual or "basket" provision covering miscellaneous single filament yarn, (other than sewing thread), not put up for retail sale, of artificial fibers other than viscose rayon or cellulose acetate. This tariff provision covers both monofilament yarn, including monofilament of less than 67 decitex,⁴ and multifilament yarn, with or without twist. The general rate of duty on this yarn is 8.4 percent ad valorem in 2002. The subject rayon yarn is processed into fabrics for use as a lining material, such as in high-quality clothing, and for making apparel classified in HTS chapters 61 (apparel, knitted or crocheted) and 62 (apparel, not knitted or crocheted). U.S. general rates of duty on imports of knitted and woven apparel made of the subject yarn range from 1.8 percent to 28.6 percent ad valorem in 2002.

The subject yarn is made of cuprammonium rayon, which is manufactured by chemical transformation of natural organic polymers in the form of cellulose derived exclusively from cotton linters (the short cotton fibers growing near the seeds of the cotton boll).⁵ In general, in the cuprammonium process, the cellulosic raw materials are first brought to a liquid state by dissolving them in an alkaline solution of ammonia and copper hydroxide. The solution is then extruded through the holes of a spinneret (a "showerhead-like" metal disc having many tiny holes) into newly formed filaments. As the filaments are "pulled" or drawn off the spinneret, they undergo a "stretch spinning process" to make them both narrower (or finer) and longer. The filaments are drawn into an acid bath, which causes the material to solidify ("regenerate") into continuous filament. After extrusion, washing, and finishing, filaments are generally wound onto spools and may later be put up on warp beams to be used in weaving.⁶

The United States does not produce cuprammonium rayon, but imports the subject yarn mostly from Japan.⁷ The petitioner stated that the imported subject yarn is a multifilament yarn made of many fine filaments. For example, the subject yarn having a yarn denier of 75 consists of 54 filaments and one having a yarn denier of 100 consists of 70 filaments. The yarn has zero twist; a special finish or spinning oil is applied to each filament so that the filaments are held together and the yarn is lubricated for further

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. He authorized CITA and USTR to submit the required report to the Congress.

⁴ Decitex is the linear density, or weight per unit length, of filament yarn (it indicates the weight in grams of 10,000 meters of yarn). The higher the decitex, the heavier is the yarn.

⁵ Treated wood pulp may also be used to make cuprammonium rayon filament yarn; however, according to the petitioner, cotton linters are the only cellulosic raw materials now used in world production of such yarn. Reportedly, the use of cotton linters instead of wood pulp allows for the extrusion of a finer filament and the production of a yarn having much higher strength. Ryoma Omuro, Assistant Manager, Fiber and Yarn Department, and Jeff Vercellone, Itochu International Inc., New York, NY, telephone interviews by Commission staff, Nov. 30 and Dec. 18, 2001, respectively.

⁶ U.S. Customs Service, "Fibers and Yarns: Construction and Classification Under the HTSUS," *Customs Bulletin and Decisions*, vol. 34, No. 52, Dec. 27, 2000, pp. 142 and 143.

⁷ U.S. production of cuprammonium rayon reportedly ceased in 1975 due to the significant cost of meeting clean-water standards (i.e., the cost of removing chemical pollutants from waste water of the manufacturing process). See Phyllis G. Tortora and Billie J. Collier, *Understanding Textiles*, 5th ed. (Upper Saddle River, NJ: Simon & Schuster, 1997), p. 143.

processing. The imported yarn is in an unfinished state (i.e., in its natural color). The dyeing and finishing operations occur only after the yarn is processed into fabrics (known as piece dyeing).

The subject yarn is manufactured only in Japan and Italy and is often referred to in the trade as "cupro" or as Bemberg yarn after the European firm (J.P. Bemberg Co.) that first made the yarn for commercial use in the early 1900s. According to the petitioner, the Asahi Kasei Corp., of Osaka, Japan, accounts for approximately 90 percent of world production of the yarn (marketed under the AsahiBemberg label), while Bemberg S.p.a. of Italy accounts for the remainder.⁸ The cross section of most AsahiBemberg yarn is almost circular, which allows for the bright colors and silky luster of the yarn; the brightness of the yarn may be altered by adding delustering agents to the solution before extrusion.⁹ The filament fiber is highly porous, which results in easy dyeability, high moisture and water absorption, and compatibility with finishing resins.

