August 11, 2006

Senator Charles Grassley, Chairman
Committee on Finance
U.S. Senate
219 Dirksen Senate Office Building
Washington, DC, 20510
E-mail: mtb2006@finance-rep.senate.gov

REF: Request for Comments on Miscellaneous Tariff Measures (July 11, 2006 Press Release)

Dear Chairman Grassley:

On behalf of the American Apparel and Footwear Association – the national trade association of the apparel and footwear industries, and their suppliers – I am writing to express strong support for the following bills identified in the subject press release.

S 3080, S 3124, S 3198, S 2833, S 2834, S 2835, S2836, S 2837, S 2841, S 2842, S 2843, S 2844, S 2845, S2846, S 2848, S 3124, S 3477, S 3571, S 3572, S 3573, S3574, S3575, S3576, S 3669, S 3670, S 3671, S 3672, S 3673, S3674, S 3735, S 3736 – Duty suspensions with respect to various footwear articles.

Comment. AAFA strongly supports these provisions. We are not aware of any domestic production of any of these footwear articles. Moreover, in the few cases where these bills cover the 17 footwear items that the Rubber & Plastics Footwear Manufacturers Association (RPFMA) identify as still being manufactured in the United States, the measures were crafted and refined, with the assistance of RPFMA and domestic industry, to ensure that they do not affect any domestic production of footwear.

S 3123, S 3125, S 3126, S 3127, S. 3393, S. 3394, S. 3396, S. 3397, S. 3400, S. 3401, S.3402, S. 3403, S 3493, S 3494 – Duty suspensions with respect to ski, snowboard and other water-resistant pants (i.e. performance outerwear pants) and bills to remove such pants from any sort of U.S. import quotas.

Comment. AAFA strongly supports these provisions. AAFA was involved in the development of these pieces of legislation. There is no domestic production of performance outerwear pants. Therefore, subjecting imports of such pants to duties or quotas provides no benefits to U.S. manufacturers while subjecting U.S. companies and U.S. consumers to additional costs.

S 3241/S 3242 – Two bills to provide duty suspensions with respect to various backpacks.

Comment. AAFA strongly supports these provisions. We are not aware of any domestic production of any of these backpacks.

S. 1954 – A bill to amend the General Notes of the HTS to give products imported from U.S. insular possessions the same treatment as products imported from FTA countries.

Comment: AAFA strongly supports this legislation. We have previously communicated to the Committee our strong support for this measure, and our desire to see this bill included in the miscellaneous tariff bill.

S. 738/S. 3344 – Bills to provide suspension of duty for certain cotton shirting fabrics.

Comment: AAFA strongly supports this legislation. Our association supported an earlier version of this legislation in the 108th Congress. This legislation would result in duty elimination for cotton fabrics that are already designated in short supply under various trade preference programs because these fabrics are unavailable in the United States and in the preference countries. Given that finished shirts may enter duty free using these fabrics, we believe it is also appropriate to permit the fabrics themselves to enter duty free. Thus, U.S. domestic manufacturers of shirts will be able to enjoy equal access to those same high quality fabrics that foreign-based manufacturers enjoy.

S. 3164 - A bill to extend trade benefits to certain tents imported into the United States.

Comment. AAFA strongly supports this provision. This legislation relates to certain camping tents, which are not made in the United States. Moreover, similar but slightly smaller tents, differentiated only by the fact that they are classified as "backpacking" tents, already enjoy duty free treatment. This provision would correct that anomaly.

S. 3051,3052, 3053, and 3054 - Bills to provide suspension of duty for certain fibers.

Comment. AAFA strongly supports these provisions. Each of these fibers is a unique, innovative product, which is not available in the United States. Therefore, subjecting imports of the subject fibers to duties or quotas provides no benefits to U.S. manufacturers while subjecting U.S. companies and U.S. consumers to additional costs.

