



April 6, 2011

The Honorable Dave Camp, Chairman
The Honorable Sander Levin, Ranking Member
Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

Dear Chairman Camp and Ranking Member Levin:

The United States Industrial Fabrics Institute (USIFI) submits the following comments for the record in conjunction with the Ways and Means Hearing on the U.S.-Korea Free Trade Agreement.

The United States Industrial Fabrics Institute (USIFI) has fifty company members, each with significant U.S. manufacturing. The member companies supply technical textiles and made-up products for advanced industrial and military applications. USIFI is a sub-set of the 2,000 member not-for-profit Industrial Fabrics Association International (IFAI).

The United States technical textile industry (also known as specialty or industrial textiles) continues to be a pawn in the chess game of international trade agreements. Our own government, in its analysis of the pending U.S. Korea Free Trade Agreement, states “The expected increase in imports from Korea will likely be concentrated in goods for which Korea is a competitive, and major supplier, and U.S. tariffs are high, such as man-made fibers, yarns, fabrics, and hosiery, and will likely displace domestic production of such goods and especially imports of such goods from other sources..... The expected increase in U.S. imports of textiles and apparel from Korea under the FTA will likely be concentrated in man-made fibers and goods made of such fibers, for which Korea is a major world producer and has a “proven advantage.”¹

In fabrics, the expected growth in U.S. imports from Korea will likely be concentrated in knit and woven industrial and specialty fabrics and will likely displace domestic production of such fabrics. Korea was the third-largest source of U.S. fabric imports in 2006 with 11 percent (\$953 million) of the total, reflecting significant positions in knit fabrics (27 percent import share or \$203 million) and specialty fabrics (13 percent or \$116 million). Korean producers reportedly are expanding output of industrial and specialty fabrics that use information technology and biotechnology for use in tire-cord fabrics and engineering, construction, and medical applications.² Industrial fabrics include high-strength reinforcements, textile reinforcements, and laminated sheet goods that use the textile reinforcements to make them stronger. The fabrics are used in awnings, tents and shelters, signs and banners, tarpaulins, commercial roofing membranes, health-care mattress and seating covers, truck covers, conveyor belting, fabrics for package handling and treadmills, and geotextiles for water-containment linings and erosion control.³

Committee Members, these are the products our member companies produce in the United States.

U.S. companies in the specialty technical textile industry manufacture highly specialized products for protection (ballistic, shelter, chemical-biological-radiation-nuclear protection textiles, potable water and fuel fabrics and bladders); partner with our military and academic institutions to develop new textile fibers,

¹U.S. International Trade Commission. Washington, DC 20436. Publication 3949, “U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects,” September 2007, pages 3-51, 52, 54.

²KOFOTI, “Special Report: Korean Textile and Clothing Industry,” March 2007. The “2015 vision plan” introduced by Korea’s Ministry of Commerce, Industry and Energy in November 2005 features the development of advanced industrial textiles. KOFOTI, “Industry Scoreboard,” March 2007.

³U.S. International Trade Commission. Washington, DC 20436. Publication 3949, “U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects,” September 2007, pages 3-55.

fabrics, and finishes; and employ highly skilled workers in almost every state in the Union. The U.S. technical textile industry is a success story - expanding, efficient, and leading the world in innovation. These are the jobs that will disappear if you ratify the U.S. Korea Free Trade Agreement.

A USIFI member, one of the largest U.S. military tent manufacturers, shared this comment:

The technical textile military shelter supply base consists of suppliers of fibers, yarn, woven fabrics, specialty chemical films and technical coatings, all of which are combined by our technical fabric suppliers to our end products manufacturers for use in the manufacture of military tent liners, covers and flooring materials in broad range military tent shelters as well as a large family of related products made from technical fabrics. This supply chain employs unique and highly sophisticated processes that require major capital investments, thus making their sustainability extremely sensitive to the loss of volume.

The severe constriction that has already occurred in the U.S. technical fabrics supply chain has greatly diminished the sustainability of the industry. This proposed FTA will further reduce the sustainability of our extremely fragile domestic supply base upon which our U.S. military relies for shelters and related personal protection products.