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

The segments of the U.S. textile and apparel industries that might be affected by the proposed preferential treatment include producers of certain fibers, yarns, and fabrics for which the subject rayon filament yarn, or fabrics made from such yarn, may be substitutable, as well as dyers and finishers of these fabrics. The following section examines these industry segments and certain fabric purchasers.

Fiber and yarn producers

The United States does not produce cuprammonium rayon filament yarn, but does make other yarn from artificial or cellulosic fibers, specifically rayon and lyocell staple fibers and acetate filament.¹⁰ The production of acetate filament fiber, which is made from wood pulp, also involves extruding a cellulose-based solvent through a spinneret. However, the chemical solvents and some of the manufacturing processes used in acetate production differ from those used to make the subject rayon filament yarn. Rayon and lyocell staple fibers are spun into yarns much like cotton and wool fibers are spun into yarns. Filament fibers are produced as one continuous strand and, as part of the fiber manufacturing process, are often wound onto spools, cones, or beams as yarns or are combined with other filament fibers into yarns. Yarns and fabrics produced from staple fibers differ from those made from filament fibers in terms of physical qualities such as sheen, silkiness, texture, and durability. For example, cuprammonium rayon filament yarns are used to produce a shiny satin or velvet, while rayon or lyocell staple fiber yarns are used to make lightweight shirting or challis fabric.

The sole U.S. producer of rayon staple fiber is Lenzing Fibers, Lowland, TN, which stated that the equipment currently used to produce such fiber cannot be converted to produce a rayon filament yarn and that a plant conversion to produce such filament yarn would require a high level of capital investment.¹¹ The only U.S. producer of lyocell is Acordis Cellulosic Fibers Inc., New York, NY, which markets the product under the Tencel label. The firm currently makes Tencel in the United States only in staple form; ***¹²

⁸ Ryoma Omuro, Itochu International Inc., New York, NY, telephone interview by Commission staff, Dec. 6, 2001.

⁹ Asahi Kasei Corp., "AsahiBemberg," pamphlet provided by Itochu International Inc.

¹⁰ Yarns are generally made of staple fibers or filaments. A filament is a very long (e.g., as much as miles in length), thin strand of extruded material, and consists mostly 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 wool) and cut lengths of filament. In general, to form yarn from staple fibers (a term used to distinguish natural or cut-length manufactured fibers from filament), the fibers are first aligned in a parallel manner, and then wound together (spun) so that the fibers adhere to each other.

¹¹ Doug Noble, Lenzing Fibers, Lowland, TN, telephone interview by Commission staff, June 5 and 6, 2001.

¹² Donald Vidler, Commercial Director, Acordis Cellulosic Fibers Inc., New York, NY, telephone interview by Commission staff, Dec. 4, 2001.

Acetate filament fiber and yarn are made in the United States by Eastman Chemical Co., Kingsport, TN, and Celanese, Ltd., Greensboro, NC. Both firms stated that they consider the subject rayon filament yarn and acetate filament yarn to be interchangeable in the production of fabrics for use as linings in tailored clothing and to make certain women's apparel (for further information on these firms' views, see the "Views of Interested Parties" section of this report).

According to the petition filed by Itochu International, the subject rayon filament yarn and the acetate filament yarn are different in several respects. The subject yarn is much stronger because of the use of cotton linters as its cellulose base and, unlike the acetate yarn, has a smooth circular cross-section that provides a silky luster, softness, and more comfortable touch to the fabrics.¹³ The subject yarn also costs much more than the acetate yarn. According to the petition, the average cost per pound is \$4.50 for the subject yarn and about \$2.00 for the acetate yarn. According to industry and academic sources, although the subject yarn and the acetate filament yarn are made by similar extrusion processes and can be processed into fabrics having a similar appearance, there are some significant differences in the physical characteristics of the resulting fabrics.¹⁴ In particular, the moisture absorption rate of the subject yarn is 12.5 percent, compared with 6.5 percent for the acetate filament yarn.¹⁵ The higher the moisture absorption rate, the more comfortable is the garment. The subject yarn also is stronger than the acetate yarn. The tenacity rate for the subject yarn is 1.7 to 2.3 grams per denier (at standard conditions), compared with 1.2 to 1.4 grams for the acetate yarn.¹⁶

