BEFORE THE OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

USTR-2018-0018

Vinyl Fabrics Classified in HTSUS Subheadings 3921.90.1950

TESTIMONY OF ROBERT HINSCH

TVF Inc d.b.a. Top Value Fabrics

Good afternoon Mr. Chairman and members of the committee. I am Robert Hinsch, Vice President of Top Value Fabrics. I am here today to discuss the reasons USTR should remove certain fabrics that Top Value Fabrics imports from the proposed list of products subject to additional tariffs. The top of my written testimony contains the HTSUS subheading at issue, which Top Value Fabrics discussed more fully in its written comments.

Top Value Fabrics is one of the largest suppliers of vinyl fabrics used in recreational, industrial, and advertising markets in the United States. Vinyl fabrics are textile fabrics that have been coated or laminated with plastic materials. Although HTSUS subheading 3921.90.1950 covers plastic sheets and films, our company's imported vinyl fabrics fall in this tariff provision.

Top Value Fabrics is a thoroughly American company based in Carmel, Indiana. Established in 1974, the company employs 73 employees across the United States and supplies an estimated 8-12% of the laminated and coated textiles market. The company is also 100% employee-owned since 2010, which provides more economic security for all our employees.

The goal of Top Value Fabrics is to supply consistent quality fabrics to American textile product manufacturers. In order to meet that goal, the company purchases textile products from the United States, as well as globally, including China.

Imposing a 25% tariff will negatively impact Top Value Fabrics and the American consumer by significantly increasing the cost of our customers' end products. 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 does nothing to inhibit 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 because it is old technology, U.S. suppliers of these fabrics cannot sufficiently supply the industry, and there isn't sufficient supply outside of China.

Top Value Fabrics' imports targeted for additional tariffs cannot be considered a high level technology that China is targeting to advance its "Made in China 2025" strategy. In no way is it a "leapfrog" technology. The manufacturing process involves large and expensive production lines, but is very basic that includes weaving a base fabric which is then spread coated or heat laminated with plastic. This process has not seen material improvements for many decades.

The U.S. industry services a different market than Chinese imports. U.S. producers almost entirely serve markets that require domestically produced products, like the U.S. Military, or more technical products. Only a few laminators and coaters exist in the U.S. today and they have limited capacity, likely only enough to handle a maximum of 10-20% of these commodity vinyl fabrics.

Increasing capacity in the U.S. would be very difficult and highly disruptive to the supply chain. Obtaining the needed permits would be unlikely due to various ordinances and EPA requirements. Additionally, it would take no less than 2 years to obtain and install the equipment needed to manufacture the vinyl fabric required by Top Value Fabrics. Finally, finding workers would be a challenge and razor thin margins on these commodity products would make the investment unattractive.

Additionally, sufficient supply does not exist outside China. Like suppliers in the U.S., suppliers in other countries would only be able to service a small portion of the overall market, since China is the largest producer of these products. For instance, we have a Korean supplier that has only has two coating and laminating lines, which limits their ability to supply significant additional volume. We experienced this limitation recently when one of their customers made tents for the World Cup. This additional volume demand increased our lead times from 4 weeks to 3 months. Increasing supply capacity in other countries would also face the same difficulties the U.S. market would face. Given these capacity issues it would be a prohibitive task for us and our competitors to move our supply chain outside of China.

In conclusion, imposing tariffs on the imports described above would not in any way influence the Chinese government to alter or change the policies and practices identified by USTR in its Section 301 Report. Instead, the additional tariffs would damage U.S. companies and consumers. Harming a company like Top Value Fabrics, which is investing heavily in the American economy should not be the goal or consequence of the tariffs. Therefore, Top Value Fabrics urges the USTR not to impose a 25% tariff on products classified under HTSUS subheading 3921.90.1950.

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