

**Statement by Kaltex Fibers S.A. de C.V. to the
Senate Finance Committee
Opposing Certain Duty Suspension Bills on Acrylic Fiber
(S. 1705, S. 1706, S. 1941, S. 1942, S. 1943, S. 2004,
S. 2005, S. 2006, S. 2404, S, 2406, S. 2416, S. 2417,
S. 2418, S. 2419, S. 2420, S. 2479, S. 2518, S. 2520,
S. 2674, S. 2675 and S. 2676)**

December 4, 2009

This statement is submitted on behalf of Kaltex Fibers S.A. de C.V. (“Kaltex”) in connection with the Finance Committee’s November 2, 2009 request for public comment regarding pending miscellaneous duty suspension bills. Kaltex wishes to take this opportunity to register its strong opposition to the following 21 pending duty suspension bills covering acrylic fiber (summarized below): S. 1705, S. 1706, S. 1941, S. 1942, S. 1943, S. 2004, S. 2005, S. 2006, S. 2404, S, 2406, S. 2416, S. 2417, S. 2418, S. 2419, S. 2420, S. 2479, S. 2518, S. 2520, S. 2674, S. 2675 and S. 2676.

Kaltex is the major North American producer of the acrylic fiber covered by the subject duty suspension bills. Kaltex has maintained major acrylic fiber manufacturing operations in Mexico since 1985, and recently completed a major expansion of its production facility in Altamira, Tamaulipas. Kaltex now has on stream an annual production capacity of 100,000 tons of acrylic tow, staple and top, whereas total U.S. demand in 2007 is estimated to have been only 46,500 tons (exclusive of 6,500 tons of modacrylic fiber and carbon fiber precursor not covered by the subject bills).

Kaltex has invested over \$200 million in its acrylic fiber manufacturing operations, including major investments in plant expansion, automation and the adoption of SNIA technology (making Kaltex one of the few companies worldwide that produces acrylic fiber in a continuous mode). Over the last three years, Kaltex has made \$40 million in new investments focused on product diversification for higher value-added acrylic fiber markets, such as those for producer dyed and solution dyed fiber, as well as additional plant expansion. These aggressive expansion and improvement programs have benefited the 650 workers at the company’s manufacturing facility in Altamira as well as the over 3,200 residents of Altamira and neighboring Tampico and Madero in Tamaulipas.

Kaltex opposes the subject duty suspension bills for the following reasons:

First, there is no need for the identified 21 duty suspension bills. Adequate supplies of the specific types of acrylic fiber covered by these bills are readily available to U.S. textile producers from North American suppliers free of duty under the NAFTA. Kaltex, the principal North American manufacturer, is able to fully satisfy U.S. demand for each of the covered products in terms of volume, product quality, and timeliness of delivery.

Second, the bills would undermine the goal of preserving and promoting manufacturing in North America. The bills would eliminate the tariff preference North American acrylic fiber producers have heretofore benefited from by virtue of their NAFTA-eligible operations and, in so doing, seriously undermine the competitive position of Kaltex, the principal North American supplier. At the same time, the subject bills would give a “free ride” of unilateral duty-free treatment to Chinese, Japanese and European fiber manufacturers. Moreover, the bills would circumvent existing short supply petition procedures established under the NAFTA for textile products.

Finally, the 21 duty suspension bills carry an enormous budgetary cost. It is clear that many of these duty suspension provisions have been subdivided into multiple bills in an effort to keep the budget scoring estimate for each individual bill below the Finance Committee’s threshold of \$500,000 in annual duties foregone. Regardless of how many individual bills these provisions may be split into, there can be no denying that the bills together carry an enormous multi-million dollar budgetary cost.

