MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 109th Congress

[Date approved: July 26, 2005]

Bill No. and sponsor: H.R. 1534 (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):

Retroactive effect: None.

Suggested article description(s) for enactment (including appropriate HTS subheading(s)):
Acrylic or modacrylic staple fibers, not carded, combed or otherwise processed for spinning (provided for in subheading 5503.30.00).

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

Product information, including uses/applications and source(s) of imports:
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. 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 a 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 and modacrylic fibers are used to produce a variety of products, including: hand-knitting yarn, apparel, industrial products, upholstery fabrics, and fabric for awnings and outdoor furniture. Modacrylic fibers have superior chemical and combustion resistance compared with acrylic fibers.

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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 http://usitc.gov/tata/hts/other/rel_doc/bill_reports/index.htm.
3 Information on the production process is based on Hoecsht Celanese, Dictionary of Fiber & Textile Technology, 1990, pp. 2-3 and 98.
Acrylic or modacrylic fibers used for making spun yarn are imported under three HTS subheadings: 5503.30.00 (staple fibers, covered in this bill), 5501.30.00 (synthetic filament tow, covered in H.R. 1535), and 5506.30.00 (synthetic fibers carded, combed, or otherwise processed, covered in H.R. 1536). Staple fibers are made by either cutting filament fibers to a uniform length, which is done on the same production line as the filament fiber production, or the filament fibers are grouped into “tow” and are later stretched to break the fibers into varying lengths. Staple fibers cut to a uniform length more closely mimic cotton fibers and those that are broken into varying lengths more closely mimic wool fibers.4

U.S. imports under HTS subheading 5503.30.00 totaled $54.4 million (22.4 million kilograms) in 2004. Germany was the primary supplier of such fibers in 2004, followed by Japan, Mexico, and Turkey.

The total size of the U.S. market for all types of acrylic fiber is estimated at 198 million pounds (89.8 million kilograms).5 In April 2005, Solutia, one of two U.S. producers of acrylic fibers, discontinued production of acrylic fibers.6 The remaining U.S. producer of acrylic fiber, Sterling Fibers, 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.”7 Sterling indicated that it does not make modacrylic fibers.8

Estimated effect on customs revenue:

<table>
<thead>
<tr>
<th>HTS subheading: 5503.30.00</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Col. 1-General rate of duty (AVE) 1/</td>
<td>4.3%</td>
<td>4.3%</td>
<td>4.3%</td>
<td>4.3%</td>
<td>4.3%</td>
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<tr>
<td>Estimated value dutiable imports</td>
<td>$69,000,000</td>
<td>$83,000,000</td>
<td>$83,000,000</td>
<td>$83,000,000</td>
<td>$83,000,000</td>
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<tr>
<td>Customs revenue loss</td>
<td>$2,967,000</td>
<td>$3,569,000</td>
<td>$3,569,000</td>
<td>$3,569,000</td>
<td>$3,569,000</td>
</tr>
</tbody>
</table>

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 $28.4 million and in 2004 about $45.4 million.

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4 James W. Chesnutt, President & CEO, Bob Miller, Vice President, National Spinning Co., Inc., telephone interview by Commission Staff, May 26, 2005.
5 See attached submissions from National Spinning Co., Inc., Glen Raven, Inc., Tuscarora Yarns, Inc., Coats & Clark, and Amital Spinning Corp.
7 E-mail submission by Frank Horne, American Fiber Manufacturers Association, June 10, 2005.
8 Ibid.
Contacts with domestic firms/organizations (including the proponent):

<table>
<thead>
<tr>
<th>Name of firm/organization</th>
<th>Date contacted</th>
<th>US production of same or competitive product claimed?</th>
<th>Submission attached?</th>
<th>Opposition noted?</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Spinning Co., Inc., James W. Chesnutt, President &amp; CEO (252-975-7218)</td>
<td>05/26/2005</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Glen Raven, Inc., Allen E. Gant, Jr., President &amp; CEO (336-227-6211)</td>
<td>05/27/2005</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Amital Spinning Corp., Milt E. Gold, President &amp; CEO (<a href="mailto:mgold@amital.net">mgold@amital.net</a>)</td>
<td>06/01/2005</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
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<tr>
<td>Coats &amp; Clark, Audie McDearis, VP Supply Chain, (229-888-4201)</td>
<td>06/07/2005</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Culp, Inc., Robert G. Culp, III, (336-889-5161)</td>
<td>06/31/2005</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Patrick Yarn Mills, Inc., Gilbert Patrick, President (<a href="mailto:gilbert@patrickyarns.com">gilbert@patrickyarns.com</a>)</td>
<td>06/01/2005</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Sterling Fibers, Inc., Paul Saunders, CEO (850-994-5311)</td>
<td>06/15/2005</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Tex-Tenn Corporation, Susan Tierney-Miller (800-251-3027)</td>
<td>05/27/2005</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>The Association of Georgia’s Textile, Carpet and Consumer Products Manufacturers (GTMA), G.L. Bowen III (404-688-0555)</td>
<td>05/27/2005</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Tuscarora Yarns, Inc., Joe S. McLester V.P. of Sales Administration (704-436-6527, ext. 422)</td>
<td>05/31/2005</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
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<tr>
<td>Quaker Fabric Corp., Larry A. Liebenow, Pres. &amp; CEO (508-678-1951)</td>
<td>06/17/2005</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
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</tbody>
</table>
Technical comments:9

It is suggested that the article description be clarified slightly as shown on page one, tracking the language of subheading 5503.30.00.

Submissions

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, and Patrick Yarn Mills, Inc. The Commission does not express a view on the proposed legislation.

9 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.
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.

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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.
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

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**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
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 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.
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
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. Mc Lester
V.P. of Sales Administration
Tuscarora Yarns, Inc.
P.O. Box 218
Mount Pleasant, NC 28124
(704)436-6527 ext. 422
To suspend temporarily the duty on certain synthetic staple fibers that are not carded, combed, or otherwise processed for spinning.
(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies to articles entered, or withdrawn from warehouse for consumption, on or after the 15th day after the date of the enactment of this Act.