OFFICE OF THE U.S. TRADE REPRESENTATIVE

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TRADE POLICY STAFF COMMITTEE

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PUBLIC HEARING ON THE ADMINISTRATION'S ACTION FOLLOWING A DETERMINATION OF IMPORT INJURY WITH REGARD TO FINE DENIER POLYESTER STAPLE FIBER

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MONDAY
SEPTEMBER 30, 2024

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The Trade Policy Staff Committee met via Videoconference, at 9:30 a.m. EDT, Laura Buffo, Chair, presiding.

PRESENT
LAURA BUFFO, Acting Assistant U.S. Trade Representative for Trade Policy Coordination, Office of the U.S. Trade Representative; Chair
ALEXANDER AMDUR, U.S. Customs and Border Protection
ANDREA BORON, Office of the U.S. Trade Representative
MICHAEL GAGAIN, Office of the U.S. Trade Representative
RACHEL HASANDRAS, Office of the U.S. Trade Representative
STU HUFFMAN, U.S. Department of State
KAYLA JOHNSON, U.S. Department of Commerce
SONGHUA LIN, U.S. Department of Labor
VICTOR MROCZKA, Office of the U.S. Trade

Representative
DAVID SALKELD, Office of the U.S. Trade Representative
TYLER VAN PATTEN, U.S. Department of Treasury
MARIN WEAVER, U.S. Department of Commerce

ALSO PRESENT
TOBIAS BAUMGAERTEL, Sales Director, Sandler Nonwoven Corporation
CARLOS BENATTO, President North America, Fibertex Nonwovens
DON BOCKOVEN, President and CEO, Fiber Industries d/b/a Darling Fibers
ALEXANDER BRENT, Supply Chain Manager, Fibertex Nonwovens
KATHLEEN CANNON, Partner, Kelley Drye
OMER CETIN, Sales & Marketing Manager, SASA Polyester San Turkiye
MARC DOYON, Vice President of Commodities, Gildan
JULIE EPPARD, Akin Gump Strauss Hauer & Feld LLP
CATHERINE FANG, Vice President of Sales, Sun Fiber
WES FISHER, Director of Government Affairs, INDA, Association of the Nonwoven Fabrics Industry
TOLGA GORGUN, Sales and Marketing Manager, Engineered Fiber Solutions GmbH
MATTHEW HOLT, Sourcing Director, Milliken & Company
JOHN MANESS, Senior Vice President of Yarn Spinning, Gildan
MATTHEW NICELY, Akin Gump Strauss Hauer & Feld LLP
BRIAN PETTER, Head of the Economics and Trade Department, CIRFS: European Man-made Fibres Association
JOHN PRICE, President & Chief Operating Officer, BMT Fibers
BROOKE RINGEL, Partner, Kelley Drye
PAUL ROSENTHAL, Partner, Kelley Drye
MARY SIMON, Operations Director, Fibertex Nonwovens

MICHAEL SPARKMAN, Senior Business Manager, Nan Ya
MARK THORNTON, Vice President - Baby Care North America, Procter & Gamble
NIROSHA WIMALASENA, Senior Director - Research and Development Baby Care Global Material Development and Supply, Procter & Gamble
PETER YOUNG, Minister-Counselor Delegation of the European Union to the United States

P-R-O-C-E-E-D-I-N-G-S

9:27 a.m.

CHAIR BUFFO: Good morning, everyone, and welcome. My name is Laura Buffo and I'm the chair of the interagency Trade Policy Staff Committee, or the TPSC.

This public hearing is being held in connection with the question of what action the President should take pursuant to Section 201 of the Trade Act of 1974 in response to the U.S. International Trade Commission's, or USITC, determination of import injury with regard to fine denier polyester staple fiber. This hearing is scheduled for one day and we will hear testimony from five panels.

Before I introduce our TPSC colleagues and describe in further detail how this hearing will proceed, I will turn it over to my colleague, Michael Gagain, to provide further context for why we are here and what we hope to accomplish in this hearing. Thank you.

MR. GAGAIN: Thank you, Ms. Buffo.

Good morning. My name is Mike Gagain from USTR's Office of the General Counsel, and I'm chair of Section 201 Committee, a subcommittee of the TPSC. I will provide you with some further context as to why we convened this hearing today.

On February 28th, 2024, Petitioners Darling, Nan Ya, and Sun Fiber, filed a petition requesting a Section 201 safeguard investigation with the U.S. International Trade Commission, or USITC, regarding the imports of fine denier polyester staple fiber, or PSF. The petition alleged that the surge of fine denier PSF have been a substantial cause of serious injury to the domestic industry resulting in significant idling of production, closing two large facilities, and abrupt exiting of the U.S. market by two producers. The petition further alleged that the Fine Denier PSF industry and its workers need a remedy to recover from this serious injury caused by imports.

On March 8th, 2024, the USITC initiated a safeguards investigation in response to the petition. On July 9th, 2024, the USITC determined, pursuant to Section 202(b) that fine denier PSF is being imported in the United States in such increased quantifies as to be a substantial cause of serious injury to the domestic industry producing article like or directly competitive with the imported article.

On August 13th, the USITC issued its remedy recommendations. Finally, on August 26th, 2024, the USITC transmitted its report containing its serious injury determination and remedy recommendations to the President.

Sections 201 and 203 of the Trade Act authorize the President, upon receipt of a report containing an affirmative serious injury determination by the USITC, to take all appropriate and feasible action within his power that he determines will facilitate efforts by the domestic industry to make a positive adjustment to important competition and provide greater economic and social benefits than costs.

In this proceeding, the President's

statutory deadline to announce any safeguard action falls on November 9th, 2024. Pursuant to Section 203(a)(1)(c), the Trade Policy Staff Committee must make a recommendation to the President regarding what to do in response to the USITC serious injury determination report.

On August 5th, 2024, USTR, on behalf of the TPSC, published a Federal Register Notice announcing a process for public comment in a public hearing regarding this matter. This Notice can be found at 89 Federal Register 63465.

In seeking public comment, this Notice request said that interested parties provide views and evidence on whether a proposed remedy under Section 201 is appropriate and in the public interest. The Notice specifically asked interested parties to address: (1) the appropriateness of any other proposed action and how it would be in the public interest; (2) the short and long-term effects the proposed action is likely to have on the domestic PSF industry, other domestic industries, and downstream consumers; and (3) the short and long-term effects that not taking the proposed action is likely to have on the domestic PSF industry, its workers, and other on other domestic industries and communities.

Initial public comments were due by September 9th and rebuttal comments were due by September 16th. We received initial and rebuttal comments from a variety of interested parties.

We're now holding this public hearing to receive testimony from interested parties on the issues discussed in the Federal Register Notice. The TPSC will carefully consider the testimony received today, along with the USITC's report, the public comments received, and other information pertaining to the statutory criteria found in Section 203(c)(2) of the Trade Act and ultimately making a recommendation to the President regarding this matter.

Before I turn back to Ms. Buffo to discuss how today's hearing will proceed, I want to highlight that the purpose of this hearing is to receive testimony on the appropriate remedy, if any, that the President should impose in response to the USITC's serious injury determination. That is the determination of whether increased imports are a substantial cause of serious injury to the domestic PSF producing industry is a separate and previously resolved inquiry by the USITC.