In addition, we note the inclusion of a number of other provisions relating to various yarns, fabrics and fibers. While we are not taking a position on any of these provisions we would suggest that reduction in duties in those articles is more likely to sustain U.S. jobs by providing U.S. manufacturers access to foreign inputs when those inputs are no longer available in the United States. Moreover, inasmuch as many free trade agreements now contain yarn and/or fiber forward principles, enactment of such provisions may also facilitate proper findings of short supply for those programs, which would also support U.S. jobs dependent on those production-sharing relationships.

Finally, we have not commented on bills that were included in the trade provisions section of the HR 4 – the Pension Protection Act of 2006.

Please contact me should you require additional information on these or other provisions.

Respectfully submitted,

Stephen Lamar
Senior Vice President

August 9, 2006

Senator Chuck Grassley
Chairman
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC, 20510

Senator Max Baucus
Ranking Member
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC, 20510

Dear Senator Grassley and Senator Baucus:

Thank you for the opportunity to comment on the proposed elements of an omnibus miscellaneous tariff bill. I am writing to oppose the inclusion of S. 1954, which as introduced would allow products imported from U.S. insular possessions to be treated as duty-free.

Specifically, I do not believe that the uncorrected labor and immigration situation in the U.S. Commonwealth of the Northern Mariana Islands should be rewarded by such a liberalization of trade requirements for that territory.

The Mariana Islands are neither subject to the U.S. minimum wage nor American immigration law, and as a result their economy has for years been based on exploited and abused foreign workers, primarily in the garment industry. Today, the minimum wage in the territory is still just $3.05, the local press constantly reports new cases of abused alien workers, and in recent months the Commonwealth government has rolled back the wage improvements of the previous administration.

I have long worked to close the legal loopholes that have badly distorted the local economy and injured thousands of workers. But over the years, numerous efforts to reform Mariana wage and immigration laws were quashed by the Marianas garment industry's hired representative in Washington, Jack Abramoff. Even after Sen. Frank Murkowski's Northern Mariana Islands Covenant Implementation Act passed the Senate by unanimous consent, no House action was ever taken.

Though Abramoff has now pled guilty for his wrongdoing in other cases, Congress – especially the House Committee on Resources – has refused to investigate the lobbyist's actions in the Mariana Islands, nor has it taken action to consider my bill, H.R. 5550, to implement needed reforms in the Commonwealth.

I believe it would be inappropriate to reward the Mariana Islands with this proposed change in import requirements before real labor and immigration reforms are enacted on both the local and federal levels.

Thank you for your consideration of my comments.

Sincerely,

GEORGE MILLER
Member of Congress

Domestic Manufacturers Committee
To Preserve, Support, and Promote Hosiery Manufacturing in the United States
The DMC is a committee within The Hosiery Association

July 27, 2006

The Honorable Charles Grassley
Chairman, Senate Finance Committee
219 Dirksen Office Building
Washington, DC 20510

Dear Mr. Chairman:

This is a response to the Senate Finance Committee's request for written comments on miscellaneous tariff measures. I am writing in opposition to S. 1954, the "Insular Possessions Act of 2005" which would make major adverse changes to U.S. rules of origin for imports by lowering the threshold for duty free treatment, on sensitive products like apparel from Insular Possessions such as The Northern Marianas Islands (CNMI), from 50% of value added in CNMI to a mere 30%. The DMC represents over 80 domestic sock manufacturing companies, including Fox River Mills in the state of Iowa, and many others in Alabama and North Carolina, that could suffer significant damage if S. 1954 passes.

S. 1954, sounds simple on its face, but in reality is an extremely complicated bill crafted behind a misleading title, with major adverse ramifications to the domestic textile and apparel industry hidden in the changes it would make to General Note 3 of the Harmonized Tariff System. These subtle but extremely significant S. 1954 changes would also constitute a dangerous precedent. If S.1954 passes, we can expect proliferation of these largely unenforceable rules of origin to other areas beyond the Israeli Free Trade Agreement, which since 1986 has been the only FTA to enjoy such a loose and difficult-to-enforce value-based rule of origin for textiles and apparel.