An official of Unifi, Inc.,¹⁷ one of the petitioners and a U.S. producer of polyester fiber, stated that ***18***

Fabric producers

An official of Symphony Fabrics, a petitioner and a designer and converter of fabrics, stated that the firm uses the subject yarn in the production of unique and highly specialized fabrics for high-end women's apparel.¹⁹ ***

20

An official of Hathaway Textiles, which designs and sells fabrics, ***.²¹ The official stated that, in general, both yarns have superior qualities. ***

Dyeing and finishing

An official of Fitness Fabrics Ltd., a fabric converter, ***22***

¹³ Itochu International, Inc., New York, NY, petition for short supply designation for cuprammonium rayon filament yarn addressed to the Chairman of CITA, submitted on behalf of Unifi, Inc., Greensboro, NC, and Symphony Fabrics, New York, NY, Nov. 19, 2001, p. 3.

¹⁴ Lee Gordon, Senior Vice-President for Product Development, Unifi Inc., Greensboro, NC; Dr. David Buchanan, Professor and Assistant Dean, College of Textiles, North Carolina State University; and Dr. Marjorie Norton, Professor of Clothing and Textiles, Virginia Tech University, telephone interviews by Commission staff, Dec. 6, 7, and 18, 2001, respectively.

¹⁵ These absorption rates are at standard conditions of approximately 70 degrees Fahrenheit and 65-percent relative humidity. See Marjory L. Joseph, *Essentials of Textiles*, 4th ed. (Holt, Rinehart and Winston, Inc., 1988), pp. 86 and 92.

¹⁶ Tenacity is the amount of force (e.g., in grams) needed to break a yarn, divided by the (unstrained) denier per unit length. See U.S. Customs Service, "Fibers and Yarns," *Customs Bulletin and Decisions*, Dec. 27, 2000, p. 115.

¹⁷ Lee Gordon, Senior Vice-President for Product Development, Unifi Inc., telephone interviews by Commission staff, Dec. 6 and 20, 2001.

¹⁸ *** Telephone interview by Commission staff, Dec. 20, 2001.

¹⁹ Howard Ellis, Converter, Symphony Fabrics, telephone interview by Commission staff, Nov. 30, 2001.

²⁰ ***

²¹ Elizabeth Amoroso, President, Hathaway Textiles, telephone interview by Commission staff, Dec. 10, 2001.

²² Amy Caplin, Principal, Fitness Fabrics Ltd., New York, NY, telephone interview by Commission staff, Dec. 7, 2001.

An official of Duro Industries, Inc., Fall River, MA, a large fabric dyeing and finishing firm employing approximately 650 people, stated that dyeing and finishing fabric made of cuprammonium rayon filament yarn is a major part of its business and crucial to its survival in the United States.²³ The official stated that the proposed preferential treatment would enable the firm to sell its fabric to companies that produce apparel in the CBTPA and AGOA countries. This official stated that the subject yarn and viscose rayon filament yarn, as well as the fabrics (particularly linings) made from these yarns, are very similar.²⁴ ***

Balson Hercules, New York, NY, a group of several fabric converters, and a division of Duro Industries, stated that it is the largest supplier of U.S.-made woven linings for menswear and that it supports the proposed preferential treatment.²⁵ The firm stated that because the CBTPA and the AGOA currently do not grant preferential treatment to apparel made of linings containing foreign yarn, the firm has significantly reduced sales of these linings to producers that have moved their apparel production to the beneficiary countries.

Purchasers

The Marine Corps and the Air Force have used linings made of cuprammonium rayon filament yarn in their dress uniforms for many years.²⁶ ***²⁷*** Officials of the Defense Supply Center of Philadelphia (DSCP), the agency which procures fabrics for the military, stated that the lining fabric for the military must be durable as military personnel take their jackets on and off often and keep their uniforms for a long period of time.²⁸ ***

Capacity comparisons

World production capacity for cuprammonium rayon filament yarn currently is approximately 49 million pounds, of which 44 million pounds is in Japan and the remainder in Italy.²⁹ The current world capacity utilization rate is approximately 75 percent, or almost 37 million pounds. Japan's total production is estimated to be 33 million pounds in 2001. Approximately 60 percent of this amount (almost 20 million pounds in 2001) is for domestic use and the remaining 40 percent is exported to Asia, the European Union (EU), and the United States. According to Itochu International, Japan's exports of the subject yarn to the United States declined from about 3 million pounds in 1999 to 1 million pounds in 2000 and are expected to decline to 500,000 pounds for the full year 2001.