Ms. Buffo will now introduce participants from the TPSC agencies and will lay out how today's hearing will proceed. Thank you.

CHAIR BUFFO: Thank you, Mike. We are pleased to have international trade and economic experts from a range of U.S. Government departments and agencies which are members of the TPSC. I would ask you to please introduce yourself starting on the left.

MR. VAN PATTEN: Hi. Tyler Van Patten, U.S. Treasury.

MS. LIN: Hi, good morning. This is Songhua Lin, Senior International Economist from Department of Labor.

MS. JOHNSON: Good morning, Kayla Johnson, International Trade Specialist at the U.S. Department of Commerce.

MR. MROCZKA: Victor Mroczka, Director for Trade Remedies and Competition at USTR.

MR. HUFFMAN: Stu Huffman, Senior International Trade Advisor for the U.S. Department of State.

MR. AMDUR: Good morning, Alexander Amdur. I'm the Director of the Antidumping Countervailing Duty Policy and Programs Divisions for U.S. Customs and Border Protection of the Department of Homeland Security.

MS. BUFFO: Thank you to my interagency colleagues. Today's hearing is scheduled for one day. We will hear from 14 witnesses which have been composed into five panels. We note that most witnesses are testifying in person, but there are a few that are testifying remotely. Some witnesses may have several individuals speaking on the panel.

Before we proceed with Panel 1, I'll

provide some procedural and administrative instructions.

Each witness has approximately 15 minutes to provide their testimony. We have previously communicated to each panel of witnesses that they may allocate some of their time to other witnesses as appropriate. Some witnesses have more than one individual testifying, but each interested party ultimately has 15 minutes to testify.

The light before you will be green when you start your testimony. Yellow means you have one minute left, and red means your time has expired. After the testimony, TPSC participants will have an opportunity to ask questions. All questions will be from interagency participants.

TPSC participants will generally direct their questions to one or more specific witnesses. We will have a brief break between Panels 3 and 4 and we'll take a 60-minute lunch from approximately 12:30 to 1:30.

No cameras or video or audio recording

will be allowed during the hearing. A written transcript of this hearing will be posted on the USTR website and on regulations.gov under Docket No. USTR-2024-0010 as soon as possible after the conclusion of the hearing.

We expect witnesses to answer the questions during the hearing and we will not accept post-hearing written submissions.

I am pleased to introduce our first panel this morning. First, we will hear from the delegation of the European Union to the United States. Our TPSC participants on this panel are Stu Huffman, the Department of State; Tyler Van Patton, U.S. Department of Treasury; Kayla Johnson, U.S. Department of Commerce; Michael Gagain and Victor Mroczka from USTR.

Thank you, Mr. Young. You may proceed.

MR. YOUNG: Thank you very much, Madam Chair. Good morning to you, good morning to members of the Committee, good morning to other participants in the hearing and it's my pleasure to appear before you this morning.

MR. BURCH: Please pull the microphone a little closer?

MR. YOUNG: It's my pleasure to appear before you this morning to deliver some comments on behalf of the European Commission in the framework of this investigation. And as you said, my name is Peter Young and I'm a minister counselor here at the delegation of the EU to the U.S.

First off of course, the Commission would like to recall that the safeguard instrument is the most restrictive trade defense instrument available and should only be used in exceptional circumstances and when relevant criteria are met. And given that this is the most restrictive instrument, the type of remedy what you are considering today is of crucial importance to not unduly penalize downstream users and consumers.

The ITC Commissioners in the present case have recommended a four-year period of relief comprising a tariff-rate quota on imports from countries with which the US has a free trade agreement, and a quantitative restriction on imports from all other countries, including the European Union, to be set at zero in the first year of relief and increasing by one million pounds in each subsequent year over the duration of the safeguard.

As we have stated previously in the context of this present proceeding, the European Commission is of the view that a multilateral safeguard is not the suitable instrument to remedy a situation such as the present one where the overwhelming majority of all imports, more than 80 percent, come from only a handful of countries in Asia.

Nevertheless, we are at the stage where USTR and present Committee is looking to shape a remedy for recommendation to the President. Hence, the European Commission would like to repeat that any remedy that is recommended should avoid unduly limiting legitimate market access of imports that are not causing any injury. In our view, however, suggesting an outright ban of imports from a majority of countries for a full year will most certainly not avoid such collateral damage.

The international rules on designing a safeguard measure are very clear. According to the relevant provision of the WTO Safeguard Agreement, Article 5.1, and I quote: "A Member shall apply safeguard measures only to the extent necessary to prevent or remedy serious injury and to facilitate adjustment."

On the one hand, in the present case, the ITC recommends to exclude USFTA partners from a safeguard measure. This would then include imports from a free trade partner such as Mexico, where imports increased by almost 240 percent and where import prices are some 40 percent lower than e.g. on import prices from Germany. Thus, it seems imports from Mexico and those from other FTA partners of the U.S. are most likely contributing to any injury that has occurred.

On the other hand, imports from the European Union are not causing injury to U.S. industry as they represent a negligible share, around 1 percent of all imports, and indeed have been decreasing over time. In addition, prices of EU products imported to the U.S. market are more than double the average import prices, and have increased by 10 percent between 2019 and 2023, while the average import prices during that period have decreased by 6 percent.

Such a price difference and a difference in price dynamics indicates that imports from the EU are competing in different segments from other imports. And according to EU industry exporting to the U.S., imports from the EU concern mainly specialty grades of fine denier staple fiber and some of these specialty grades are not produced in the U.S.

The European Commission advises and trusts that USTR therefore at least follows the request from the EU industry to exclude these specialty grades from the product scope to ensure trade flows for these products is undisrupted, which would be in the interest of the U.S. consumers and downstream user industry. For any products that fall within the scope of a potential remedy, the EU should benefit from a specific tariff rate quota to allow traditional trade flows to continue.

As to the Commissioners' suggestion to develop an exclusion process in the interest of the U.S. user industry to flank the remedy proposed, the European Commission would like to recall that in recent experience, such exclusion procedures have added significant burden on both exporting and importing companies. The European Commission therefore insists that any remedy is designed in a way that would render such a burdensome exclusion process redundant. Should USTR nevertheless decide to pursue such an exclusion process, the European Commission would urge that such a process be designed in a practicable manner to allow for smooth and predictable trade without creating unnecessary additional administrative burdens.

In conclusion, Madam Chair and members of the committee, the European Commission profoundly disagrees that a safeguard would solve the difficulties of the domestic industry. Should USTR seek to recommend a safeguard measure nevertheless, and such measure be applied, we hope that it would ensure the continuation of historical trade flows, including a specific tariff rate quota for the EU.

Finally, any product types not produced by the domestic industry should logically be excluded from the scope of the measure, as they cannot be the cause of any injury.

Thank you very much for the opportunity to present those remarks, Madam Chair.

CHAIR BUFFO: Thank you very much for your statement, Mr. Young.

We will now turn to our TPSC participants for questions.