J.C. Egnew, President
Outdoor Venture Corporation
Stearns, KY

The technical textile segment of the U.S. textile and apparel industry has grown; in 1998, this segment made up 25% of the market by volume. Now it comprises 43% of the domestic market. In contrast, the apparel market in 1998 had 38% share and now is only 20%, directly due to imports and the move to off-shore manufacturing.

According to the U.S. Bureau of Labor Statistics, there are 393,000 textile and apparel jobs left in the United States as of February 2011. Five years ago, this segment employed 617,500 (February 2006), a loss of 224,500 jobs (-36%). Ten years ago, the textile and apparel industry employed 1,028,900 (February 2001), making a cumulative loss of 635,900 good paying, skilled jobs (-62%) in the last decade. It is estimated that U.S. domestic textile mills and finishers producing fabrics specifically for the technical textile market employ approximately 160,000. USIFI member companies account for more than 25,000 of this number. This figure does not include made-up products nor does it include the raw materials like fiber or chemicals for dyes and finishes. The U.S. textile industry predicts that the threat placed on us by the substantial increase in Korean imports if KORUS is ratified will jeopardize 40,000 technical textile and related jobs. The Economic Policy Institute estimates that 159,000 good paying American manufacturing jobs across all sectors will be lost if the KORUS agreement is passed.

With South Korea's current capabilities as a major producer and exporter of industrial products, its close proximity to China, and its traditional hostility to imports, the Agreement is not in the best interests of American manufacturing. USIFI has been tracking imports from Korea for more than a decade; their data, compiled from the U.S. Department of Commerce (DOC) and the USITC, shows that Korea is the largest supplier to the U.S. of advanced textiles reinforcements, the second largest supplier of yarns and fabrics, and second largest supplier of coated and laminated membranes.

Specifically, we have three main concerns with the Agreement:

- Customs enforcement
- Tariff phase-out schedule
- Product coverage of the rules of origin

Customs Enforcement: Korea is a known illegal transshipment axis for Asia, especially China. The Agreement as drafted leaves the U.S. and its workers vulnerable to large-scale fraud. The long history

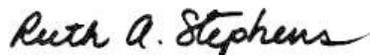
between the South Korean and Chinese textile industries and the documented cases of transshipment cooperation between producers in these countries are major sources of concern. Korea's position as a transit hub for Chinese goods will make the enforcement of the KORUS particularly challenging. The Korean port of Busan is the 5th largest container port in the world and is the largest transshipment port in northeast Asia, handling more than 13 million twenty-foot equivalent unit (TEU) containers annually. The port handles cargo from 500 ports and 100 countries with an expansive feeder vessel operation connecting Busan with China, Japan and Russia. The U.S. Customs and Border Patrol, while its budget has increased, has decreased its commitment to its customs textile enforcement program as priorities have shifted to other areas.

Tariff Phase-Out Schedule: Korean textile products are provided a much more generous phase-out schedule than U.S. products, allowing many Korean products immediate duty-free access to the enormous U.S. market (96% of their products go to zero duty within three years). Access to the much smaller Korean market for those same U.S.-made products will be phased in over ten years. The disparity in the phase-out schedule is particularly concerning because Korea is already the largest supplier to the U.S. of technical textiles and has a sophisticated, government supported technical textile industry, with excess capacity, just waiting for this agreement to pass so they can flood the U.S. market with their products.

Product Coverage of the Rules of Origin: The rules of origin under the KORUS agreement exclude certain components such as sewing thread, narrow fabrics and pocketing fabrics, items that are required under the CAFTA-DR and Panama Agreements and are important to U.S. textile manufacturers. Allowing these inputs to be sourced from countries not party to the Agreement is a departure from recent FTAs and it is illogical that these and other products were excluded in this Agreement.

You have seen the Agreement and studied its analysis. You read in government documents that whole segments of the U.S. economy will not be helped by this Agreement, including technical textiles. We are asking that you address this flaw now with your vote against the U.S. Korea Free Trade Agreement, ending the chess match where U.S. textile manufacturing never wins.

Sincerely,



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