²³ William J. Milowitz, Vice President, Duro Industries, Inc., Fall River, MA, written submission to CITA, Dec. 6, 2001.

²⁴ William J. Milowitz, Vice President, Duro Industries, Inc., telephone interview by Commission staff, Dec. 10, 2001.

²⁵ John Iason, Vice President, Balson Hercules, New York, NY, written submission to CITA, Dec. 6, 2001.

²⁶ The "Berry Amendment," enacted as Title IX of Public Law 102-396, as amended, requires U.S. military procurement of uniforms, among other products, to be manufactured in the United States from U.S.-produced components. A "domestic unavailability determination" was made for the rayon linings because the subject yarn is not produced in the United States. According to an official of the Defense Supply Center of Philadelphia (DSCP), the Berry Amendment also requires the DSCP to evaluate U.S.-made substitutes. John McAndrews, Product Manager, Dress Clothing, DSCP, telephone interview by Commission staff, Sept. 17, 2001. ***

²⁷ *** telephone interviews by Commission staff, Dec. 10, 2001.

²⁸ Gail Vander Voort, Quality Assurance Specialist, and John McAndrews, Product Manager, Dress Clothing, DSCP, telephone interview by Commission staff, Dec. 7, 2001.

²⁹ Information in this paragraph is from Ryoma Omuro, Itochu International Inc., New York, NY, telephone interview by Commission staff, Dec. 6, 2001.

Total U.S. capacity to produce cellulose acetate filament yarn reportedly is expected to be 108 million pounds by the end of 2001.³⁰ Eastman Chemical Co. and Celanese Ltd. are expected to supply approximately 70 million pounds to the U.S. textile industry in 2001, representing a capacity utilization rate of almost 65 percent.

Views of interested parties

The Commission received written statements from Eastman Chemical Co. and Celanese Ltd., U.S. producers of acetate, and Markbilt, Inc., a U.S. producer of knit fabrics of the subject rayon filament yarn. The two acetate producers indicated their opposition to the proposed preferential treatment, while Markbilt stated its support.³¹ The Eastman Chemical submission stated that the U.S. cellulose acetate yarn industry has been declining since the early 1970s due to substitution of other fibers, such as nylon and polyester. U.S. production capacity for acetate yarn declined from 500 million pounds in 1970 to approximately 108 million pounds by the end of 2001. The submission noted that, during this period, DuPont and Avtex closed their cellulose acetate yarn plants and no longer produce the yarn; Celanese closed a plant in Cumberland, MD; and Eastman Chemical reduced its capacity. The submission stated that Celanese and Eastman Chemical will ship only 70 million pounds of acetate yarn to the U.S. textile industry in 2001. The Eastman Chemical submission stated that cuprammonium rayon filament yarns and acetate filament yarns are interchangeable, and that the acetate yarns compete well with the cuprammonium rayon yarns, especially in lining fabrics for men's tailored clothing. The submission indicated that acetate filament yarn is readily available in commercial quantities from two domestic producers and that granting the proposed preferential treatment for the subject rayon yarn would cause harm to the domestic acetate filament yarn industry by reducing demand for acetate yarn.

The Celanese submission stated that the subject rayon filament yarn is a direct substitute in major end uses for acetate filament yarn, and that granting the proposed preferential treatment could directly jeopardize the jobs of 350 of their employees. The submission stated that the company's most recent reduction in employees was due to the shutdown of acetate filament yarn production in its Rock Hill, SC plant. The submission indicated that end users' preference to use the subject rayon yarn and/or fabric instead of acetate filament yarn and/or fabric does not mean that the subject rayon and acetate filament yarns are not substitutable. The submission also stated that many fiber and yarn customers may not be commenting on the petition because of "economic and marketing considerations" and suggested that the Commission and CITA contact neutral parties (e.g., members of academia) for information.