MR. HUFFMAN: Thank you, Mr. Young. How might European producers of fine denier PSF be impacted by certain of the USITC Commissioners' recommendations? For example, that the President introduce legislation that permanently precludes the importation of fine denier PSF under the temporary import under bond or TIB program?

MR. BURCH: May you please pull your microphone closer?

MR. HUFFMAN: Sure. I'll start over. How might European producers of fine denier PSF be impacted by certain of the USITC Commissioners' recommendations? For example, that the President introduce legislation that permanently precludes the importation of fine denier PSF under the temporary import under bond or TIB program or if the President were to impose a tariff rate quota on PSF imports?

MR. YOUNG: Well, thank you. I think the EU industry will speak for themselves also later in this session, so I'm sure that they will also respond on that question. My view, in essence, would be obviously if the decision is made to make the import regime conditions more restrictive including by narrowing possibilities that currently exist in the U.S. legislation, that will not necessarily aid neither the EU -- interests of the EU industry as an exporter to the U.S., nor the interests of the U.S. industry and the U.S. consumers of imported European product including product which is not actually to our knowledge manufactured here in this country.

So we trust in its consideration of the measure, the Committee and USTR will basically keep in mind our expectation that basically any measure should be no more trade restrictive than necessary to achieve the goal assessed in terms of ensuring maintenance of appropriate conditions of competition between -- and import and export conditions for the industry.

MR. VAN PATTEN: Thank you, Mr. Young.

On page 2 of your statement and then again verbally today, you indicated that "The European Commission would like to recall that in recent experience such exclusion procedures have added significant burden on exporting and importing companies. The European Commission therefore insists that any remedy is designed in a way that would render such a burdensome exclusions process redundant."

I have two questions for you from the statement. One, if you could please identify what significant burdens your stakeholders have experienced in past exclusion procedures; and two, if the President were to impose safeguard relief, but include a product exclusions process, are there particular aspects of an exclusions process that the EU industry would find helpful?

MR. YOUNG: Thank you. Again, let me say that the EU industry interests will speak later in the session, but I mean for my part in terms of recent experiences with exclusion processes, I would particularly have in mind the procedures applicable for the Section 232 restrictions on steel and aluminum, which I know is operating under a different statute. But in that case, it has proven very difficult for both European exporters, but also their customers here in the U.S. who are basically buying product, subject to restriction to obtain those exclusions in fairly difficult, lengthy, sometimes unpredictable process. Even where domestic industry in the U.S. has not been in the position to satisfy the demand of user industries here.

I think in that sense also in future decisions on how such a system should work, I would encourage the competent authorities basically to think about easing the procedure to the degree possible in situations, for example, where a product, a particular product is not produced domestically. That should basically be a fairly straight forward process to obtain an exclusion from any measures that otherwise would apply. Given that, of course, any such measure whether it's the form of an import restriction, quantitative restriction, or price-based restriction, increases the cost of the U.S. domestic industries that uses and needs that product.

CHAIR BUFFO: Are there any other questions from the panel?

Great. Thank you very much, Mr. Young, for your statement and your responses. We will now take a five-minute break while we compose the next panel. Thank you.

MR. YOUNG: Thank you.

(Whereupon, the above-entitled matter went off the record at 9:48 a.m. and resumed at 9:52 a.m.)

CHAIR BUFFO: Next, welcome, we will hear from the Petitioners, Darling, Nan Ya Fibers, Sun Fiber, and Petitioners' counsel. Thank you.

MR. ROSENTHAL: Good morning. I'm Paul Rosenthal of Kelley Drye & Warren. I am here today on behalf of the U.S. producers of fine denier polyester staple fiber.

The domestic fiber and textile manufacturing industry has been hurt by import competition for a long time, and the industry's supply chain has important segments that have gone out of business entirely. This case presents an opportunity to save a critical part of the supply chain, and with it the jobs of many workers and communities who rely on the domestic fine denier industry.

In the last nine months, the U.S. International Trade Commission has held three all-day hearings on the industry: one involving a sunset review of the antidumping orders on imports from China, India, Taiwan and South Korea; and two more exploring both the serious injury and potential safeguard remedies involved in this case. In the ITC's process, many of the witnesses you will be hearing from today have undergone cross-examination, have submitted thousands of pages of data and briefs, and generated over 600 pages of transcript.

While some of the opposition witnesses

you'll hear later today would have you review the ITC's factual findings on serious injury or on what products are not produced in the United States, that is neither appropriate, nor feasible. The ITC and the participating parties developed a comprehensive factual record showing not only that the fine denier industry has suffered serious import-caused injury, but also that a strong remedy is warranted to give the industry the best chance at survival.

The question before you today and the objective of this Committee should be to focus on what action the President should take to achieve the goal of facilitating the fine denier industry's recovery.

You know from the ITC's record that the domestic industry's employment, capacity utilization, shipments, market share, and profitability have plunged to abysmal levels. The domestic industry and its workers need a robust remedy to recover from the devastating injury that imports have caused. The remedy must sufficiently control the volumes and prices of imports to permit the industry to undertake its adjustment plans. Those plans include resumption of operations at a facility where production was suspended, investments and innovations in existing U.S. facilities, and rehiring workers to restore jobs lost due to imports.

The proposed remedy is consistent with the recommendations of the ITC and comports almost precisely with those of Commissioner Kearns. The key elements of the proposed trade restraints are, first, a four-year tariff rate quota, or TRQ, limiting all covered import volumes to 110 million pounds annually, with both an in-quota and out-of-quota tariff. The in-quota tariff should start at 22 percent and be phased down by 2 percentage points in Year 2 and again in Year 4. The out-of-quota tariff should start at 50 percent in Year 1 and be phased down by 3 percentage points per year.

The severity of the industry's injury due to large volumes of imports that consistently undercut U.S. producer prices necessitates both a volume limit and a tariff on imports that will allow the industry to recover and adjust to import competition.

The President should also impose a four-year quota limiting all temporary importation under bond or, TIB, imports to zero, to then be relaxed in increments of one million pounds per year. TIB imports of fine denier have avoided antidumping and countervailing duties for years, allowing them to surge into the U.S. market and injure U.S. producers. TIB imports similarly will avoid duties imposed pursuant to a TRQ if a quota or an alternative prohibition on TIB imports is not imposed.

It is critical, therefore, for the President to address TIB imports as part of the remedy to effectively respond to the serious injury suffered by the domestic industry. Contrary to comments by Gildan, it is also lawful for the President to do so.

We do not disagree with the ITC's

recommendation to exclude the following countries from a remedy at this point: Canada, Mexico, Australia, the CAFTA-DR countries, Colombia, Israel, Jordan, Panama, Peru, Singapore, and the beneficiary countries under the Caribbean Basin Economic Recovery Act. We do, however, request two important modifications to the ITC's recommended remedy.

First, Korea should be subject to not just the TIB quota as the ITC recommended, but also the TRQ. Inclusion of Korea in the remedy is critical, given the injury dumped imports from Korea have inflicted in the past, and will inflict if excluded from the remedy. Inclusion of Korea is vital to prevent circumvention and frustration of the remedy.

