

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 109th Congress¹**

[Date approved: July 26, 2005]²

Bill No. and sponsor: H.R. 1536 (Mr. Coble)

Proponent name, location: National Spinning Co., Inc.
Washington, NC and
Glen Raven, Inc.
Glen Raven, NC

Other bills on product (109th Congress only):

Nature of bill: Temporary duty suspension through December 31, 2008.

Retroactive effect: None.

Suggested article description(s) for enactment (including appropriate HTS subheading(s)):

Acrylic or modacrylic staple fibers, carded, combed, or otherwise processed for spinning (provided for in subheading 5506.30.00).

Check one: Same as that in bill as introduced
 Different from that in bill as introduced (explain differences in Technical comments section)

Product information, including uses/applications and source(s) of imports:

The subject acrylic or modacrylic staple fibers are in a form generally referred to as “top” and represent an intermediate stage of yarn production. Acrylic fibers are synthetic or manufactured fibers made from a polymer containing at least 85 percent by weight of acrylonitrile units, and modacrylic fibers are made from a polymer that is more than 35 percent but less than 85 percent by weight of acrylonitrile units.³ The fibers are produced by dry or wet spinning. For dry spinning, the material is dissolved in a solvent and extruded through a spinneret; the solvent is then evaporated, leaving long continuous filaments. For wet spinning, “the spinning solution is extruded into a liquid coagulating bath to form filaments which are drawn, dried, and processed.” Fibers are sold in natural state (no color added), pigment-dyed (color added when the fiber is still in a molten form) or dyed (color added after the fibers are formed). Various other additives may be added during the production process, depending on the end-use characteristics desired. Acrylic top is generally used to make yarn and end-use products with “wool-like” properties such as hand-knitting or craft yarn, blankets, and apparel, including sweaters and socks. Modacrylic fibers have superior chemical and combustion resistance compared with acrylic fibers.

¹ Industry analyst preparing report: Kimberlie Freund (202-708-5402); Tariff Affairs contact: Jan Summers (202-205-2605).

² A copy of this memorandum is available at www.usitc.gov/tata/hts/other/rel_doc/bill_reports/index.htm.

³ Information on the production process is based on Hoechst Celanese, *Dictionary of Fiber & Textile Technology*, 1990, pp. 2-3 and 98.

U.S. imports of acrylic carded or combed, or otherwise processed for spinning totaled \$2.8 million (0.8 million kilograms) in 2004, of which Italy accounted for 41 percent (\$1.1 million) of the total imports. The next largest supplier was Turkey, accounting for 23.4 percent (\$0.6 million).

The total size of the U.S. market for all types of acrylic fiber is estimated at 198 million pounds (89.8 million kilograms).⁴ In April 2005, Solutia, one of two U.S. producers of acrylic fibers, discontinued production of acrylic fibers.⁵ The remaining U.S. producer of acrylic fiber, Sterling Fibers, Inc., indicated it currently has the capacity to make 30 million pounds (13.6 million kilograms) of acrylic fiber annually, and has “plans to increase capacity to as much as 60 million pounds [27.2 million kilograms] if demand warrants the necessary investment.”⁶ Sterling indicated that it does not make modacrylic fibers.⁷

Estimated effect on customs revenue:

HTS subheading: 5506.30.00					
	2005	2006	2007	2008	2009
Col. 1-General rate of duty (AVE) <u>1/</u>	5.0%	5.0%	5.0%	5.0%	5.0%
Estimated value <i>dutiable</i> imports	\$2,300,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000
Customs revenue loss	\$115,000	\$140,000	\$140,000	\$ 140,000	\$140,000

1/ The AVE is the ad valorem equivalent of a specific or compound duty rate expressed as a percent, using the most recent import data available.

Source of estimated dutiable import data: Commission estimates based on data provided by industry. Note that data for 2005 reflect a domestic supplier’s closing of its acrylic fiber business in April 2005. U.S. dutiable imports in 2003 were about \$1.67 million and in 2004 about \$2.38 million.