The current threshold for duty free treatment for textiles from insular possessions like The Northern Marianas, requiring 50% value added in CNMI, effectively means that yarn or bolts of fabric from China or elsewhere can be sent in to CNMI to be knit or cut and sewn into apparel. This 50% requirement makes it feasible for CNMI Customs and U.S. Customs to monitor and enforce the rule of origin for duty free privileges. Changing the rule of origin to a mere 30% as S. 1954 would do, would allow mere partial assembly to confer duty-free status and render Customs enforcement untenable and ineffective, as the initiators of this provision must know. Customs would then have to determine just how much cutting and sewing for many different articles was performed in The Northern Marianas and how much elsewhere, and what was the value of each assembly operation. This is a prescription for non-enforcement.

We have successfully petitioned the U.S. government to establish a textile safeguard limit on sock imports from China, after demonstrating that soaring Chinese sock imports at extremely low, highly subsidized prices were inflicting severe damage on the domestic U.S. sock industry. Since then we have received numerous reports including some in writing from the Chinese sock industry itself, that China is avoiding these sock quotas by means of fraudulent transshipments through third countries, or by using permissive rules of origin to perform partial assembly in a third country to obtain non-Chinese origin. Indeed there have been instances in the past where fraudulent transshipment attempts by Chinese apparel companies through the Northern Marianas has been detected by Customs. A recent BBC news article describing current Chinese apparel transshipment practices is also attached.

The Northern Marianas has a long and checkered history of being used by Chinese apparel companies and U.S. importers wishing to evade U.S. apparel quotas. If H.R. 1954 passes, Chinese companies may establish sock mills there which would need only to add 30% in value to socks with 70% value added in China, thus evading the existing China sock safeguard limit.

This measure to grant Insular Possessions such as The Northern Marianas significant trade liberalization concessions would hardly seem non-controversial in nature, as provisions in Miscellaneous Tariff bills should be. Apart from fraudulent transshipment, you may recall that The Northern Marianas has been able to stymie efforts to establish U.S. labor standards there. The apparel industry in The Northern Marianas has thus been able to import labor from China to work for slave wages in sweatshop conditions to assemble textile components manufactured in China into garments sold with the Made in USA label.

We strongly urge you to reject S. 1954 from inclusion in the proposed miscellaneous tariff bill being prepared by the Senate Finance Committee. You may direct any further questions to our Washington Representative, Jim Schollaert, at 703-524-7197.

Sincerely,

Charles Cole, Chairman
Domestic Manufacturers Committee

August 13, 2006

The Honorable Charles E. Grassley
Chairman,
Senate Finance Committee
United States Senate
219 Dirksen Building
Washington, D.C. 20515

The Honorable Max Baucus
Ranking Member
Senate Finance Committee
United States Senate
219 Dirksen Building
Washington, D.C. 20515

Via Email: mtb2006@finance-rep.senate.gov

Re: MTB and attached S. 1954

Honorable Chairman Grassley and Ranking Member Baucus:

The Commonwealth of the Northern Mariana Islands (CNMI), located in the Northwestern Pacific Ocean, is the U.S.-affiliated insular possession closest to Asia. It is 125 miles north of Guam, 1,500 miles from Japan, 1,400 miles from Taiwan and 2,000 miles from South Korea. The CNMI consists of 14 islands, five of which are inhabited, with a total land area of 176.5 square miles spread over about 264,000 square miles of ocean.

The CNMI was a part of the United Nations Trust Territory of the Pacific Islands (TTPI), administered by the United States after World War II until it was dissolved in 1994 when its last member, Palau, became a sovereign nation. The Covenant that created the Commonwealth of the Northern Mariana Islands and attached it to the United States became law in 1978.

In the years since the Commonwealth was established, the CNMI's institutional makeup has had unique features. The CNMI has the elements of a U.S. Territory, a state and an independent nation, all in one. CNMI citizens are U.S. citizens, fight in the wars in Iraq and Afghanistan, but do not vote in federal elections and do not pay federal taxes. The CNMI receives general federal aid as states and territories, but no longer receives any special subsidy as it did in the first 15 years after it became a Commonwealth.