Second, a monitoring program should be established to track imports from all countries, including those excluded from the remedy, to prevent circumvention or undermining of the remedy. The proposed remedy is the least action necessary to effectuate the relief needed and allow the domestic industry to undertake the adjustments it has planned, as the ITC's economic model shows. The domestic industry has provided detailed adjustment plans to demonstrate how it will innovate and invest and prepare itself to compete more effectively with imports in the future.

I want to address some of the non-trade remedies that we have recommended and the ITC has recommended as well.

In addition to trade restraints, the President should undertake the following actions as part of the remedy in order to assist downstream purchasers and to address broader issues raised by this case. The President should submit to Congress a legislative proposal that would permanently preclude the importation of products under TIB to avoid payment of antidumping and countervailing payments and safeguard duties. This TIB loophole is contrary to policy concerns addressed in U.S. trade laws and should be rectified.

Now in the ITC hearings on this case, Gildan objected to the use of the term loophole when referring to TIB. TIB is legitimate program, but when used to evade anti-dumping and countervailing duties and safeguard duties, it undermines relief intended by Congress. And in that case, it is being used as a loophole.

The President should adopt programs to assist downstream users of fine denier. We recognize that we are all in this together. Those programs that we are recommending have been used in some instances by the textile industry in the past and we recommend they be applied here. Such programs may include establishment of a distribution program based on TRQ revenue to downstream users that purchase domestic fine denier and also potential tax inducements to encourage domestic purchases.

The President may also consider establishing a process to evaluate product exclusions on a case-by-case basis, to be implemented after the TRQ and quota are put in place. There is no justification for exclusion of any type of fine denier from the remedy at this point. The Commission has examined all the claims of non-production made by the foreign producers here and rejected them. The Commission has found that all the times that the foreign producers have said the U.S. industry doesn't produce it, have been incorrect. Not only does the industry produce the products claimed not to be produced here, but they produce them in greater quantities than the respondents have produced themselves or imports have produced. To carve out the imports claimed to be not producing in the remedy now it will undermine the domestic industry's ability to benefit from relief and would severely undermine the effectiveness of the trade restraints that we are urging.

The imposition of the recommended remedy will allow the domestic industry to regain its footing via increased market share, production, employment, and financial performance. It will also allow sufficient time and cash flow to invest in capital improvements, capacity expansions, and research and development. These improvements in industry performance will not dramatically increase prices for fine denier in the U.S. market, and will not lead to supply shortages of this important feedstock material.

Contrary to arguments by certain commenters here, the ITC found that the domestic industry had ample capacity to supply the market and to replace imports, even after Darling Fibers shut down in 2022.

Specifically, and this is very important because you are going to hear language to the contrary from respondents, but specifically, the ITC found that the domestic industry had 182.5 million pounds of excess capacity in 2023, which is more than sufficient to produce the entire 156.2 million-pound decline in imports that the ITC's model projects will occur in response to Commissioner Kearns's proposed remedy.

Notably, the excess domestic capacity shown in the staff report does not even include the capacity that Darling Fibers, which was forced to suspend operations in 2022 and which plans to come on-stream, if it gets the remedy we're talking about. Darling is committed to restarting and making additional adjustments, bringing that company's lost capacity, and then some, back to the domestic industry.

If the domestic industry's proposed remedy, which mirrors that of Commissioner Kearns but also subjects Korea to the TRQ, is adopted, the decline in imports would not be significantly greater and there would still be ample domestic capacity to cover that volume.

Importantly, the benefit of preventing circumvention by including Korea in all aspects of the remedy would be substantial, and existing domestic capacity is more than enough to account for the import decline under either scenario.

Further mitigating any concerns of supply shortage is the ongoing availability of imports not subject to this requested remedy. There were fine denier imports from multiple countries under the FTAs with the United States over the past five years, including Canada, the Dominican Republic, Honduras, Israel, Mexico, and Singapore.

As I noted at the outset, the domestic industry does not oppose establishment of a process to exclude covered imports in the covered TRQ remedy if there really is a demonstrated lack of U.S. production of a particularized fine denier product. But there is no justification in excluding any products at this point as the ITC recognized the domestic industry's ability to produce all the specialty types of fine denier. The establishment of an exclusion process should allay concerns regarding supply of certain niche fine denier products. And we're happy to address in questions some of the concerns that have been expressed by the delegate from the EU today about the exclusion processes.

The increase in prices in response to

the imposition of the proposed remedy will also not prove a major hardship to users of this product. According to the ITC's model the predominant impact of the requested remedy will be an expansion in U.S. output rather than an increase in prices. In fact, the ITC's model indicates that Commissioner Kearns' proposed remedy will have a relatively large positive impact on the shipments and production of the domestic industry, but an impact on U.S. prices for fine denier of just 21 percent in the first year of the remedy, declining to 18 percent by the fourth year.

While insufficient to make up fully for the significant degree of underselling by imports that the ITC has found, this increase will significantly narrow the gap between imported domestic industry pricing that has severely eroded the domestic industry's market position.

The prices increases forecast by the ITC's model should not lead to any meaningful decline in U.S. consumption given that a substantial increase in fine denier prices from '20 to '22 coincided with an expansion of U.S. consumption of 24 percent.

Furthermore, as I mentioned, the ongoing presence of imports from countries that are not subject to the remedy will act to limit the degree to which prices increase in the U.S. market in the wake of the imposition of the remedy, which is something that the ITC's model did not take into account. And you'll hear more about that from Mr. Sparkman.

The modest price increase should not place the domestic purchasers of fine denier at any meaningful disadvantage in relation to products of downstream, woven, non-woven, or knit products in foreign countries. Indeed, Chair Karpel and Commissioners Johanson and Schmidtlein have recommended the President consider programs to assist downstream users of fine denier and mitigate the potential impact of the remedy.

And as I mentioned, there are several

examples of similar programs such as the Pima Agriculture Cotton Trust Fund, the Wool Apparel Manufacturers Trust Fund, and the Cotton and Wool Apparel Program. Commissioner Kearns has also recommended that the President submit a legislative proposal to Congress to distribute TRQ remedy -- revenue generated via the imposed remedy to downstream users of fine denier to the extent needed to reduce impact. The domestic industry strongly supports these proposals which offer a win/win for producers and purchasers, some of whom make use of the programs already.

If a robust remedy is not provided here, employment in the industry, which is declined substantially, will continue to drop causing short and long-term negative effects on workers, their families, and their communities. Darling Fibers will not be able to reopen, closing the door forever on the jobs that the company very much wants to fill and spent a couple hundred million dollars to create in the first instance.

The small towns in which the domestic fine denier facilities are located, like Darlington, Lake City, and Richburg, South Carolina, will be decimated by the loss of those jobs. Nor are the jobs in the domestic industry the only ones at risk as positions in supplier and supporting industries will also be adversely affected.

The need for a strong remedy is urgent. The ITC recognized the precarious position the domestic industry is in today. That condition did not materialize overnight but has been building for years as TIB imports prevented U.S. producers from benefiting from antidumping and countervailing duty relief and then as imports from other countries flooded the market. There's no reason for delay which would only cause further harm. The continued loss of sales and profits due to imports will likely result in cessation of production of fine denier in the United States altogether and the President should impose a robust remedy now.