The Markbilt submission stated that it is critical that the fabrics made from the subject yarn be allowed to compete fairly in the market. According to the submission, "recognizing that this yarn product is unavailable from a domestic U.S. producer, it seems appropriate that the customers of such a yarn and resulting fabrics be able to enjoy the benefits of the AGOA and CBTPA programs."

Probable economic effect advice³²

The Commission's analysis shows that granting duty-free and quota-free treatment to apparel made in eligible AGOA or CBTPA beneficiary countries from fabrics made in the United States of the subject yarn, regardless of the source of the yarn, would likely have a negligible adverse effect on U.S. producers of yarns that are made from other artificial fibers (e.g., acetate) and that may compete with the subject yarn. The proposed preferential treatment also would likely have a negligible adverse effect on U.S. firms that make apparel fabrics from these other yarns, but would benefit U.S. firms that make

³⁰ V.A. Robbins, Jr., Acetate Yarn Business Unit Manager, Fibers Business Organization, Eastman Chemical Co., Kingsport, TN, written submission to the Commission, Dec. 4, 2001.

³¹ Written submissions received by the Commission from V.A. Robbins, Jr., Acetate Yarn Business Unit Manager, Fibers Business Organization, Eastman Chemical Co., Dec. 4, 2001; H. Newton Williams, Vice President, Government Relations, Celanese Ltd., Dec. 7, 2001; and Mark L. Woltin, President, Markbilt, Inc., Dec. 18, 2001.

³² The Commission's advice is based on information currently available to the Commission.

apparel fabrics from the subject yarns. With the enactment of the AGOA and CBTPA in May 2000, imports of apparel made in eligible beneficiary countries from fabrics made in the United States from U.S. acetate filament yarns became eligible to enter free of duty and quota. However, imports of apparel made from the subject rayon filament yarns, which are made only in Japan and Italy, are ineligible for such preferential treatment because the yarns do not meet the requirement that they be made in the United States. The petition, if granted, would re-establish the conditions of parity for the different types of filament yarn prior to enactment of the CBTPA and AGOA in 2000. Imports of apparel made in the beneficiary countries from U.S. fabrics of the subject yarn likely would not capture any market share from acetate apparel, because the two types of apparel, for the most part, do not compete in the same quality or price segments of the apparel market. The price of the subject yarn is more than twice that of the acetate filament yarn. If the proposed preferential treatment were granted, the expected increase in demand for the subject yarn would help maintain this price difference.

The proposed preferential treatment would benefit U.S. producers of fabrics made from the subject rayon filament yarns, and their workers, by spurring demand for U.S. fabrics for use in the production of apparel in eligible AGOA and CBTPA beneficiary countries. The proposed preferential treatment would also benefit U.S. and other apparel firms making apparel in these beneficiary 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. Although imports are believed to account for the majority of the U.S. market for apparel made from the subject rayon filament yarns, there could be a slight adverse effect on any U.S. firms producing similar apparel domestically.

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.

APPENDIX A
Request Letter from the United States Trade
Representative

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

Recd: 3/5/01

MAR 5 2001

*ER
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The Honorable Stephen Koplan
Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

DOCKET NUMBER 2176 Office of the Secretary Int. Trade Commission

01 MAR -5 P 2:55

OFFICE OF THE SECRETARY

Dear Mr. Chairman:

The African Growth and Opportunity Act (Title I of Public Law 106-200) (AGOA) and the United States-Caribbean Basin Trade Partnership Act (Title II of Public Law 106-200) (CBTPA) provide preferential treatment to certain imported products, including certain textile and apparel products, of designated beneficiary sub-Saharan African countries and designated CBTPA beneficiary countries, respectively.