The last Covenant payment of $10.3 million was made in 1992. In a purely economic sense, the CNMI is more independent than any other U.S.-affiliated territory in the Western Pacific.

Prior to, and since my becoming Governor of the Commonwealth on January 9, 2006, the CNMI has been in the midst of a severe economic decline caused by a rapid decline in tourist arrivals from East Asia since 1997, and as a result of our apparel industry's phasing from the 1974-1994 Multi-Fibre Arrangement with regulated sourcing, to the 1995-2005 World Trade Organization on Textiles and Clothing deregulation, to a 2005 free trade arrangement with the abolition of quota restrictions on WTO Members.

As the Governor of the Commonwealth, I am committed to the work required of these challenges, and I am writing this letter to acquaint your Committee with our economic realities, the steps we are taking to reverse our current trends, and how the passage of S. 1954 attached to the Miscellaneous Tariff Bill would help that work towards our islands' self-sufficiency.

Our tourism industry is now looking at its greatest uncertainties. Our beautiful islands have always been our "calling card" to visitors and the base of our economic self-sufficiency, but with the falling value of Japanese currency in the mid-1990's, and with the recently announced withdrawal of our biggest airline carrier from Japan, Japan Airlines, our tourist arrivals will dwindle further until we can successfully find a replacement carrier for our largest transporter from Japan.

The tourism industry produces a number of economic benefits for the CNMI. It creates jobs, and visitor spending supports virtually every corner of our economy, from retail food service to transportation to sports and recreational activity. The multiplier effects are dramatic for this small community of about 70,000 residents.

With the withdrawal of Japan Airlines, we will lose, with no replacement airline, approximately $216.2 million annually in economic output and 2,550 jobs. If a third of the seats were picked up by another air carrier, the CNMI would still lose $144 million in output and 1,700 jobs.

The entire Economic Impact Analysis of 2005, by economists.com, is attached.

Our only other industry on-island, our apparel manufacturing industry, is facing even more serious situations outside its control. Our road to self-sufficiency is being washed away by the U.S. response to new world realities. The United States and its global trade

and commerce partners reached new terms in international trade, and along with a plethora of other free trade agreements (FTA's) and trade preference programs in recent years, the CNMI faces tougher regulations on products sold to the U.S. mainland than foreign nations with preferential treatment.

Such differential treatment is unfair and inconsistent with the spirit of U.S. trade law. General Note 3(a)(iv)(A) of the HTSUS states that U.S. Insular Possessions shall receive no less favorable access to the U.S. market than our preferential trading partners.

Our apparel industry contributes less than in 1999, but still maintains its importance to the economic viability of the islands, and its decline puts thousands of jobs at risk and threatens government revenue. CNMI apparel manufacturers pay roughly $69 million annually in taxes and fees to the CNMI – equivalent to one-third of the government's budget – and support some 22,500 jobs through direct and indirect employment in such industries as services, transportation, insurance, shipping, telecommunications and logistical support. The multiplier effect contributes another $229.3 - $292.6 million, omitting remitted employee salaries to the economy.

Our apparel industry has been in steady decline since its best year in 1999, when sales reached $1.07 billion. Since then, there has been a drop of approximately 50% in sales. Sales this year are down 25% from 2005. The single largest tax the manufacturers pay, the user fee (3.7% of export invoice value), dropped from $39 million in 1999 to $26 million in 2005 and will reach only $20 million in 2006. (Please reference two attached graphs on user fees collected by CNMI Finance.) Our employment within the industry has dropped from 17,000 in 1999 to 9,000 today. Prices of basic commodities are predicted to increase with the departure of factories as containers will be returning empty to the U.S. that carried goods to the CNMI. There were 34 factories on Saipan in 1999 and today there are 15.

While the garment industry is credited with preventing an economic depression in the CNMI following the decline in the tourism industry, its future is far from certain. In a 1999 U.S. Department of Interior funded CNMI Economic Study this was stated. Also stated were two summations:

1. If the garment industry leaves the CNMI for whatever reason in the next few years, it could take with it one-half of the jobs in the CNMI including one-third of jobs of permanent residents.