Before I turn to Mr. Sparkman, I want to add one other thing. This administration has been very, very strong in support for domestic manufacturing and it's been very, very strong when it comes to its commitment to restoring the supply chains in the United States that have been lost to imports over the years. Ambassador Tai has been very emphatic about the need to maintain a domestic textile industry and a domestic supply chain. And I got to watch her speak yesterday on the CBS talk show Face the Nation about the importance of manufacturing and supply chains.

We are not talking here about across-the-board tariffs. We're talking about a very specific and narrow industry and very narrow application industry on behalf of an industry that has gone through all of the proper channels to be entitled to relief. They filed antidumping and countervailing duty cases. They filed this 201 case. And they're asking for and they deserve a remedy so that their segment of the U.S. manufacturing industry, this part of the domestic textile supply chain can remain robust.

You're going to hear from witnesses late today that -- I understand their position. Everyone wants to compete. Everyone needs to compete. Some of them have been the staunchest advocates for domestic manufacturing, the staunchest advocates for buy America in the United States. Why they don't want to have buy America for fine denier, you can ask them about, but this -- we cannot let this important supply chain, this important link in the supply chain go awry because some people want to depend on the cheapest imports from low-priced sources in Asia who are already betting -- benefiting by low energy prices due in part to the Russia sanctions.

With that, I'm going to turn this over to Mr. Sparkman.

CHAIR BUFFO: Excuse me, before -- just to clarify for the audience -- so for this panel they have asked their time to be combined, so we will not be using the red lights in case you were wondering why we're going a little bit over. Thank you.

Please proceed, Mr. Sparkman.

And I'll go ahead and introduce the rest of the panel as well while I'm here. Mr. Sparkman is the Senior Business Manager for Nan Ya Plastics Corporation, also joined by Don Bockoven, President/CEO Fiber Industries, Darling Fibers, and Catherine Fang, Vice President of Sales from Sun Fiber, LLC. Thank you very much.

MR. SPARKMAN: Thank you. Good morning. My name is Michael Sparkman and I am the Senior Business Manager for Nan Ya Plastics, Corporation America. Thank you for the opportunity to explain why Section 201 relief is so critical to my company and our fine denier polyester staple fiber business.

Nan Ya's been manufacturing polyester staple fiber products in Lake City, South Carolina since 1992. In addition to the hundreds of workers that depend on our fine denier business we are proud to employ a total of about

800 employees across our entire plant. Those jobs are critical in a city of less than 10,000 persons.

As you know, the ITC concluded that my company and others in our industry have suffered serious injury due to surging low-priced fine denier imports from numerous countries. I would like to emphasize today that our business would have looked much different over the past several years if were it not for that growing import competition. In 2022 we completed a long-planned expansion to add 40 million pounds of fine denier capacity in response to the success of earlier antidumping and countervailing duty cases. We invested in other capital projects to further improve our facility and equipment, committed resources to innovation and efficiency, and also began looking at ways to expand our capacity even further.

We are a reliable partner and constantly strive to meet our customers' needs. Our fine denier products are high-quality. Our business should have been growing, but low-priced import competition stopped us in our tracks. Instead of expanding we lost sales and revenue and are running with substantially unused capacity. Instead of seeing a return on investment already made, we are in a terrible financial condition.

Unfortunately, the low-priced import problem was not remedied by the AD and CVD relief we obtained in 2018. This is because imports from India and also Taiwan avoided those duties altogether by using the Temporary Importation Under Bond provision as a loophole. We spent years battling low-priced fine denier form those countries, in addition to China and Korea, only for those importers to find a way around the remedy we were finally granted.

The TIB loophole effectively wiped out the benefits we were -- we expected to get from the orders as customers continued to have unfettered access to dumped and subsidized imports. To make matters worse, while the TIB imports grew in significant volumes, other imports not subject to the trade remedy orders, including those from a major producers in Korea, also began to flood the U.S. market.

Despite our current dire situation I am confident that a strong safeguards remedy will provide the breathing room we need to grow our sales, continue to invest in our business, and be a significant and trusted supplier to the U.S. markets that we have been known for, for over 30 years.

In response to those that say that we have not -- we do not have sufficient capacity to supply the market, we have over 70 million pounds of available capacity today. And I would be more than happy to talk about -- talk with them about how we can meet their needs at the conclusion of this hearing.

Additionally, given a strong remedy we are ready to proceed with the expansion of our fine denier capacity by an additional 70 million pounds per year by converting an existing line.

We will invest over $4 million to complete this conversion with the additional capacity coming online within six to eight months. We are also willing and able to convert another line to make more fine denier fiber, an additional 50 million pounds of capacity, if needed by U.S. market demand. A strong remedy will put us in a position to use our existing available capacity and produce even more fine denier for our customers.

To give an example, as a direct result of bringing this Section 201 case we have had the opportunity to fully engage with a partner to produce biodegradable fine denier. We began manufacturing that product in July of this year at an initial rate of 1.4 million pounds per month using a polyester stable fiber line that has not been running due to sales lost to import. While we were required to make some engineering modifications to that line, I am proud to say that we were able to accomplish that and began production within just five weeks' time.

As another example, we had a customer increase its purchasing volume from Nan Ya by 30 percent since June in anticipating of potential Section 201 remedy. I want to point out that this particular customer was motivated by this case to quickly and successfully qualify Nan Ya's fine denier for virtually all of its end uses. We had been pushing for and cooperating with qualification efforts for several years, but it took this case to finally make that happen.

I understand that some parties submitting comments have claimed that it will take a very long time to qualify domestic fiber for their applications. Qualification can be as fast or as slow as the customer wants. When qualification is used as a barrier by customers who are currently benefiting from low-priced imports they effectively become gatekeepers preventing entry into the market by domestic suppliers. A remedy would be the impetus for customers to expedite their qualification processes.

I also want to make clear that Nan Ya already supplies or can supply an extremely wide array of fine denier products. We already sell fiber for high-tech fabrics to support our military and protect sensitive equipment. Contrary to some comments, we sell fine denier for non-woven materials that go into hygiene products like masks, gowns, hospital sheets, and divider curtains, all essential to public health. A steady supply of domestic fine denier is critical for our nation and public health security but is being put at risk by low-priced import competition.

Nan Ya sells biodegradable fibers, FDA fibers, siliconized fiberfill, and 22 millimeter cut fibers. We have the ability today to produce low antimony fine denier. We also produced trilobal fiber in the past and can produce those products again. We also sell what has been referred to as high coefficient of friction fiber in a list of products requested to be excluded. Now that may sound like a highly specialized fiber, but in fact it's just a standard product that we supply to many of our spunlace customers. If there are customers that are not buying these products from us now, it is because they have chosen to buy imports instead of giving us an opportunity, not because we don't or can't make them.

There is no reason for these products to be excluded from the remedy even though some downstream customers have asked for just that. Doing so would undermine the very relief we are seeking just as the TIB loophole seriously diminished the benefit we should have gotten from the unfair trade orders.