In particular, section 112(b)(5) of the AGOA and section 213(b)(2)(A)(v) of the Caribbean Basin Economic Recovery Act (CBERA), as added by section 211(a) of the CBTPA, allow preferential treatment for apparel made in beneficiary sub-Saharan African countries and CBTPA beneficiary countries, respectively, from certain fabrics or yarns to the extent that apparel of such fabrics or yarns would be eligible for preferential treatment, without regard to the source of the fabric or yarn, under Annex 401 to the North American Free Trade Agreement. These sections also authorize the President, at the request of an interested party, to proclaim preferential treatment for apparel made in beneficiary countries from additional fabrics or yarns, if the President determines that such fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner and the President complies with certain procedural requirements, one of which is to obtain the advice of the U.S. International Trade Commission (Commission). The President is required to submit a report to the House Ways and Means and Senate Finance Committees 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 made.

In Executive Order No. 13191, the President delegated to the Committee for the Implementation of Textile Agreements (CITA), an inter-agency committee chaired by the U.S. Department of Commerce, 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 the United States Trade Representative (USTR) to submit the required report to the Congress and delegated to the USTR the authority to obtain advice from the Commission.

I anticipate that interested parties will file a number of requests under the AGOA and CBTPA

**Original also received on March 5, 2001.*

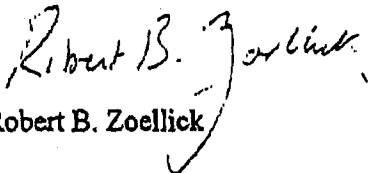
The Honorable Stephen Koplan
Page 2

"short supply" provisions. Accordingly, under authority delegated by the President, I request that the Commission initiate an "umbrella" investigation under section 332 of the Tariff Act of 1930 to provide advice regarding the probable economic effect of providing preferential treatment for apparel made from the subject fabric or yarn in the beneficiary sub-Saharan African countries and/or in the CBTPA beneficiary countries, as specified in the "short supply" request. Specifically, I request that the Commission provide advice as to the probable economic effect of such action on affected segments of the U.S. textile and apparel industries, workers in these industries, and consumers of the affected goods. All advice provided in connection with such requests received during 2001 should be prepared under this umbrella investigation. I appreciate that quantitative data on all aspects of this advice may not be available in the time provided for the Commission's advice and request that in such instances the information be in qualitative form.

In addition, I request that the Commission, upon receipt of a request for a "short supply" determination, initiate its analysis under this umbrella investigation and submit a report containing its advice to the USTR on the 47th day of the 60-day statutory period (unless the 47th day falls on a weekend or holiday in which case the report should be submitted on the next business day). The Commission should issue, as soon as possible thereafter, a public version of its report with any business confidential information deleted. However, the Commission should terminate its analysis without issuing a report if CITA determines that it will not consider the request; CITA will make this determination within seven days of receipt of the request.

The Commission's assistance in this matter is greatly appreciated.

Sincerely,


Robert B. Zoellick

APPENDIX B
Federal Register Notice

Persons interested in reviewing environmental documents for the proposals listed above or obtaining information about EA's and FONSI's prepared for activities on the Gulf of Mexico OCS are encouraged to contact MMS at the address or telephone in the FOR FURTHER INFORMATION section.

Dated: March 15, 2001.

Chris C. Oynes,
Regional Director, Gulf of Mexico OCS Region.
[FR Doc. 01-7048 Filed 3-20-01; 8:45 am]
BILLING CODE 4310-MR-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-428]

Apparel Inputs in "Short Supply": Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African and Caribbean Basin Countries

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation.

EFFECTIVE DATE: March 14, 2001.

SUMMARY: Following receipt of a request from the United States Trade Representative (USTR) on March 5, 2001, the Commission instituted Investigation No. 332-428, Apparel Inputs in "Short Supply": Effect of Providing Preferential Treatment to Apparel 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 in connection with the "short supply" provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).

FOR FURTHER INFORMATION CONTACT: For general information, contact Jackie W. Jones (202-205-3466; jones@usitc.gov) of the Office of Industries; for information on legal aspects, contact William Gearhart (202-205-3091; wgearhart@usitc.gov) of the Office of the General Counsel. The media should contact Margaret O'Laughlin, Public Affairs Officer (202-205-1819). Hearing impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information about the Commission may be obtained by accessing its internet server (<http://www.usitc.gov>).

The public record for this investigation may be viewed on the Commission's electronic docket (EDISON-LINE) at <http://dockets.usitc.gov/eol/public>.

