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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