2. It is recommended that every effort be made to avoid an abrupt or disorderly phase-out of this industry and to retain the more productive segments of the industry as long as possible.

To that end, the Office of the Governor does support the passage of the MTB, with the attached S. 1954, "The Insular Possessions Act of 2005", as identified as a remedy to our apparel sector's lack of competitiveness and real threat of China's new emergence as a supplier of nearly half the apparel destined for the United States.

In order to remedy the unintended consequences of giving other U.S. trading partners greater benefits and access to the U.S. market than for insular possessions, S. 1954 would **amend the rule of origin for apparel to be equivalent to that for other goods manufactured in the CNMI** and other U.S. territories.

Applying the same local content rule for apparel from insular areas as is applied to all other products would offer an important opportunity to help halt the decline of the CNMI apparel industry. There is precedent for taking such action. In 1983, Congress changed

the local content requirement for goods from U.S. insular areas in response to the Caribbean Basin Economic Recovery Act.

Accordingly, the CNMI would support S. 1954 to amend General Note 3(a)(iv)(A) of the HTSUS to eliminate temporarily the stricter content requirements that apply to textile and apparel products. This change would lower operating and manufacturing costs for the CNMI factories by allowing them to assemble cut fabrics in CNMI factories. This process of allowing cut pieces to enter the CNMI for assembly has been approved under U.S. Commerce rulings, but the manufacturers cannot add 50% value and remain competitive with neighboring Asian producers. The reduction in expense would increase the CNMI's competitiveness and allow factories to retain employees. Revenue flow to the government would stabilize and possibly increase. Further, the change in the value-added requirement would alleviate a growing environmental concern, as 30% of the CNMI's landfill comes from cut garment scrap.

Although this change is not likely a panacea for the longer term competitive pressure faced by the CNMI industry, it would provide an opening for the continued economic viability of the remaining industry, should stabilize local government revenues and eliminate an element of discrimination against the insular possessions – which are U.S. territories with U.S. citizens, some of which serve in Iraq now.

Other insular area leaders have expressed support for the passage of S. 1954. I have attached a letter from three of the island delegates addressed to the Honorable William M. Thomas, Chairman of the House Committee on Ways and Means. Guam Governor Carlos Camacho sent support for passage of S. 1954 to your Committee this year.

I have also attached a letter from the Senate Committee on Energy and Natural Resources to your Finance Committee addressing Territorial Trade and Tax Issues, where S. 1954 is given the Committee's support.

My Office has gathered many letters from business leaders, government leaders, institutions and affected individuals in support of the amendment of our U.S. special tariff privilege. I have enclosed many of those letters of support urging my Office to assist in protecting their interests as a result of what they depend upon in their daily lives and business concerns.

I am confident there are no negative implications to U.S. industry as a result of S. 1954. As such, I hope you will work to ensure that S. 1954 remains a part of the MTB. Should any objections be raised for historical reasons that are no longer valid, please work with us to find an acceptable solution as S. 1954 is absolutely critical to our economy.

As Governor of the CNMI, I both respectfully request that S. 1954 attached to the Miscellaneous Tariff Bill be passed and forwarded to the U.S. House of Representatives for their approval and my Office will further communicate in any way with your Committee to further this bill which would mean so much to our small islands' economic future and our people.

Sincerely,

BENIGNO R. FITIAL

Attachments:

- JAL Economic Study
- User Fee Graphs
- Delegates letter to William M. Thomas
- Energy & Natural Resources to Chairman Grassley
- Folder support letters S. 1954

AMTAC
American Manufacturing Trade Action Coalition

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July 18, 2006

The Honorable Charles Grassley
Chairman, Senate Finance Committee
219 Dirksen Office Building
Washington, DC 20510

Dear Mr. Chairman:

This letter is in response to the July 11, 2006 Senate Finance Committee request for written comments on miscellaneous tariff measures. Specifically, I am writing in opposition to S. 1954, the "Insular Possessions Act of 2005."