Background

Section 112(b)(5) of the AGOA and section 213(b)(2)(A)(v) of the Caribbean Basin Economic Recovery Act (CBERA), as added by section 211(a) of the CBTPA, allow preferential treatment for apparel made in beneficiary countries from certain fabrics or yarns to the extent that apparel of such fabrics or yarns would be eligible for preferential treatment, without regard to the source of the fabric or yarn, under Annex 401 of the North American Free Trade Agreement. These sections also authorize the President, on request of an interested party, to proclaim preferential treatment for apparel made in beneficiary countries from additional fabrics or yarn, if the President determines that such fabrics or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner and the President complies with certain procedural requirements, one of which is to obtain the advice of the Commission. The President is required to submit a report to the House Ways and Means and Senate Finance Committees 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.

In Executive Order No. 13191, the President delegated to the Committee for the Implementation of Textile Agreements (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 the USTR to submit the required report to the Congress, and delegated to USTR the authority to obtain advice from the Commission.

As requested by the USTR, the Commission will provide advice regarding the probable economic effect of providing preferential treatment for apparel made in AGOA and/or CBTPA beneficiary countries from fabrics or yarn, regardless of the source of the fabrics or yarn, which allegedly cannot be supplied by the domestic industry in commercial quantities in a timely manner (i.e., which allegedly are in "short supply"). The advice will be provided as to the probable economic effect of such action on affected

segments of the U.S. textile and apparel industries, workers in these industries, and consumers of affected goods.

The Commission will provide all such advice during 2001 under a single investigation number. The Commission will not publish notices in the Federal Register of receipt of individual requests for advice. Instead, the Commission will issue a news release each time it initiates an analysis, and the news release will identify the article(s) under consideration, indicate the deadline for submission of public comments on the proposed preferential treatment, and provide the name, telephone number, and Internet e-mail address of staff who will be able to provide additional information on the request. CITA publishes a summary of each request from interested parties in the Federal Register. To view these notices, see the U.S. Department of Commerce, Office of Textiles and Apparel's (OTEXA) Internet site at <http://otexa.ita.doc.gov/fr.stm>. The Commission has developed a special area on its Internet site (<http://www.usitc.gov/shortsup/shortsupintro.htm>) to provide the public with information on the status of each request for which the Commission initiated analysis. The Commission has also developed a group list of facsimile addresses of interested parties or individuals who wish to be automatically notified via facsimile about any requests for which the Commission initiated analysis. Interested parties may be added to this list by notifying Jackie W. Jones (202-205-3466; jones@usitc.gov).

The Commission will submit its reports to the USTR not later than the 47th day after receiving a request for advice (or on the next business day if the 47th day falls on a weekend or holiday). The Commission will issue a public version of each report as soon thereafter as possible, with any confidential business information deleted.

Written Submissions

Because of time constraints, the Commission will not hold public hearings in connection with the advice provided under this investigation number. However, interested parties will be invited to submit written statements (original and 3 copies) concerning the matters to be addressed by the Commission in this investigation. The Commission is particularly interested in receiving input from the private sector on the likely effect of any proposed preferential treatment on affected segments of the U.S. textile and apparel industries, their workers, and

consumers. Commercial or financial information that a person desires the Commission to treat as confidential must be submitted in accordance with § 201.6 of the Commission's rules of practice and procedure (19 CFR 201.6). The Commission's Rules do not authorize filing of submissions with the Secretary by facsimile or electronic means. All written submissions, except for confidential business information, will be made available in the Office of the Secretary to the Commission for inspection by interested parties. The Commission may include confidential business information submitted in the course of this investigation in the reports to the USTR. In the public version of these reports, however, the Commission will not publish confidential business information in a manner that could reveal the individual operations of the firms supplying the information. All submissions should be addressed to the Secretary, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436.

List of Subjects:

Caribbean, African, tariffs, imports, yarn, fabric, and apparel.

Issued: March 15, 2001.

By order of the Commission.

Donna R. Koehnke,
Secretary.

[FR Doc. 01-7017 Filed 3-20-01; 8:45 am]
BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 337-TA-454]

In the Matter of Certain Set-Top Boxes and Components Thereof; Notice of Investigation

AGENCY: International Trade Commission.

ACTION: Institution of investigation pursuant to 19 U.S.C. 1337.