With a robust Section 201 remedy that gives us the opportunity to invest in new products, to expand production, and even just qualify with existing and new customers, I am certain that my company will be able to succeed. On behalf of Nan Ya and our coworkers representing Florence and Williamsburg Counties in northeaster South Carolina, I respectfully ask the President to impose the strongest remedy recommended by the ITC, with the inclusion of Korea, as we have urged in our comments.

And before I conclude, I would like to add just one more point: I understand that there are some concerns that the price for fiber will increase as a result of the remedy and that the final downstream customer will see a negative impact by those price increases. I would like to illustrate how modest in fact the impact of the anticipated price increases would be.

And to that point, I've brought two examples. The first one is a shirt, a very beautiful shirt I might add, made of 100 percent polyester. The weight of this shirt is approximately one-third of a pound. Based on the end tariff quota rates that have been proposed we would be looking at approximately a $0.05 increase in a $10 shirt based on the increase in polyester. Many of these shirts are made with 50 percent cotton/50 percent polyester. That would be a $0.02« cent increase.

The other thing I'd like to show you is -- and having two kids, we've just finished using these, but these are Pamper wipes. I think most people are familiar with this product. The polyester inside of this wipe -- now this feels very heavy, but you've got to realize there's liquid in there and the packaging. When you take the polyester and you dry it out, there's approximately in this package one-fifth of a pound of polyester in this package. That's $0.03 that we're looking at as a price increase for this product. Thank you very much.

CHAIR BUFFO: Thank you, Mr. Sparkman.

Ms. Fang, do you have testimony?

Bockoven? Oh, sorry. Mr. Bockoven?

MR. BOCKOVEN: Good morning. My name is Don Bockoven and I'm the CEO of Fiber Industries doing business as Darling Fibers. I'm here today to discuss the importance of a strong safeguard remedy to my conversation in Darlington, South Carolina.

After investing several hundred

million dollars since 2018 to refurbish, modernize, and restart fine denier staple fiber production in Darlington, we began supplying customers with a quality product in 2020 and continued to invest in the expansion of capacity into 2022. However, by the end of 2022 the unsurmountable competition from low-priced fine denier imports led to our very difficult decision to temporarily idle our production facilities and lay off nearly 340 hardworking employees that relied on this storied plant to support their families.

The decision to idle this facility was devastating to our company, our employees, and our small community in Darlington County. We had been a top seven employer in this county of less than 65,000 people. We provided high-quality, well-paid jobs that made a difference for the families.

The ITC recognized the harm that imports caused Darling Fibers and the rest of the domestic industry and recommended trade restraints. We are finally optimistic that we will get the relief we need to get our plant back up and running. With an appropriate remedy in place I am confident Darling can hire back our workforce to restart operations. In fact, we plan to partner with the Florence-Darlington Technical College, with whom we have a close working relationship, to develop targeted training programs for operations and maintenance technicians. We have also made plans and taken steps to seed potential partnerships for exciting new fine denier product offerings and complementary services in the sustainable textiles space.

We can only finalize these potential partnerships and restart production with a strong remedy that gives us the time to get our existing equipment back online, begin production, complete product testing, and reestablish our customer base. Although we do not expect to have any difficulties filling out our workforce, we will need time to rehire and train hundreds of employees. I refer you to our confidential adjustment plan for further details on the timing of our anticipated ramp-up to reopening.

The ITC's recommended four-year remedy would provide the time and opportunity we need to get back to business. A tariff rate quota with a very gradual reduction over the remedy period in addition to a prohibition on importers' use of the TIB loophole to evade duties will ensure that we are not faced with large volumes of low-price imports once again while we ramp back up to production.

The President should not exclude any types of fine denier from his remedy. Notably, while Respondents have urged the exclusion of products made from recycled fiber or fiber with biodegradable properties, these are products on which we are focused. We are continuing to develop our manufacturing campus called Darlington Green as a sustainability hub for collaboration, research, and innovation in the design, chemistry, and manufacturing of nextgeneration textiles. We are striving to be a producer of sustainable fibers and believe that this goal is an important element of our ability to adjust to the market competition. Exclusion of recycled or sustainable fiber would both undermine our efforts and create a significant gap in our requested remedy.

The President should also not exclude imports from Korea in the safeguard remedy. While we were in operation in 2021 and 2022 we saw increasing volumes of imports from Korea coming into the U.S. market at very low prices, despite antidumping and countervailing duty orders on these imports, and I have no doubt they will continue to do so if excluded from the remedy.

There is so much at stake for Darling and our community here. We know the investment required to restart our fine denier polyester staple fiber business will be significant and we are eager to take action on our restart plan, but those steps can only be undertaken if we can get meaningful protection from the onslaught of low-priced imports. The ITC's remedy will provide this protection and give us the confidence to move forward with the next steps in our restart plan. As part of this remedy we also support measures to benefit our customers so that they remain competitive while using more domestic fine denier fiber.

We believe in this business and have spent the time and considerable resources to participate in this investigation despite being idled since 2022 because of our commitment to developing sustainable polyester staple fiber manufacturing in South Carolina. We urge the President to impose the remedy recommended by the ITC with the adjustment and help us get back to work. Thank you.

CHAIR BUFFO: Thank you, Mr. Bockoven.

Now turning to Ms. Fang. Thank you.

MS. FANG: Thank you. Good morning. My name is Catherine Fang and I'm Vice President of Sales at Sun Fiber. My company and its workers are very appreciative of the opportunity to appear before you today in support of the imposition of a strong remedy.

Sun Fiber is a large employer in the small South Carolina town of Richburg in Chester County. We support a substantial number of workers and the jobs that Sun Fiber provides to the community are very, very important. We are optimistic that a strong safeguard remedy that will allow us to regain sales, rehire workers, and improve our financial condition from the devastating injury that fine denier PSF imports have caused.

Sun Fiber entered the U.S. market shortly after the imposition of antidumping and countervailing duty order on China, India, South Korea, and Taiwan hoping for a fair trade market in which to compete. The surge in imports at extremely low prices however caused us significant harm, including forcing us to lay off more than a third of our workforce in 2022.

The ITC recognized the severe injury

our industry suffered caused by imports and proposed a TRQ and a quota on TIB imports to assist us to recovering and adjusting. The remedy proposed by the ITC will allow us to move forward with the investments that we see as critical for our business to recovery and prosper. The remedy will allow us to invest in our business operations and to implement long-awaited plans that had been canceled or postponed due to imports.

Our adjustment plans include investments to modernize and improve our facility, rehire workers, implement cost-reducing measures, increase production, expand our innovative product offerings, and commit more resources to R&D. We are anxious to move forward with these plans as soon as possible. Contrary to some other commenters' claims, I am confident that our proposed remedy will be highly effective and will allow us to become more competitive in the U.S. market.

In addition to Sun Fiber's commitment

to our workers and the community we also support thousands of indirect jobs through our fine denier operations including our recycled PET suppliers and other vendors located in North Carolina, Florida, and Pennsylvania. These suppliers account for over 4,000 jobs. Those workers too will be negatively affected in the absence of relief.

