**Testimony of Michael Saivetz**

**Chief Operating Officer,**

**Richloom Fabrics Group, Inc.**

**Regarding Section 301 Tariffs on Various Fabric Products**

**August 20, 2018**

**Panel 6**

Thank you for the opportunity to be here today. I am here today with my Uncle Mr. James Richman; the CEO and President of Richloom Fabric Group. I am Michael Saivetz, the COO. Richloom was founded in 1957 by my grandfather. I’m not only appearing today to discuss our family-owned company, but also to tell you about our more than 250 U.S. employees and about our U.S. customers.

The proposed tariffs will cause disproportionate economic harm to Richloom, its employees, and the U.S. companies that rely on our products. Furthermore, these tariffs will not accomplish the objectives of addressing unfair Chinese practices related to technology transfer, intellectual property, or innovation.

Since my grandfather founded the company 61 years ago, Richloom has become one of the largest suppliers of textiles in the U.S. At our headquarters on Fifth Avenue in New York, our skilled designers and product development specialists create fabrics to meet the specific needs of our U.S. customers. Our staff in New York, Indiana and North and South Carolina work closely with customers to create attractive products that reliably meet their manufacturing needs. Those U.S. jobs depend on our extensive international and domestic supply chain. Our domestic production accounts for in excess of 25% of our total business which would be at risk.

Our U.S. customers, and their employees, also depend on our reliable supply of high-quality fabrics that meet their requirements. Among the U.S. manufacturing industries that we supply are residential furniture manufacturers in North Carolina and Mississippi, recreational vehicle producers in Elkhart, Indiana, and producers of outdoor furniture and accessories, as well as companies that produce finished goods for the hotel and hospitality industry. Our customers are creating skilled manufacturing jobs to produce made-in-USA products for American consumers. We also supply large fabric retailers who service the American home sewer such as Jo Ann Stores and Hobby Lobby.

Our fabrics are produced around the world. At our partner facility in New England we print millions of yards of outdoor fabrics. We produce different types of fabrics in the U.S., Turkey, Taiwan, India, and Pakistan, in addition to China. Our sourcing decisions depend on the particular specialization of the textile industry in a given location. What we produce in China is largely not available from the U.S. or from other parts of the world.

For example, for the booming RV industry, we produce millions of yards of polyurethane fabric. Polyurethanes offer unique properties such as strength, durability, stain resistance and breathability which are perfect for RV furniture. With the resurgence of the American RV industry, this product now makes up 10% of Richloom’s sales. China is the primary source for this product and we could not easily or quickly shift to alternative sources. Similarly, wide width blackout fabric that is used to produce roller shades and draperies for the hotel and hospitality industry is largely sourced from China – mills in other locations cannot produce the wide widths required. In contrast, other products, like outdoor fabric, which makes up 20% of our business, we never source from China.

If Richloom is no longer able to supply these products to our key customers, it will undermine our business, including our U.S. design, manufacturing, and logistics operations. In addition, the impact on our customers will be significant.

One of our biggest growth areas is the RV industry, a poster child for resurgent U.S. manufacturing. The industry, and its manufacturing hub in Elkhart, emerged from the ashes of the recession, creating many new jobs in the region. We have already seen a slowdown in the RV industry due to other tariffs. A tariff on key fabric inputs will have a crippling affect.

In addition, we have many furniture industry customers, which employ thousands of American workers. These U.S. manufacturers compete against foreign producers. The inputs these producers get from Richloom often are only available from China. Richloom and our customers will have no choice but to continue sourcing from China, resulting in higher costs due to the proposed U.S. tariffs. Competing foreign producers will buy fabric from China and bring finished goods in tariff-free, meaning U.S.-made furniture will be less competitive and U.S. consumers will pay more for U.S. made products.

Indeed, the proposed tariffs will have the unintended consequence of harming U.S. manufacturing and pushing jobs off-shore. In some cases, finished goods face no tariffs, while fabric inputs are threatened with 25% duties. Soft-home products, such as bedding, curtains, and pillow-products, are omitted from tariffs. These are the very products our U.S. customers are producing. Tariffs on fabric will give a competitive advantage to foreign producers of finished products. The impact could be particularly acute in the companies supporting the RV industry as manufacturers look to imported finished products, rather than sourcing these items locally. Similarly, certain “cut-and-sew kits” for furniture will remain duty free, pushing U.S. furniture producers to source kits from China, rather than importing fabric for U.S. cut-and-sew operations. Moreover, furniture produced in other countries will still use Chinese fabrics and will not have to pay a tariff.

Lastly, the tariffs on fabric products will not serve the broader purpose of protecting U.S. technology or innovation. Fabric production is not an industrial priority for China, nor is it an industry where U.S. intellectual property is at risk. Richloom’s intellectual property is in its fabric design, which is done in the U.S. by skilled, American employees.

In closing, Section 301 duties should not be imposed on Richloom’s fabric imports at any level. The proposed duties will directly impact both U.S. manufacturers and the Americans that buy their products.

Thank you for the opportunity to be here. A list of the HTS lines that we seek to have removed was provided with our written comments. I’m happy to answer any questions.