SUMMARY: Notice is hereby given that a complaint was filed with the U.S. International Trade Commission on February 14, 2001, under section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337, on behalf of Gemstar-TV Guide International, Inc. of Pasadena, California and StarSight Telecast, Inc. of Fremont, California. A supplement to the complaint was filed on March 7, 2001. The complaint, as supplemented, alleges violations of section 337 in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain set-top boxes and components

thereof by reason of infringement of claims 18-24, 26, 27, 28, 31, 32, 33, 36, 42, 43, 48-51, 54, 57-61, and 66 of U.S. Letters Patent 4,706,121; claims 1-5 and 10-14 of U.S. Letters Patent 5,253,066; claims 1, 3, 8, and 10 of U.S. Letters Patent 5,479,268; and claims 14-17, 19, and 31-35 of U.S. Letters Patent 5,809,204. The complaint further alleges that there exists an industry in the United States as required by subsection (a)(2) of section 337.

The complainants request that the Commission institute an investigation and, after the investigation, issue a permanent exclusion order and a permanent cease and desist order. **ADDRESSES:** The complaint, except for any confidential information contained therein, is available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, SW., Room 112, Washington, DC 20436, telephone 202-205-2000. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server at <http://www.usitc.gov>. The public record for this investigation may be viewed on the Commission's electronic docket (EDISON-LINE) at <http://dockets.usitc.gov/eol/public>.

FOR FURTHER INFORMATION CONTACT: Thomas S. Fusco, Esq., Office of Unfair Import Investigations, U.S. International Trade Commission, telephone 202-205-2571.

Authority: The authority for institution of this investigation is contained in section 337 of the Tariff Act of 1930, as amended, and in § 210.10 of the Commission's rules of practice and procedure, 19 CFR 210.10 (2000).

Scope of Investigation

Having considered the complaint, the U.S. International Trade Commission, on March 14, 2001, ordered that—

(1) Pursuant to subsection (b) of section 337 of the Tariff Act of 1930, as amended, an investigation be instituted to determine whether there is a violation of subsection (a)(1)(B) of section 337 in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain set-top boxes or components thereof by reason of

infringement of claims 18-24, 26, 27, 28, 31, 32, 33, 36, 42, 43, 48-51, 54, 57-61, or 66 of U.S. Letters Patent 4,706,121; claims 1-5 or 10-14 of U.S. Letters Patent 5,253,066; claims 1, 3, 8, or 10 of U.S. Letters Patent 5,479,268; or claims 14-17, 19, or 31-35 of U.S. Letters Patent 5,809,204; and whether there exists an industry in the United States as required by subsection (a)(2) of section 337.

(2) For the purpose of the investigation so instituted, the following are hereby named as parties upon which this notice of investigation shall be served:

(a) The complainants are—
Gemstar-TV Guide International, Inc.
135 North Los Robles Avenue
Suite 800
Pasadena, California 91101
StarSight Telecast, Inc.
39650 Liberty Street
Fremont, California 94538

(b) The respondents are the following companies upon which the complaint is to be served—

Pioneer Corporation
4-1, Meguro 1-chome
Meguro-ku
Tokyo 153-8654
Japan
Pioneer North America, Inc.
2265 East 220th Street
Long Beach, California 98010
Pioneer Digital Technologies, Inc.
6170 Cornerstone Court
East San Diego, California 92121
Pioneer New Media Technologies, Inc.
2265 East 220th Street
Long Beach, California 98010
Scientific-Atlanta, Inc.
One Technology Parkway, South
Norcross, Georgia 30092-2967
EchoStar Communications Corporation
5701 South Santa Fe Drive
Littleton, Colorado 80120
SCI Systems, Inc.
2101 West Clinton Avenue
Huntsville, Alabama 35805

(c) Thomas S. Fusco, Office of Unfair Import Investigations, U.S. International Trade Commission, 500 E Street, S.W., Room 401-O, Washington, D.C. 20436, who shall be the Commission investigative attorney, party to this investigation; and

(3) For the investigation so instituted, the Honorable Debra Morriss is designated as the presiding administrative law judge.

Responses to the complaint and the notice of investigation must be submitted by the named respondents in accordance with § 210.13 of the Commission's rules of practice and