⁴ See attached submissions from National Spinning Co., Inc., Glen Raven, Inc., Tuscarora Yarns, Inc., Coats & Clark, Amital Spinning Corp.

⁵ Solutia indicates that it exited the acrylic business on April 15, 2005. Solutia, “Acrilan (exited business as of 4/15/2005) acrylic fiber,” found at <http://www.solutia.com>, retrieved June 8, 2005.

⁶ See attached submission by Sterling Fibers, Inc.

⁷ Ibid.

Contacts with domestic firms/organizations (including the proponent):

Name of firm/organization	Date contacted	US production of same or competitive product claimed?	Submission attached?	Opposition noted?
		(Yes/No)		
National Spinning Co., Inc., James W. Chesnutt, President & CEO (252-975-7218)	05/26/2005	No	Yes	No
Glen Raven, Inc., Allen E. Gant, Jr., President & CEO (336-227-6211)	05/27/2005	No	Yes	No
Amital Spinning Corp., Milt E. Gold, President & CEO (mgold@amital.net)	06/01/2005	No	Yes	No
Coats & Clark, Audie McDearis, VP Supply Chain (229-888-4201)	06/07/2005	No	Yes	No
Culp, Inc., Robert G. Culp, III, (336-889-5161)	06/31/2005	No	Yes	No
Patrick Yarn Mills, Inc., Gilbert Patrick, President (gilbert@patrickyarns.com)	06/01/2005	No	Yes	No
Quaker Fabric Corporation, Larry A. Liebenow, President and CEO (lliebenow@quakerfabric.com)	06/15/2005	No	Yes	No
Sterling Fibers, Inc., Paul Saunders, CEO (850-994-5311)	05/27/2005	Yes	Yes	Yes
Tex-Tenn Corporation, Susan Tierney-Miller (800-251-3027)	05/27/2005	No	Yes	No
The Association of Georgia's Textile, Carpet and Consumer Products Manufacturers (GTMA) G.L. Bowen III (404-688-0555)	05/31/2005	No	Yes	No
Tuscarora Yarns, Inc., Joe S. McLester V.P. of Sales Administration (704-436-6527, ext. 422)	05/31/2005	No	Yes	No

Technical comments:⁸

It is suggested that the article description be clarified slightly as shown on page one, tracking the description in subheading 5601.30.00.

Submissions

1. The Commission received identical letters (text in appendix) in support of the legislation from the following companies: **National Spinning Co., Inc.** (numerous submissions received), **Glen Raven Inc.** (numerous submissions received), **Coats & Clark, Culp, Inc.**, and **Patrick Yarn Mills, Inc.** The Commission does not express a view on the proposed legislation.

⁸ The Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only the U.S. Customs Service is authorized to issue a binding ruling on this matter. The Commission believes that the U.S. Customs Service should be consulted prior to enactment of the bill.

SUBMISSIONS FROM INTERESTED PARTIES

As noted in the body of the report, the following text was contained in several letters received by the Commission regarding the proposed bills on acrylic fibers:

Dear Ms. Freund:

I am writing to let you know of our company's support of duty suspension legislation for acrylic fiber. Legislation to suspend duties on acrylic fiber was introduced by Congressman Howard Coble on April 8, 2005, and the bill numbers are H.R. 1534, H.R. 1535 and H.R. 1536.

Earlier this year, 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. In 2005, the U.S. market demand for acrylic fiber is estimated to be 198 million pounds.

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 an eight percent average duty on imported acrylic fibers, many of us will be unable to compete and will be forced to exit the market for our product lines that utilize these fibers. If this happens, dozens of plants and thousands of workers across the country will be adversely affected.

We understand that Congress has provided the duty suspension process to address situations such as this, and we strongly encourage a favorable recommendation by the International Trade Commission on these bills.