AMTAC represents over 200 domestic manufacturing companies in the textile, apparel, furniture, machine tool, steel products, plastics and other industry sectors. Our members collectively employ over American 35,000 workers with well-paying manufacturing jobs.

Currently, U.S. imports of textiles and apparel, footwear, tuna, petroleum, and watches and watch parts from U.S. insular possessions must contain at least 50 percent domestic content by value in order to receive duty-free treatment into the United States. H.R. 1954 reduces that threshold to a mere 30 percent domestic (or U.S.) content, making an already unfair situation worse.

U.S. protectorates are given free trade benefits and allowed to label their products "Made in the USA," yet they do not have the same minimum wage or immigration laws as the United States. The apparel industry in the Northern Mariana Islands has taken advantage of this arrangement by importing labor from China to work in sweatshop conditions. These workers assemble textile components manufactured elsewhere in Asia into final garments sold under the guise of U.S.-made products.

U.S. Department of Commerce data shows that U.S. apparel imports from the Northern Marianas totaled $2.3 billion from 2003-2005. Allowing apparel companies in the Northern Marianas to incorporate even more foreign components will negatively affect U.S. textile producers currently supplying those yarns and fabrics as well as U.S. apparel producers forced to compete with duty-free imports made by exploited workers.

In conclusion, we strongly encourage you to preclude S. 1954 from the proposed miscellaneous tariff bill being prepared by the Senate Finance Committee.

Sincerely,

Auggie Tantillo
Executive Director

August 15, 2006

The Honorable Charles Grassley
Chairman, Senate Finance Committee
219 Dirksen Office Building
Washington, DC 20510

RE: S. 1954 – Insular Possessions Act of 2005

Dear Mr. Chairman:

I am writing to let you know of the National Council of Textile Organization's (NCTO) strong opposition to the S. 1954, the Insular Possessions Act of 2005.

NCTO is a not-for-profit trade association established to represent the entire spectrum of the United States textile sector, from fibers to yarns to fabrics to finished products, as well as suppliers in the textile machinery, chemical and other such sectors which have a stake in the prosperity and survival of the U.S. textile sector. Our headquarters are in Washington, D.C., and we also maintain an office in Gastonia, NC.

Under the current rules governing imports from U.S. insular possessions, imports of textiles and apparel, footwear, tuna, petroleum, and watches and watch parts from these areas must contain at least 50 percent domestic content by value in order to receive duty-free treatment into the United States. H.R. 1954 reduces this threshold to a mere 30 percent domestic (or U.S.) content, making an already unfair situation worse and putting U.S. manufacturers at an even greater disadvantage against their competitors in these countries.

The U.S. protectorates covered by this legislation are given free trade benefits and allowed to label their products "Made in the USA," yet they do not have the same labor, including minimum wage, or immigration laws as the United States. In fact, the apparel industry in the Northern Mariana Islands has taken advantage of this arrangement by importing labor from China and forcing workers into sweatshop conditions. These workers assemble textile components manufactured elsewhere in Asia into apparel that is then imported into the U.S. duty-free under the "Made in the USA" label.

U.S. Department of Commerce data shows that U.S. apparel imports from the Northern Marianas totaled $2.3 billion from 2003-2005. Allowing apparel companies in the Northern Marianas to incorporate even more foreign components will negatively affect U.S. textile producers currently supplying those yarns and fabrics as well as U.S. apparel producers forced to compete with duty-free imports made by exploited workers.

910 17th Street, NW • Suite 1020 • Washington, DC 20006
202-822-8028 • fax: 202-822-8029 • www.ncto.org

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In conclusion, NCTO strongly opposes the inclusion of S. 1954 in the proposed miscellaneous tariff bill being prepared by the Senate Finance Committee.

Thank you for your consideration of this request.

Sincerely,

Cass Johnson
President
cjohnson@ncto.org

NTA NATIONAL TEXTILE ASSOCIATION
Serving the American textile industry since 1854

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(617) 542-8220 (617) 542-2199 fax

July 28, 2006

The Honorable Charles Grassley
Chairman, Senate Finance Committee
219 Dirksen Office Building
Washington, DC 20510

National Textile Association Statement Regarding Miscellaneous Tariff Measures Introduced in the Senate During the 109th Congress

Dear Mr. Chairman:

I write in response to the July 11, 2006, Senate Finance Committee solicitation of statements regarding miscellaneous tariff measures introduced in the Senate during the 109th Congress.