To review, the bills of concern and their product scope are shown below (each bill would suspend the U.S. most-favored-nation (MFN) rates of duty through December 31, 2011):

S. 1705: Acrylic fiber tow (polyacrylonitrile tow) containing a minimum of 92 percent acrylonitrile by weight, from 200 to 600 ppm sodium and no organic solvent, the foregoing wound into spools each containing 24,000 filaments and with average filament measuring 1.3 decitex (plus or minus 0.15) (provided for in subheading 5501.30.00)

S. 1706: Acrylic fiber tow (polyacrylonitrile tow) containing by weight a minimum of 98 percent acrylonitrile, not more than 30ppm sodium and from 2 to 4 percent water, imported in the form of three sub-bundles, each containing 50,000 filaments and with average filament measuring 1.2 decitex (plus or minus 0.1)(provided for in subheading 5501.30.00)

S. 1941: Acrylic staple fiber undyed (polyacrylonitrile staple) not carded, combed, or otherwise processed for spinning, containing by weight a minimum of

92 percent polyacrylonitrile, not more than .01 percent zinc and from 2 to 8 percent water, imported in the form of staple fiber with a filament decitex of 4.0 decitex to 6.7 decitex (plus or minus 10 percent) with a fiber shrinkage of 0 to 22 percent (plus or minus 10 percent) and a cut fiber length of 89 mm to 140 mm with a target length of 115 mm (provided for in subheading 5503.30.00)

S. 1942: Acrylic fiber tow (polyacrylonitrile tow) containing by weight a minimum of 92 percent polyacrylonitrile, not more than .01 percent zinc and from 2 to 8 percent water, imported in the form of 1 bundle of crimped product, containing 214,000 filaments (plus or minus 10 percent) and with an average filament decitex of 4.0 to 5.6 decitex (plus or minus 10 percent), and length greater than 2 meters (provided for in subheading 5501.30.00)

S. 1943: Acrylic staple fiber undyed (polyacrylonitrile staple), not carded, combed, or otherwise processed for spinning, containing by weight a minimum of 92% polyacrylonitrile, not more than .01 percent zinc and from 2 to 8 percent water, imported in the form of staple fiber with a filament decitex of 4.0 decitex to 6.7 decitex (plus or minus 10 percent) with a fiber shrinkage of 0 to 22 percent (plus or minus 10 percent) and a cut fiber length of 100 mm to 135 mm with a target length of 120 mm (provided for in subheading 5503.30.00)

S. 2004: Acrylic staple fiber dyed (polyacrylonitrile staple), not carded, combed, or otherwise processed for spinning, containing by weight a minimum of 92% polyacrylonitrile, not more than .01 percent zinc and from 2 to 8 percent water, imported in the form of staple fiber with a filament decitex of 4.0 decitex to 6.7 decitex (plus or minus 10 percent) with a fiber shrinkage of 0 to 22 percent (plus or minus 10 percent) and a cut fiber length of 89 to 140 with a target length of 115 mm (provided for in subheading 5503.30.00)

S. 2005: Acrylic staple fiber dyed (polyacrylonitrile staple), not carded, combed, or otherwise processed for spinning, containing by weight a minimum of 92 percent polyacrylonitrile, not more than .01 percent zinc and from 2 to 8 percent water, imported in the form of staple fiber with a filament decitex of 4.0 decitex to 6.7 decitex (plus or minus 10 percent) with a fiber shrinkage of 0 to 22 percent (plus or minus 10 percent) and a cut fiber length of 100 mm to 135 mm with a target length of 120 mm (provided for in subheading 5503.30.00)

S. 2006: Acrylic fiber tow (polyacrylonitrile tow) containing by weight a minimum of 92% polyacrylonitrile, not more than .01 percent zinc and from 2 to 8 percent water, imported in the form of 8 sub-bundles, crimped together, each containing 24,000 filaments (plus or minus 10 percent) and with an average

filament decitex of 4.0 to 5.6 decitex (plus or minus 10 percent), and length greater than 2 meters (provided for in subheading 5501.30.00) 1.2% No change No change On or before 12/31/2011 '.