Please do not hesitate to contact us if you have any questions or need additional information on this request.

Thank you for your consideration of this request.

Submission by Amital Spinning Corp. in support of the legislation:

June 01, 2005

Ms. Kimberlie Freund
International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

VIA Email: kimberlie.freund@usitc.gov

Dear Ms. Freund:

I am writing to let you know of our company's support of duty suspension legislation for acrylic fiber. Legislation to suspend duties on acrylic fiber was introduced by Congressman Howard Coble on April 8, 2005, and the bill numbers are H.R. 1534, H.R. 1535 and H.R. 1536.

Earlier this year, 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. In 2005, the U.S. market demand for acrylic fiber is estimated to be 198 million pounds.

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 an eight percent average duty on imported acrylic fibers, many of us will be unable to compete and will be forced to exit the market for our product lines that utilize these fibers. If this happens, dozens of plants and thousands of workers across the country will be adversely affected.

We understand that Congress has provided the duty suspension process to address situations such as this, and we strongly encourage a favorable recommendation by the International Trade Commission on these bills.

Enclosed you will find an outline of the different types of acrylic fiber used by our company along with a brief technical description of these products. Please do not hesitate to contact us if you have any questions or need additional information on this request.

Thank you for your consideration of this request.

Sincerely,

Milt E. Gold
President / CEO

TYPES OF ACRYLIC USED BY AMITAL

With respect to:

- (1) H.R. 1535 HTS 5501.30.000**

Amital needs a stretch breakable 100% semi-dull natural acrylic tow with a kidney cross-section of 3.3 Dtex (3 Denier) to be worsted spun and dyed. With the exit of Solutia Inc., this product is not made in the United States.

(2) H.R. 1536 HTS 5506.30.000

Amital needs a short staple 100% bright natural acrylic with a dog bone cross-section of 1.3 Dtex, 40mm cut to be processed on the carded system and dyed. This product is not made in the United States.

Additional submission by Coats & Clark, Inc.

Fiber Purchases

	Supplier	Country	Denier	dTex	Fiber Form	TOW BUNDLE KTex
Acrilan A21	Solutia	U.S.A	7.0	7.8	TOW	109
Acrilan A21-6den-staple	Solutia	U.S.A	6.0	6.7	STAPLE	N/A
Acrilan B26-6den-tow	Solutia	U.S.A	6.0	6.7	TOW	107
Acrilan B88-colors	Solutia	U.S.A	5.0	5.6	TOW	133
Acrilan B86-0001	Solutia	U.S.A	5.0	5.6	TOW	133
CB9- preblend	Solutia	U.S.A	6.0	6.7	STAPLE	N/A
B46-preblend	Solutia	U.S.A		0.0	STAPLE	N/A
Acrilan B39-colors	Solutia	U.S.A	3.0	3.3	TOW	120
Acrilan B21-5den-tow	Solutia	U.S.A	5.0	5.6	TOW	82
Courtelle T10 Colors	Acordis	U.K.	4.5	5.0	TOW	80
Courtelle Latent Crimp	Acordis	U.K.	4.5	5.0	TOW	80
Crysel Dyed Colors	CYDSA	Mexico	4.5	5.0	TOW	111
Finacryl F26.6den.staple	Kaltex	Mexico	6.0	6.7	STAPLE	N/A
Finacryl F26.6den.tow	Kaltex	Mexico	6.0	6.7	TOW	107

Submission by Quaker Fabric Corporation in support of the legislation

June 17, 2005

Ms. Kimberlie Freund
International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

VIA e-mail: kimberlie.freund@usitc.gov

Dear Ms. Freund:

I am writing to let you know of our company's support of duty suspension legislation for acrylic fiber. Legislation to suspend duties on acrylic fiber was introduced by Congressman Howard Coble on April 8, 2005, and the bill numbers are H.R. 1534, H.R. 1535 and H.R. 1536. In addition, Congressman Barney Frank introduced H.R. 2591 to suspend duties on certain acrylic yarns at our request, and passage of this additional bill is also very important to us.

