



August 15, 2006

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

RE: Support for Duty Suspension Legislation under Consideration by the Senate Finance Committee

Dear Mr. Chairman:

On behalf of the National Council of Textile Organization's (NCTO) and our member companies, I am writing to let you know of our strong support for the inclusion of the following measures in the proposed miscellaneous tariff bill currently being developed by the Senate Finance Committee

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.

S. 3252 S. 3264
S. 3265 S. 3266

Legislation to suspend duties on rayon fiber

NCTO strongly supports legislation to eliminate the duties on rayon fibers. While rayon fibers have not been produced in the U.S. for many years, U.S. textile manufacturers continue to use these fibers in significant portions of their production because of the special characteristics these fibers add to certain kinds of yarns and fabrics. Rayon fibers are used for both traditional textile and nonwoven applications; end uses can include mattresses, baby wipes, upholstery and crafts.

The elimination of these duties is important for yarn and fabric manufacturers in their efforts to remain competitive against Asian producers who, in many cases, are heavily subsidized by their governments and enjoy a significant export advantage because of currency manipulation. Eliminating the duties on these fibers will help to equalize these advantages.

NCTO strongly supports each of these four bills and encourages their inclusion in the miscellaneous tariff bill currently under consideration.

S. 3435 and S. 3436

Legislation to suspend duties on acrylic fiber

NCTO strongly supports legislation to suspend duties on acrylic fibers. Approximately 18 months ago, Solutia Inc. announced its departure from the acrylic fiber market as part of the company's reorganization plan. Solutia was the last remaining reliable producer of acrylic fiber in the U.S. and its exit from the market is a serious blow to U.S. textile manufacturers who use these fibers.

The U.S. textile industry is already facing tremendous market pressures due to the lifting of textile and apparel quotas on January 1, 2005, and increased competition from China. If our industry is forced to absorb a six percent average duty on imported acrylic fibers, many U.S. textile companies will be unable to compete and will be forced to exit the market for product lines that utilize these fibers. If this happens, dozens of plants and thousands of workers across the country will be adversely affected.

As a result of the U.S. duties on acrylic fiber, U.S. textile manufacturers are at a serious competitive disadvantage against not just Asian producers, but also Canadian manufacturers who use acrylic fibers. Currently, Canada does not impose duties on imported acrylic fiber, which gives Canadian textile manufacturers a significant cost advantage in an industry that operates within very tight profit margins. In fact, U.S. producers have already lost orders to their Canadian competitors as a result of this advantage.

Finally, it is important to point out that the costs associated with eliminating the duties on acrylic fiber are a recent phenomena. U.S. imports of acrylic fiber and the duties associated with these imports only materialized after the loss of a reliable domestic producer for these fibers. It does not make sense that U.S. manufacturers who want to continue doing business in this country are confronted with what amounts to a "manufacturing tax" because they are forced to import fibers in order to remain in business. Unfortunately, these U.S. manufacturers will be forced to look elsewhere if action is not taken to eliminate these duties as their competitors in Asia and Canada will continue to secure more and more of the acrylic yarn and fabric market due to their competitive advantages and the absence of tariffs on acrylic fibers used in their production.

We understand that Congress has provided the duty suspension process to help U.S. manufacturers who cannot secure domestically produced inputs for their products. While we recognize that the costs associated with elimination of these duties is problematic, this is a recent phenomena and the costs of inaction will be much more severe with dozens of plant closures and thousands of lost jobs.

This situation is unsustainable and it is urgent that it be addressed. NCTO strongly encourages you to ensure the inclusion of the measures outlined above in any miscellaneous trade bill or other relevant legislation considered by the Senate.

Thank you for your consideration of these comments and concerns.

Sincerely,

A handwritten signature in black ink, reading "Cass Johnson", written in a cursive style. The signature is positioned to the left of a vertical red line.

Cass Johnson
President
cjohnson@ncto.org



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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 supportss S.3265

NTA supports S.3266

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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