S. 2404: To extend the temporary suspension of duty (subheading 9902.10.21) on acrylic or modacrylic filament tow (provided for in subheading 5501.30.00)

S. 2406: To extend the temporary suspension of duty (subheading 9902.25.62) on acrylic or modacrylic staple fibers, not carded, combed, or otherwise processed for spinning (provided for in subheading 5503.30.00)

S. 2416: Acrylic staple fibers containing at least 85 percent by weight of acrylonitrile units and 2 percent or more but not over 3 percent of water, raw white (undyed), crimped, with average filament decitex of 1.3 (plus or minus 10 percent) and fiber length of 38 mm (plus or minus 10 percent) (provided for in subheading 5503.30.00)

S. 2417: Acrylic staple fibers (polyacrylonitrile staple) containing 85 percent or more by weight of acrylonitrile units and 2 percent or more but not over 3 percent of water, not pigmented (ecru), crimped, with an average filament decitex of 1.3 (plus or minus 10 percent) and fiber length of 40 mm (plus or minus 10 percent) (provided for in subheading 5503.30.00)

S. 2418: Acrylic filament tow containing 85 percent or more by weight of acrylonitrile units and 2 percent or more but not over 3 percent of water, raw white (undyed), crimped, with an average filament decitex of 4.1 (plus or minus 10 percent) and an aggregate filament measure in the tow bundle from 660,000 to 1,200,000 decitex, with a length greater than two meters (provided for in subheading 5501.30.00)

S. 2419: Acrylic fiber tow containing 85 percent or more by weight of acrylonitrile units and 2 percent or more but not over 3 percent of water, raw white (undyed), crimped, with average filament decitex of 3.3 (plus or minus 10 percent) and an aggregate filament measure in the tow bundle between 660,000 and 1,200,000 decitex, with a length greater than 2 meters (provided for in subheading 5501.30.00)

S. 2420: Acrylic staple fibers containing 85 percent or more by weight of acrylonitrile units and 2 percent or more but not over 3 percent of water, raw white (undyed), crimped, with average filament decitex of 1.1 (plus or minus 10 percent)

and fiber length of 38 mm (plus or minus 10 percent) (provided for in subheading 5503.30.00)

S. 2479: Acrylic staple fibers (polyacrylonitrile staple) containing 85 percent or more by weight of acrylonitrile units and 2 percent or more but not over 3 percent of water, colored, crimped, with an average filament decitex of 2.2 (plus or minus 10 percent) and fiber length of 50 mm (plus or minus 10 percent) (provided for in subheading 5503.30.00)

S. 2518: Acrylic staple fibers (polyacrylonitrile staple) containing at least 85 percent by weight of acrylonitrile units and 2 percent or more but not over 3 percent of water, colored, crimped, with an average filament decitex of 3.0 (plus or minus 10 percent) and fiber length of 50 mm (plus or minus 10 percent) (provided for in subheading 5503.30.00)

S. 2520: Acrylic staple fibers (polyacrylonitrile staple) containing 85 percent or more by weight of acrylonitrile units and 2 percent or more but not over 3 percent of water, colored, crimped, with an average filament decitex of 2.2 (plus or minus 10 percent) and fiber length of 45 mm (plus or minus 10 percent) (provided for in subheading 5503.30.00)

S. 2674 (same as S. 2404): To extend the temporary suspension of duty (subheading 9902.10.21) on acrylic or modacrylic filament tow (provided for in subheading 5501.30.00)

S. 2675 (same as S. 2406): To extend the temporary suspension of duty (subheading 9902.25.62) on acrylic or modacrylic staple fibers, not carded, combed, or otherwise processed for spinning (provided for in subheading 5503.30.00)

S. 2676: Acrylic staple fiber composed of less than 85 percent but at least 35 percent by weight of acrylonitrile units, not more than 2 to 3 percent water, imported in the form of non-pigmented (ecru) staple crimped product with an average filament decitex of 1.9 (plus or minus 10 percent), and fiber staple length of 51 mm (plus or minus 10 percent) (provided for in subheading 5503.30.00)

We appreciate this opportunity to share Kaltex's concerns regarding these 21 duty suspension bills with the Finance Committee. Please feel free to contact us if the Subcommittee has any questions regarding our position on this matter.

Respectfully submitted,

A handwritten signature in cursive script, reading "Thomas J. Scanlon".

Thomas J. Scanlon
President
Benchmarks, Inc.
3248 Prospect Street, N.W.
Washington, DC 20007
Tel. 202.265.3983
Fax 202.965.3987
E-mail: bnchmrks@aol.com