Earlier this year, Solutia Inc. announced its departure from the acrylic fiber market as part of a broader 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. In 2005, the U.S. market demand for acrylic fiber is estimated to be 198 million pounds.

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 an eight percent average duty on imported acrylic fibers, many of us will be unable to compete and will be forced to exit the market for our product lines that utilize these fibers. If this happens, dozens of plants and thousands of workers across the country will be adversely affected.

We understand that Congress has provided the duty suspension process to address situations such as this, and we strongly encourage a favorable recommendation by the International Trade Commission on these bills.

Attached you will find an outline of the different types of acrylic fiber used by our company along with a brief technical description of these products. Please do not hesitate to contact us if you have any questions or need additional information on this request.

Thank you for your consideration of this request.

Sincerely,

Larry A. Liebenow
President and CEO
Quaker Fabric Corporation
1082 Davol Street
Fall River, MA 02721

ACRYLIC FIBER REQUIREMENTS FOR QUAKER FABRICS

1. Indoor Grade

(a) 0.8 dpf (0.9 dtx)

- Medium tenacity
- For ring spinning
- 45 mm cut length
- Colors required (all custom) 35

(b) 2.9 dpf (2.2 dtx)

- Medium tenacity
- For ring spinning
- 50 mm cut length
- Colors required (all custom) 55

(c) 3.0 dpf (3.3 dtx)

- Medium tenacity
- Varicut (100-125 mm)
- Colors required (all custom) 42

(d) 3.0 dpf (3.3 dtx)

- Top
- 420 grains per yard
- Bumped
 - Colors required (all custom) 22

(e) 3.0 dpf (3.3 dtx)

- Top
- 420 grains / yard
- 55% high bulk / 45% relaxed
- Colors required (custom colors) 30

2. Outdoor Grade

- 2.0 dpf (2.2 dtx)
- Outdoor grade
- Minimum lightfastness 1600 hours on all colors
- Cut length 50 mm
- Colors required (all custom) 47
- To be used in ring spinning

Submission by Sterling Fiber, Inc. in opposition to the legislation

Ms. Kimberlie Freund
International Trade Analyst
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Dear Ms. Freund,

Please find attached Sterling Fiber, Inc.'s objections to the three temporary acrylic fiber duty suspension bills introduced by Congressman Coble: HR 1534; HR 1535; and HR 1536. A preliminary review of acrylic imported staple-carded reveals about 1,229,558 lb for the first 4 months of this year. Although we do not ship acrylic fiber in this form, it can be used to bypass tariffs on standard staple-noncarded category that we manufacture. Based on this information, we will stand by our objection to the temporary tariff suspension on the staple-carded category as well as acrylic-noncarded and acrylic-tow categories.

If additional information would be useful to the Commission in its review of the proposed legislation please let me know and I will be pleased to provide it.

Sincerely,

Paul Saunders, President
Sterling Fiber, Inc.
850-994-2556

Sterling Fiber, Inc. Objections to Suspension of the U.S. Duty on Acrylic Fiber

(HR 1534; HR 1535; HR 1536)

- (1) Solutia, the largest U.S. producer of acrylic fiber, in January, 2005 announced a shutdown of its production in Decatur, AL, leaving Sterling Fibers, Inc. as the only American producer of acrylic fiber. We have 80 employees at our plant in Pace, FL.
- (2) Sterling Fibers has a current capacity of 30 million lbs of annual production of acrylic fiber, with plans to expand to as much as 60 million lbs in the immediate future if demand warrants the necessary investment.
- (3) Sterling can produce all the basic types of acrylic fiber needed in the American market. However, we face the same array of unfair international competition and trading practices that drove all of our domestic competition out of business. Assuming new U.S. trade policies do not add to the existing

disadvantages we are confident about our ability to continue supplying the domestic market.