Sun Fiber strongly disagrees with opposing parties' exclusion requests. Fine denier produced from recycled imports, for example, should not be excluded from any remedy. All of Sun Fiber's fine denier production is made from recycled imports. Sustainable fibers are important for our environment and an important part of this market. Exclusion of recycled fiber would be devastating to our company.

Sun Fiber also produces other specialized types of fine denier including short-cut fiber and siliconized fiber even though other commenters claim they are not able -- available from domestic producers. Hollingsworth & Vose, for instance, claims that the domestic industry does not produce short-cut, un-crimped fiber shorter than 12 millimeters in length. In fact, as I told the ITC, Sun Fiber can produce short-cut fiber down to five millimeters, as short or -- as short as the customers want.

We are willing to invest in the cutting wheels to make even shorter lengths, but have not had the necessary capital to do so because of import competitions. We also have plans to further specialty product development which are detailed in our adjustment plan submitted as an exhibit to our comments. In order to undertake those plans, however, the industry's import problem must be remedied.

I would like to conclude by noting that it is important to us that a rigorous monitoring program be set up to ensure that any imports from free trade agreements countries excluded from the remedy do not circumvent or undermine relief. We are concerned that imports from certain FTA countries, even though present in low volumes, will surge to replace other imports and deprive us of from -- of the intended benefits of the remedy. A monitoring program to identify and, as appropriate, address such circumvention as critical. Thank you for your attention.

CHAIR BUFFO: Thank you, Ms. Fang.

And thank you to all the witnesses for your testimony. We will now turn to the TPSC participants for any questions. Please be as concise as possible in your answers to allow sufficient time for questioning. Thank you.

MR. GAGAIN: Thank you. Once again I'm Mike Gagain. I'm from USTR.

Mr. Rosenthal, in your testimony -- and, Ms. Fang, I think I heard this in your testimony as well -- you mentioned that if FTA partners are excluded that you would propose a monitoring program to ensure that there's no surge or circumvention. I'm just wondering if you could elaborate on that point a bit and just sort of walk us through how you envision something like that working. Thank you.

MR. ROSENTHAL: Thank you. Paul Rosenthal for the record. It's not uncommon to have monitoring programs on imports in general. They've been around for time immemorial. My expectation is that it would be a very simple thing to just monitor, as you do now, for let's say the USMCA to see whether -- any surges in imports, to do the same for the FTA countries that might be taking advantage of the opportunity to enter the market under this program. And if there is a surge to perhaps have consultations to make sure that those import surges are not undermining the effectiveness of the relief.

MR. GAGAIN: Thank you for that. I have one other question, then I'm going to turn it over to my colleagues.

I know where the Petitioners stand on a possible exclusions process given your comments and your testimony, but for clarity of the record before us I just want to ask, given other parties' rebuttal comments in this proceeding I'm wondering whether you open -- whether you are open to any exclusions more immediately, or if your vision is that there would be an exclusions process if the TPSC were to make a recommendation to the President to impose relief. Thanks.

MR. ROSENTHAL: Again, Paul Rosenthal for the record. We are open to a true -- if there were a product that is not being made in the U.S. and that is not capable being made and desired to be made, we're totally open. And there have been some conversations with some people in the back of the room.

The problem is that we have not identified a product that is not made in the U.S. that they're talking about. And so, look, we don't want to impose any burden on any product that isn't being made or that can't make, but I will tell you that every product that has been mentioned today or in the testimony is either being made or capable of being made if prices are right and there's an economic incentive to do so. But if someone can point out to any of us --

these are customers of the industry -- they can point that there is no interest or -- in making this product here and they want to bring it in, we're fine with that.

Our problem is we've now been three hearings at the ITC where the Respondents have come and said you don't make this product. And of course when the ITC has gathered this information, it turns out that the domestic industry does in fact make this product. And in fact in some instances it makes it in greater quantities than the imports that are coming in. So there isn't a factual basis. All you have so far is assertions by the other side without any actual evidence.

So the answer, to summarize, is we're open. We don't want to keep product out. That's unnecessary. I want work with the customers to bring in product if they need it and we can make it. We're fine with that.

By the way, just to adjust the comment by the representative of the EU, my firm and I and my colleagues sitting here have been involved -- we represent the domestic steel industry. We represent the aluminum industry. We've been involved in the exclusion processes there. We represent a lot of companies who were involved in the 301 exclusion process.

Yes, those have all been lumpy and imperfect processes, but the agencies have gotten better at managing the exclusion processes, particularly under 232. 301, you're overwhelmed with requests. Here we're talking about a very narrow subset of products that might be potentially part of an exclusion process that can easily be handled without the difficulties you encountered in these other products that have been talked about.

MR. GAGAIN: Thank you very much.

MR. AMDUR: Hi again. I'm Alexander Amdur from Customs and Border Protection. I have a question for all the witnesses on the panel.

The government of Korea asserted on page 5 of its request to testify that no Korean imports of fine denier polyester staple fiber were imported under the TIB Program through 2023 and it has not been used otherwise to import increasing volumes of fine denier polyester stable fiber from Korea.

How would you respond to this assertion and how likely is this to change, and why?

MS. RINGEL: Mr. Amdur, Brooke Ringel, Kelley Drye, counsel on behalf of Petitioners.

As a factual matter that is what the ITC's record shows, that Korean imports had not used -- been entered under TIB through the period of investigation, but there's -- as Commissioner Kearns actually noted in the ITC report, there's nothing preventing Korea from doing that in the future. And in fact, that is specifically why the Commission recommended that Korea be included as covered by the recommended quota on TIB imports.

We, as you heard the witnesses testify -- Mr. Rosenthal explained -- also requests that

Korea be included as part of the TRQ remedy. And that's very important because Section 2253(a)(2) requires the President to take into account both the effectiveness of the action to be imposed and the potential for circumvention. And including Korea is both part of the TIB quota and under the TRQ remedy is imperative to ensure both of those factors are taken into account into the remedy that's imposed.

And that's for a number of reasons that are apparent on the record including that the Korean imports increased over the period including -- and that they increased over 42 -- over 40 percent in the first half of 2024 alone. They captured market share over the period of investigation through underselling and that Korea is the second largest global exporter of fine denier. So in order to ensure the effectiveness of the remedy and to avoid circumvention it's imperative that Korea be covered by both aspects of the remedy. Thank you.

MR. AMDUR: Okay. And to follow up --

MS. CANNON: Kathy Cannon, Mr. Amdur, could I also supplement that? Kathy Cannon for the record. One of the reasons we have urged that Korea be included is because the TIB Program is a program used by importers. So an importer has a set up to use temporary importation under bond. It can select any country. And so far, as we mentioned, the record shows that India and Taiwan have been sources that the importer have used for this program.

But if Korea were excluded, it would be a red light to the importer -- a green light to the importer, I'm sorry, to say here's an opportunity to source from this country; continue to use the TIB Program, but there's no prohibition. And that's the real concern here in addition to what Ms. Ringel mentioned about Korea's capacity and exports in general.

MR. AMDUR: Okay. Thank you. I don't have any additional questions.