The National Textile Association is the nation's oldest and largest organization representing the fabric-making industry in the U.S. Our members knit, weave, dye, print, and finish fabric in the U.S., as well as supply the fabric industry with fibers, yarns, and other products and services.

From the list published at http://finance.senate.gov/sitepages/2006MTB.htm we have identified three bills that we must oppose as harmful to the interest of domestic producers we represent.

NTA opposes S.738 a bill to provide relief for the cotton shirt industry. We have communicated our concerns to a representative of the U.S. cotton shirt industry and he agreed to changes to the bill to make it acceptable to NTA. Those changes resulted in the filing of a new bill, S.3344 to which NTA has no objection.

NTA opposes S.1954 the *Insular Possessions Act of 2005.*

This bill would amend the requirements for duty-free treatment of goods shipped to the U.S. from insular possessions of the U.S. by lowering, from 50 percent to 30 percent, the percentage of the total value of a good which must originate in the insular possession or the U.S. This change is of great interest to U.S. textile producers because the Commonwealth of the Northern Mariana Islands (CNMI) is one of the beneficiaries of the insular possessions duty-free provision, being a

major shipper (79 million square meters worth in 2005) of apparel articles to the U.S.

In addition to duty-free status, the CNMI enjoys an extremely privileged trading relationship with the U.S. Apparel articles assembled in the CNMI may, legally, be marked "Made in the U.S.A." notwithstanding that the CNMI is exempt from the U.S. minimum wage. Furthermore, exemption from U.S. immigration laws, combined with the CNMI's own liberal guest worker program means that most of the apparel jobs in the CNMI are not even held by citizens of the CNMI.

Allowing more foreign content in goods entered duty-free from insular possessions will create an incentive for manufacturers to reduce insular possession/U.S. content in favor of cheap inputs from foreign countries. Among these foreign beneficiaries is, undoubtedly, China. U.S. imports of certain textile and apparel articles of Chinese origin are limited, through the year 2008, under a bilateral agreement between the U.S. and China. S.1954 would create a loop-hole for Chinese-origin goods to enter the U.S., via the CNMI, in circumvention of the hard-won U.S.-China bilateral agreement.

NTA opposes S.3642 a bill to temporarily suspend the duty on knitted or crocheted fabrics of cotton, printed. The NTA member companies who indicate that they manufacture cotton knit fabrics in the U.S. are

Alamac American Knits LLC
Beverly Knits, Inc.
Contempora Fabrics
Domestic Fabrics
Fab Industries, Inc.
Safer Textile Processing

From the list published at http://finance.senate.gov/sitepages/2006MTB.htm we have identified the follow bills that we support, the passage of which would be beneficial to the domestic producers we represent, or to which we have no objection:

NTA supports S.982 a bill to suspend the duty on certain rayon staple fibers. To the best of our knowledge and believe there is no domestic source for rayon.

NTA supports S.2328 a bill to extend through 2009 the existing duty suspension on certain synthetic filament yarns.

NTA supports S.2329 a bill to extend through 2009 the existing duty suspension on certain filament yarns.

NTA supports S.3022
NTA supports S.3023
NTA supports S.3024
NTA supports S.3025
NTA supports S.3026
NTA supports S.3027
NTA supports S.3028
NTA supports S.3029

} These bills are suspension (or extend existing suspensions) of duty on certain fibers, yarns, and fabrics of fine animal hair such as cashmere, camel hair, and vicuna. These fibers are not commercially produced in the U.S. and the domestic producers of yarns and fabrics of fine animal hair support the duty suspension.

NTA supports S.3051

NTA supports S.3052

NTA supports S.3053

NTA supports S.3054

NTA supports S.3217. To the best of our knowledge and belief there is no domestic source for this rayon.