- (4) The international market for acrylic fiber is laced with direct and indirect foreign government support for our competitors, including tariffs much higher than the U.S. levels and a myriad of other trade distorting practices that disadvantage our position. For example, China, the world's largest market for acrylic fiber, is an aggressive market manipulator, employing centralized fiber procurement strategies that regularly and significantly distort the global market.
- (5) The 4.3% U.S. tariff on acrylic staple fiber is the lowest in any significant market in the world. Its unilateral suspension would be an unfair and unwarranted imposition on Sterling Fiber, completely exposing the American market we serve to foreign government-assisted competition without compensating reciprocity.
- (6) Accordingly, Sterling Fiber, Inc. requests withdrawal of the tariff suspension proposals that unfairly will disadvantage the only remaining viable U. S. production of acrylic fiber.
- (7) *NOTE: Sterling Fiber, Inc offers no objection to the temporary suspension of tariffs on modacrylic fiber. To the best of our knowledge, following Solutia's shutdown this product will no longer be produced in the U.S.*

Sterling Fiber, Inc.
June 16, 2005

Submission by Tex-Tenn Corporation in support of the legislation:

**Tex-Tenn Corporation
108-118 Kwick Way Lane
Gray, Tennessee 37615
800-251-3027
423-477-4154 Fax**

Memo to: Kimberlie Freund – International Trade Commission
From: Susan Tierney-Miller
Re: Bill Numbers H. R. 1534, H. R. 1535, H. R. 1536

Tex-Tenn Corporation is a manufacturer of sliver-knit pile fabrics. We operate in a number of niche markets including industrial filtration, paint roller fabrics, apparel, equestrian fabrics, medical fabrics, case liners and golf related fabrics, to name a few.

Over the last five years textile manufacturing in the United States has become increasingly beleaguered at the hands of Chinese imports. Reflecting this trend, we have found ourselves struggling to compete. The nation's textile industry suffered another serious blow when Solutia, the larger and more reliable domestic manufacturer of acrylic fibers, announced the dissolution of Acrilan®. The sole remaining domestic supplier of acrylic fiber, Sterling Fibers, is not an acceptable resource for most U.S. textile companies because of their financial instability, which has resulted in sporadic manufacturing and poor quality. Consequently, U.S. companies have been forced to purchase acrylic fibers from international manufacturers who can meet the specific requirements that insure quality yarns and fabrics.

This has become a hardship for the U.S. textile industry because it has meant an increase in raw material costs due to freight and duties. Essentially, the textile industry in this country cannot compete with our Asian counterparts if we are forced to accept the increased prices.

- Solutia's decision to exit the market was irrevocable.
- Sterling Fibers has publicly stated that it does not have the resources and will make no effort to improve the consistency of its commodity products.
- Our customers have not accepted proposed price increases meant to offset the duties we have incurred importing foreign fiber.

We are out of options. We simply cannot compete with Asian textile products manufactured using raw materials that are not burdened with duties. This is an understandable, real-world example of unfair trade. The International Trade Commission is a strong proponent of *free* trade. Trade cannot be truly free until it is *fair*. Tex-Tenn Corporation is not in a position to bankroll the incentives meant to persuade the Chinese to play by the same rules as the rest of the world. One measure that will help to level the playing field for United States textile manufacturers would be the lifting of duties from imported fibers that cannot be obtained domestically.

All of us here at Tex-Tenn Corporation appreciate your consideration of this matter and hope that you will work to bring free and *fair* trade to our industry.

Submission by The Association of Georgia's Textile, Carpet and Consumer Products Manufacturers in support of the legislation

May 27, 2005

Ms. Kimberlie Freund
United States International Trade Commission
500 E Street, SW
Washington, DC 20436

Re: Acrylic Fiber Duty Suspension Bills (H.R. 1534, 1535 and 1536)

Dear Ms. Freund:

As President of GTMA: The Association of Georgia's Textile, Carpet and Consumer Product Manufacturers, I would like to express our association's strong support for the above bills, currently under review by your office.

