**BEFORE THE OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE**

**USTR-2018-0018**

**Vinyl Fabrics Classified in HTSUS Subheadings 3921.90.11**

**TESTIMONY OF RANDY BUSCH**

**Value Vinyls, Inc.**

Good afternoon Mr. Chairman and members of the committee. I am Randy Busch, Owner and President of Value Vinyls, Inc. I am here today to discuss the reason USTR should remove certain fabrics that Value Vinyls imports from the proposed list of products subject to additional tariffs. The HTSUS subheading at issue is 3921.90.11, which Value Vinyls discussed more fully in its written comments.

I want to provide you with a brief background on Value Vinyls. Our company is one of the largest importers of vinyl fabrics used in industrial, print media, and recreational markets in the United States. Value Vinyls is a thoroughly American, 2nd generation company based in Grand Prairie, Texas. Established in 1984, the company employs 22 people in our 50,000 square foot office and warehouse and uses the service of 5 other warehouses spread across the US. Additionally, we have 10 independent sales representatives across the United States. The company started like most small businesses - in the master bedroom of my parents' home. We imported 4 containers of vinyl fabric the first year. By listening to our customers' needs, and focusing on product development, we now import over 400 containers of vinyl a year with hopes to grow even more.

The goal of Value Vinyls is to provide coated and laminated vinyl products to the U.S. consumer. In order to meet that goal, the company purchases vinyl products globally, including from China. Our core products affected by these tariffs are produced by coating or laminating

PVC to polyester yarn for stability and strength. These are then used for athletic mats, truck tarps, tents, awnings, banners and signs.

Imposing a 25% tariff will negatively impact Value Vinyls and the American consumer by significantly increasing its costs of operating in the United States. We could not absorb this additional duty and would be forced to pass it downstream. Although the company understands the philosophy of the administration to target industries and products that China aims to support in its "Made in China 2025" strategy, targeting vinyl fabrics would not impact China's technological advancements and only serves to hurt the American consumer.

As more thoroughly detailed in our written comments, the above classification should be excluded from the additional tariffs for several reasons: First, these fabrics are "old technology"; Second, U.S. suppliers of these fabrics cannot sufficiently supply the industry; and Third, there are not sufficient suppliers of vinyl fabrics outside of China.

The fabrics imported by Value Vinyls that are targeted for additional tariffs, cannot possibly be considered high-level technology that China is using to advance its "Made in China 2025" strategy. It is not "leapfrog" technology. The tariff subheading at issue covers plastic sheets and films, but also includes fabrics that have been coated or covered with plastic. This type of fabric is essentially cloth with some plastic coating and it has been around for over 60 years. This fabric is made by coating or laminating polyester yarn with PVC. Coated vinyl is produced by spreading liquid PVC, roughly the consistency of paint, over a woven polyester yarn structure. Laminated vinyl is made by using heat to sandwich two layers of thin PVC film to a polyester yarn structure in the middle. At the time, this technology replaced using canvas for tarps and tents. This cannot possibly be considered advanced technology.

Additionally, the U.S. fabric industry serves a different market than Chinese imports and has limited capacity to provide the fabrics imported by Value Vinyls. The U.S. producers cater to a niche market that requires domestically produced products. U.S. producers primarily service the U.S. military as the Defense Department requires domestically produced goods, particularly clothing and fabric, so as to be compliant with the Berry Amendment. Further, the domestic industry could only support an additional 20% of volume to serve commodity non-technical fabrics of the type our customers require. Therefore, the proposed duties would not benefit the domestic fabric industry.

Finally, sufficient supply does not exist outside China. Although there may be some excess capacity in some other countries, it is nowhere close to the capacity that would be required to replace vinyls from the Chinese market. Irrespective of capacity, it would be a daunting task to move our business to a company outside China. As color matching and consistency are a major issue in our business, we would have to reevaluate our entire product lines that range from 5 to 35 colors per product over a range of 30 plus product lines. To put it in perspective, changing one color alone can take up to a month. If the duties are imposed, forcing Value Vinyls to seek a non-China source, it would be debilitatingly costly and would severely harm our business, employees, and consumers.

In conclusion, we do not believe imposing tariffs on the imports described above would influence the Chinese government to alter or change the policies and practices identified by USTR in its Section 301 Report. Instead, the additional tariffs proposed would damage U.S. companies and consumers. Harming a company like Value Vinyls, which is investing heavily in the American economy, should not be the goal nor unintended consequence of the tariffs.

Therefore, Value Vinyls urges the USTR not to impose a 25% tariff on fabric products classified under HTSUS subheading 3921.90.11.

Thank you for the opportunity to testify today. I would be glad to answer any questions that you may have.