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**WRITTEN TESTIMONY OF
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ROCKLAND INDUSTRIES, INC.
REGARDING USTR NOTICE OF PROPOSED ACTION PURSUANT TO
SECTION 301 IN RESPONSE TO CHINA'S UNREASONABLE OR DISCRIMINATORY ACTS,
POLICIES, AND PRACTICES**

U.S. INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C.

Panel 15--May 17, 2018

Good morning. My name is Mark Berman, and I am the Chief Executive Officer of Rockland Industries, Inc., located in Baltimore, Maryland. Thank you for the opportunity to appear today before the Section 301 Committee. I am testifying today in support of the addition of coated blackout fabric of Chinese origin to the list of products that may be subject to additional duties of 25%. My testimony today is in addition to the written comments submitted in this proceeding on behalf of the company.

I'd like to first tell you about my company. Rockland is a small, U.S. family-owned business that is a recognized worldwide as a leader in the production of coated blackout fabrics. Rockland traces its roots to a fabric mill established in 1832. Today, we are best known for a product that you probably recognize and regularly come in contact with, but never think about -- coated blackout drapery fabric. Rockland is the sole remaining manufacturer in the United States of coated blackout fabrics. Our blackout fabrics are used in many of the hotel rooms that you may occupy, encouraging a restful sleep when you travel.

Rockland employs approximately 200 people in the production of our Roc-lon® brand blackout fabrics at our Bamberg, South Carolina manufacturing facility, and approximately 40 people in Baltimore and other U.S. cities. Roc-lon® drapery linings and fabrics are used in hotels, motels, universities, hospitals, homes, restaurants, and professional buildings throughout the world, earning Rockland the President's "E" and "E" Star awards for export excellence. These fabrics provide ultraviolet light and oil and water borne stain resistance to window coverings, enhance energy efficiency, and extend the lifetime of window treatments. Rockland developed blackout fabrics in 1968 and has been manufacturing them ever since.

Innovation is at the core of Rockland's business. Our investments in state-of-the-art equipment, employee development and our vast experience in bleaching, printing, flame retarding, coating, and processing fabric, together with the efficiencies of "Just-In-Time" inventories, have always allowed us to compete effectively. Recently, however, we have faced increased competition from Chinese producers and have found that our ability to compete through innovation has been thwarted by the ability of Chinese competitors to rapidly copy our products and methods and sell into the U.S. market.

Rockland believes that the growth in the volume of coated blackout fabric being shipped to the United States from China indicates that this product has become a priority for China. Based on available trade information, we know that Chinese coated blackout fabric is being imported into

the United States in increasing quantities and at decreasing prices. We believe that the imposition of duties on a growth area in the Chinese economy would:

First, demonstrate the United States' concerns about China's acts, policies, and practices that are unreasonable or discriminatory and that burden or restrict U.S. commerce;

Second, effectively counter the acts, policies, and practices that permit Chinese companies to exploit Rockland's investments in product development;

Third, offset distortions in the Harmonized Tariff Schedule of the United States that provide an unfair advantage to Chinese producers and disrupt the U.S. economy; and

Fourth, have little to no impact on U.S. consumers.

I'd like to share a few examples of the impact of Chinese practices on Rockland's ability to innovate. In 1992, Rockland determined that the ability to produce "double wide" coated blackout fabric would allow for greater efficiency and flexibility to its customers, and we invested in new technologies and procedures to recognize this advantage. Within six months of Rockland's introduction of double-wide fabric onto the market, Chinese competitors copied the innovation. We then developed a process to impart the blackout properties to designer fabrics. This innovation resulted in significant savings for our customers and promised to significantly expand our market. Unfortunately, Rockland found that Chinese producers immediately recognized this advantage, and within months of the company's introduction of coated designer blackout fabric on the market, similar Chinese products were introduced.

We believe that the imposition of duties on imported coated blackout fabric of Chinese origin pursuant to section 301 would level the playing field and is the correct response to the unfair trade practices deployed by Chinese competitors. This is especially important here because pursuit of a trade remedy against China under Title VII of the Tariff Act of 1930 would be cost-prohibitive for a small business like Rockland.

The Harmonized Tariff Schedule actually provides imported products with an advantage over their domestically produced counterparts. While Rockland attempts to buy our raw materials domestically, several of these materials, such as greige fabrics and fire retardants, are insufficiently available in the United States. In fact, one of the last two remaining weaving mills in the United States that make one of Rockland's principal raw materials has just announced that it will be going out of business on June 30, 2018. We have no choice but to import the raw materials we cannot find in the United States, but the imports are subject to high rates of duty. Coated blackout fabric, however, may be imported into the United States on an unconditionally duty-free basis. It is illogical for the United States to impose a high rate of duty on a raw material that is of limited domestic availability while permitting the downstream product to be imported on a duty-free basis. This structural flaw in the HTSUS has put Rockland at an economic disadvantage as compared to our Chinese competitors, who have clearly recognized the opportunity to exploit this loophole in our laws. We believe the way to fix this inefficiency would be to include all coated blackout fabric on the list of products subject to the proposed additional duty pursuant to section 301.

The data illustrate how the Chinese coated blackout fabric product has impacted the U.S. industry. Over the past few years, there has been a significant increase in the quantity and value of coated blackout fabrics imported from China, with quantities increasing by more than 50% between 2015 and 2016, dropping slightly in 2017, only to increase by more than 40% in

the period of January – February 2018 compared to the same period in 2017. At the same time, the Chinese producers slashed unit prices to drive its assault on the U.S. market.

Rockland believes that the inclusion of coated blackout fabrics on the list of products subject to additional duties would meet the Trade Representative's stated objectives of limiting the products that have benefitted from China's unreasonable and discriminatory acts, policies, and practices, that are least likely to cause disruptions to the U.S. economy, and that would have the lowest consumer impact. While our products are available to consumers, this is a very small part of our business and has not been generally exploited by the introduction of product from China. In addition, coated blackout fabric is not used as a raw material to make other products in the United States--whether consumer or otherwise-- and, therefore, we believe that adding a duty to its importation would not impact consumers or jobs in the United States. We actually think the converse is true: continuing to allow low cost Chinese coated blackout fabric to be sold in the U.S. market imperils the existing manufacturing jobs that Rockland provides in an impoverished South Carolina rural community, as well as the survival of Rockland itself.

For the foregoing reasons, Rockland urge the Section 301 Committee to include coated blackout fabric on the list of articles that will be subject to additional duties at the rate of 25 percent.

Rockland appreciates the effort that the administration is taking to counter the acts, policies, and practices of the Government of China that are unreasonable or discriminatory and burden or restrict U.S. commerce. We believe that the imposition of a minimum duty of 25% on coated blackout fabric from China will go a long way to leveling the playing field and promoting employment in the United States. Thank you again for providing me the opportunity to testify today. I am happy to answer any questions that you may have.