In the absence of a reliable source of quality acrylic fiber in this hemisphere, our member companies are forced to import these materials from producers in Turkey and the United Kingdom. The duties incurred as a result of this forced importation are very significant and serve to adversely affect Georgia textile producers' competitiveness in the marketplace. With the textile industry already suffering severe market disruption, these additional costs cannot be passed along to consumers and therefore make further job losses likely.

Georgia producers using acrylic fibers require shipments in sufficient quantity and quality to assure that production needs will be met. There is no longer a source who can meet these requirements without incurring tariffs. We therefore believe that the suspension of duty for acrylic fiber is appropriate and urge the United States International Trade Commission to give favorable consideration to these bills in an expedited manner.

Thank you for your support of the American textile industry.

Sincerely,

G.L. Bowen, III

cc: Officers of the Association

The Hurt Building - 50 Hurt Plaza - Suite 985 Atlanta, Georgia 30303 - 404-688-0555 - Fax 404-584-0720 - www.gtma.org

Submission by Tuscarora Yarns, Inc in support of the legislation.

Dear Ms. Freund:

I am writing to let you know of our company's support of duty suspension legislation for acrylic fiber. Legislation to suspend duties on acrylic fiber was introduced by Congressman Howard Coble on April 8, 2005, and the bill numbers are H. R. 1534, H.R. 1535 and H.R. 1536.

Earlier this year, 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. In 2005, the U.S. market demand for acrylic fiber is estimated to be 198 million pounds.

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 an eight percent average duty on imported acrylic fibers, many of us will be unable to compete and will be forced to exit the market for our product lines that utilize these fibers. If this happens, dozens of plants and thousands of workers across the country will be adversely affected.

We understand that Congress has provided the duty suspension process to address situations such as this and we strongly encourage a favorable recommendation by the International Trade Commission on these bills.

The products that our company uses that Solutia no longer provides are:

- 3 denier x 2" producer dyed acrylic in assorted colors including natural and black
- 2 denier x 2" producer dyed acrylic in assorted colors

The fibers listed above are used in both the apparel market and the automotive upholstery market.

Please do not hesitate to contact us if you have any questions or need additional information on this request. Thank you in advance for your consideration.

Sincerely,

Joe S. McLester
V.P. of Sales Administration
Tuscarora Yarns, Inc.
P.O. Box 218
Mount Pleasant, NC 28124
(704)436-6527 ext. 422

109TH CONGRESS
1ST SESSION

H. R. 1536

To suspend temporarily the duty on certain synthetic staple fibers that are carded, combed, or otherwise processed for spinning.

IN THE HOUSE OF REPRESENTATIVES

APRIL 8, 2005

Mr. COBLE introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To suspend temporarily the duty on certain synthetic staple fibers that are carded, combed, or otherwise processed for spinning.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. ACRYLIC OR MODACRYLIC SYNTHETIC STAPLE**
4 **FIBERS, CARDED, COMBED, OR OTHERWISE**
5 **PROCESSED FOR SPINNING.**

6 (a) IN GENERAL.—Subchapter II of chapter 99 of
7 the Harmonized Tariff Schedule of the United States is
8 amended by inserting in numerical sequence the following
9 new heading:

“	9902.06.43	Synthetic staple fibers, carded, combed, or otherwise processed for spinning: acrylic or modacrylic (pro- vided for in subheading 5506.30.00)	Free	No change	No change	On or before 12/31/2008	”.
---	------------	--	------	-----------	-----------	----------------------------	----

1 (b) **EFFECTIVE DATE.**—The amendment made by
 2 subsection (a) applies to articles entered, or withdrawn
 3 from warehouse for consumption, on or after the 15th day
 4 after the date of the enactment of this Act.

○