NTA supports S.3227 To the best of our knowledge and belief there is no domestic source for this rayon.

NTA supports S.3232.
NTA supports S.3233.

} These bills extend and modify duty suspensions on wool products, wool research fund, and wool duty refunds, programs that have been in force since 2000 and which, taken together have provided significant relieve to the domestic wool textile and apparel industry.

NTA supports S.3240 a bill to clarify the tariff treatment of textile parts of seats and other furniture.

Cut pieces of fabric for use as furniture upholstery are classified as furniture parts under headings 9401 or 9403 of the Harmonized Tariff Schedule of the U.S. They are duty-free, in contrast to the duty on fabric in roll form, which range from 7 to 17 percent depending on fabric type.

This duty circumvention is severely damaging to U.S. upholstery fabric manufacturers. In 2005 the U.S. imported $1.2 billion in textile parts for chairs and other furniture, of which $811 million were of Mexican origin (for automobile seats) and $336 million were of Chinese origin (for home

furnishings). While it is not possible to calculate precisely the loss in tariff revenue to the U.S. treasury due to this duty circumvention, it is undoubtedly several tens of millions of dollars annually.

The tariff schedule does not define what operations must be performed on fabric to transform it into furniture parts. Currently U.S. Customs and Border Protection classifies fabric as a furniture part even if it has undergone the very minimal further processing of cutting. We believe that the mere cutting of fabric should not be considered transforming operation for classification in HTSUS headings 9401 and 9403.

The design of this bill is to establish a reasonable definition of textile furniture parts based on substantial transformation. The National Textile Association endorses this effort. In addition, Senator Elizabeth Dole and Senator Rick Santorum have joined Senator Chafee in efforts to challenge this misclassification.

The NTA Upholstery Fabrics Committee, at the meeting held on Tuesday, April 11, 2006

> VOTED to endorse the efforts of Senator Lincoln Chafee of Rhode Island to correct the misclassification of upholstery fabric as furniture parts and to contact their members of Congress and urge them to support Senator Chafee's efforts. The members of the Upholstery Fabrics Committee reiterated that misclassification of upholstery fabrics is a major issues which is seriously damaging U.S. producers of upholstery fabrics.

The NTA Board of Government, meeting later the same day, likewise

> VOTED to support efforts to correct the misclassification of upholstery fabrics. Noting the seriousness of the issue, as emphasized by the members of the Upholstery Fabrics Committee, the NTA Board of Government directed the staff to exert the utmost energies in pushing for a legislative or administrative correction to the problem of misclassification of upholstery fabrics.

NTA supports S.3252
NTA supports S.3264
NTA supporss S.3265
NTA supports S.3266

} To the best of our knowledge and belief there is no domestic source for this rayon.

NTA has no objection to S.3344 a bill to provide relief for the cotton shirt industry. This is an alternative version of S.738; NTA opposes S.738.

NTA supports S.3395. To the best of our knowledge and belief there is no domestic source for this rayon.

NTA supports S.3434.

NTA supports S.3435.

NTA supports S.3436.

NTA supports S. 3645. To the best of our knowledge and belief there is no domestic source for this rayon.

Finally, from the list published at http://finance.senate.gov/sitepages/2006MTB.htm we have identified additional bills that may be of interest to domestic U.S. textile producers but regarding which we are not making comments at this time. We may be filing additional comments before the August 15th deadline. Our silence at this time regarding the following bills should not be taken as an indication of domestic industry assent.

S.541	S.3102	S.3236	S.3402
S.2647	S.3103	S.3241	S.3403
S.2648	S.3105	S.3242	S.3479
S.3070	S.3110	S.3362	S.3493
S.3071	S.3123	S.3393	S.3494
S.3097	S.3125	S.3394	S.3556
S.3098	S.3126	S.3396	S.3641
S.3099	S.3127	S.3397	S.3643
S.3100	S.3150	S.3400	S.3644
S.3101	S.3164	S.3401	

Thank you for your consideration of these comments.

Sincerely yours,

David Trumbull
Director, Member Services