HOME FASHION PRODUCTS ASSOCIATION

June 17, 2019

Office of the US Trade Representative
Executive Office of the President
600 17th Street, N.W.
Washington, DC 20508

Attn: Ambassador Robert Lighthizer

Re: USTR-2010-0004
Request for Removal of Home Fashion Products from List 4

Oral Testimony on List 4: Home Fashion Products Association

Good afternoon. My name is Jeff Kaufman. I'm here representing the home textiles industry as the President of the Home Fashion Products Association. I'm also the President/ Chief Operating Officer of Avanti Linens, a family-owned home furnishings business in Moonachie, New Jersey with 150 employees. Avanti was founded in 1969--we are celebrating our 50th year in business. The HFPA is a trade group with 47 members representing an industry of over 500 companies with $27.6 billion in retail sales annually. Our members are mostly small and mid-size companies, many of which are privately-held family businesses. While most of the products our companies sell are made abroad, our members all have significant domestic operations including warehousing, design, marketing , sales and accounting. They each employ anywhere from a few dozen up to several hundred people in good-paying, career-building jobs in the U.S.

Regardless of the reason, imposing additional tariffs on the home fashion products that we design, market and sell would significantly hurt our members, their tens of thousands of employees and the business of other small and mid-size companies that work with and for our member companies. Increasing tariffs, whether on products from China or any other country, will lead to significantly higher prices, and inevitably, lower sales and fewer jobs in our industry. These proposed tariffs, if implemented, have the potential to put many of our companies out of business.

As changes in the retail landscape continue to bifurcate retailers into a small group of winners and a growing list of the weak and dead, we have lost our ability to pass cost increases along to our customers. The choices we face with the imposition of these tariffs are: take business at little or no profit or decline the sales opportunities. Neither option is a good one, and both will lead to a less profitable business with fewer employees and less ability to invest for the future.

And regardless of the outcome of the trade dispute, the textile manufacturing business will not be coming back to this country.

There is a small, vocal alleged “domestic industry” that has supported higher tariffs, thinking that it would revitalize US manufacturing. Unfortunately, the infrastructure of the textile industry no longer exists. It would take years and hundreds of millions of dollars of investment to rebuild the yarn factories, weaving mills and dye houses we need to support domestic manufacturing in this low margin business. It is difficult to envision investors in such facilities knowing that if a future administration or Congress reduced or eliminated the tariffs, the investment would become worthless. Additionally, if the industry could be rebuilt, the cost of producing goods in the US, even with additional duties would be uncompetitive and result in a hidden tax to the consumer by raising the cost of family essentials by up to 25%. The HFPA members believe additional tariffs are effectively a regressive tax, negatively affecting lower income and middle-class families the most.

There has been a lot of talk about moving production to other countries as the solution to the Tariff problem. Textiles are produced in other countries, but these other countries don’t have the capacity to absorb the production from China. And even if existing factories in countries like Pakistan, India or Turkey could absorb the increase in production, the demand for those sources would undoubtedly drive up prices to match the increased costs of the same articles from China. And these other countries wouldn’t invest in new manufacturing capacity based on the China tariffs, knowing that they can be reversed at any time. And they also know that they could be next on the tariff hit list.

The HFPA polled its members and was informed that existing alternate sources are not cost competitive for most categories of products that are produced in China. In some cases, the production capabilities don’t exist or the raw materials aren’t available. Where there is production, the capacity is nowhere near enough to absorb what is currently sourced from China, so prices would rise with the increase in demand. So whether the tariffs are imposed or we moved production to another country , the end result will be the same. Higher prices, lower sales, lower profitability, less investment and less jobs. It bears repeating that it will be the US consumers and US businesses that will pay for the tariffs, not China.

The move to Asia over 20 years ago transformed our industry. It was not easy for our members to switch from manufacturing to importing, and many were unable to do so and went out of business. While most our companies no longer manufacture in the US, some do have substantial “fill and finishing” operations in the US employing thousands of employees. If they could not import their materials, primarily shells for filling, they would have to lay-off much of their workforce. Our companies are still substantial, vibrant businesses that hire Americans, buy a wide range of goods and services in this country, and support their local communities. We do not see how higher tariffs, on top of what we already pay in higher than average tariffs, that will terminate thousands of jobs, drive up prices for all Americans, and still have no chance of bringing back domestic manufacturing in our industry will help our country.

On behalf of our member companies and others in the home textiles industry, we urge that you do not support additional tariffs on imported home fashion goods regardless of the originating country and remove the applicable tariff subheadings, indicated in our filed comments, from the proposed List 4.

Appendix:

Request for Removal of the Following HTS Subheadings:

Existing alternate sources are not cost competitive (already higher than China's). These already higher prices would likely rise due to increased demand and result in higher costs for home fashion articles in the following subheadings:

3924.90.10
6301.20.00
6301.30.00
6301.40.00
6301.90.00
6302.22.20
6302.51.10
6302.51.20
6302.51.30
6302.51.40
6302.53.00
6302.40.00
6302.60.00
6303.91.00
6304.90.20

In addition, facilities, production capabilities or the specialized raw materials needed to manufacture the specific home fashion product currently do not exist in other countries (including the U.S.) for home fashion articles classified under these subheadings:

3924.89.90
3924.90.56
4911.99.80
5703.20.20
6301.20.00
6301.30.00
6301.40.00

6301.90.00
6302.22.20
6302.51.10
6302.51.20
6302.51.30
6302.51.40
6302.53.00
6302.60.00
6302.93.10
6303.92.20
6303.92.90
6304.93.00
6307.90.85
6307.90.98
6810.99.00
6911.90.00
6912.00.41
6912.00.50
7319.40.50
8308.90.90
8424.89.90
9104.90.85
9404.30.80
9404.90.20
9404.90.85
9503.00.00