MS. JOHNSON: All right. Good morning. Kayla Johnson, U.S. Department of

Commerce. This question is directed towards all witnesses, and I also recognize that Mr. Sparkman addressed this subject in his remarks as well.

In your view does the P&G proposed exclusion for low-antimony fine denier PSF approximately define the product? Is it over-broad? If so, why? Do you believe that semi-dull luster should be included in the definition? Thank you.

MR. SPARKMAN: Can you repeat the question? I'm not sure that I quite understood exactly what you were asking.

MS. JOHNSON: Absolutely. Yeah, this is in reference to the low-antimony fine denier PSF. The question was in your view does the P&G proposed exclusion for low-antimony fine denier PSF approximately define that product? Is it over-broad? If so, why? Do you believe that the semi-dull luster should be included in the definition?

MR. SPARKMAN: Okay. I'm going to try here. I think I understand what you're asking here.

So the product that they currently buying is an antimony-free polyester. Antimony is a catalyst that can be used in making polyester stable fiber, but there are other catalysts, a little bit more expensive. That's why we use antimony. But there are other catalysts that can be used to make the staple fiber. The product that they are buying is semi-dull, however, we could make an optically bright fiber as well. When you refer to semi-dull it means that there is no optical brightener added to the fiber. But we could produce either of those.

The one thing that -- for me that's important in this is that for this antimony-free product -- this is a product that Nan Ya has wanted to produce for some time, but as I alluded to in my testimony, Procter & Gamble has basically acted as the gatekeeper. They've not allowed us to qualify this product with them, therefore we can't sell this product, therefore I cannot -- I can't make a product that I don't have a downstream customer for.

So this remedy would effectively allow us to open the door, as it did in the biodegradable fiber that we made earlier this year. That door was opened as well because of Section 201.

MR. ROSENTHAL: I just want to summarize. Based on what we've been told, you can make this product. And if you have the opportunity to qualify it, you will make this product. Is that a fair summary?

MR. SPARKMAN: I'm ready to make it today. We could make this in October for this customer. We would be happy to do so.

MR. ROSENTHAL: One of the problems you have with exclusions -- and I've lived through this for quotas going back decades -- if you grant the exclusion, it destroys the incentive of the customer to then work with the supplier to develop the product and qualify the product. And that's why we've said don't grant the exclusion now because then the customer is going to say we're not going to bother dealing with them. We'll wait until the exclusion is expired and then maybe we'll talk to them. That's the problem.

If you don't grant the exclusion now, then there's a greater likelihood that Mr. Sparkman and the P&G customers will get together and work something out. And I will promise you this, because this is an honest person here, if he says I can make this product, after working with P&G, he will tell you and he'll tell P&G.

MS. JOHNSON: Thank you.

MS. LIN: Songhua Lin from Department of Labor. I have a couple questions for all the witness.

My first question --

PARTICIPANT: May you please turn on your mic?

MS. LIN: If remedy provide remedy to domestic producers, will this kind of relief translated to higher earnings for your workers?

MR. ROSENTHAL: Let me restate that and make sure we heard this. Will this --

PARTICIPANT: Excuse me, Mr. Rosenthal. May you please repeat your question?

MS. LIN: -- translate to higher earnings to your workers?

MR. ROSENTHAL: Will this relief translate into higher earnings for workers? I will say this at the outset, and I'll let the other -- right now it will turn into in gross terms higher earnings for workers because Darling Fibers will be able to hire back 340 people who've been laid off, who are not earning anything at Darling Fibers at this point. And other of the members of the industry will be able to hire back more workers. At what levels, I'll leave to them to respond.

MR. BOCKOVEN: Don Bockoven for the record. Great question. When we laid off our folks many of them got jobs in other places. Most of those were at lower wages than we were paying, so yes, they will get increased wages when they come back to work.

MR. SPARKMAN: Michael Sparkman for the record. Yeah, we have actually been increasing our wages over the last couple years. We want to be competitive; we want to keep our employees there. We also are under-employed today. We have the capacity at our facility to employ 940 people. As I testified, we're at 800. So that would be 140 more people that could come in with a high-paying job where they very likely are earning much less, or nothing at all today.

MS. FANG: Yes, so Catherine Fang, Sun Fiber. For us the adjustment plan we already submitted previously would add at least 150 or 280 jobs in our area and because all the new development we are talking about. So all of those workers will be highly trained. We already have programs with local colleges in place. So all of those -- all trained skill-based jobs will definitely higher paid than normal front line operators. Thank you.

MS. LIN: Okay. Thank you. My next

is going to move to short-cut fibers of PSF. So are domestic producers capable producing short-cut fibers of PSF?

MS. FANG: Right. Like I made in my previous statements and today as well -- so think Michael Sparkman touched based on that top as well. So the cut lengths of the fiber is really not a very technical term here for the fiber producers. Of course that will bring little bit difficulties in all the other processes, but really the most important aspect here is the cutting wheel. So your investment in certain specific cutting wheels are really the additional investment we need to do, which is not a lot considering the vast investment into the fiber production equipment.

MS. LIN: Okay. Following that I have another question. Given certain interest parties' estimate that it can take anywhere from 18 months to 3 years to qualify as a producer of this type of fiber and the remedy is imposed, what do you anticipate that the downstream industry will do satisfy demand and how will these actions impact your operations in the meantime?

MR. ROSENTHAL: Let me just add that -- answer that at the beginning. I'll let the members in industry expand.

When it comes to short-cut fibers, Sun already makes a lot of short-cut fibers now, down to -- is it five?

MS. FANG: Five.

MR. ROSENTHAL: So contrary to what you may have heard that the industry cannot produce short-cut fibers down to that level, they can. And it's just a matter of buying cutting wheels. Ms. Fang said the other day if they had a customer who wanted a different dimension, they could buy a cutting wheel that weighs about 200 pounds. They could send it over on first class, relatively inexpensively, and produce that fiber.

So going back to your question, how long does it take? It doesn't take -- if you're motivated, if you're a customer and you want to buy this product, it doesn't take you 15 months to qualify. You can qualify a lot faster. Mr. Sparkman just mentioned qualifying on a product in five weeks and producing the product in five weeks.

So it depends on the motivation of the customer. If they want to buy a U.S. product, they can work quickly to qualify. If they'd rather drag their feet, if they're not that interested -- and a lot times; and I've seen this in a lot of industries, the desire to qualify depends a lot on the price. If they don't think they're going to get a good price, they're not going to be in a hurry. And I'll stop there and I'll let the domestic industry folks expand.

MR. SPARKMAN: I'm also aware that there are certain industries that have talked about the length of their qualification process. and I'm sure that their qualification process is very robust and very thorough. But as Paul had stated, we've also seen out there in the industry that other companies that also have very robust and very thorough processing -- qualification processes can make those much shorter -- much quicker when a product is not available. They are not going to shut down a baby wipe because they're going to have to wait two years to qualify a product. These processes can go much quicker. And again, we've seen it with other industries.

MS. LIN: I would like to be more specific on the dimensions. I have one more question particularly for -- to Ms. Fang.

On page 7 of European Man-made Fibres Association's comments they propose an exclusion for importers based on -- first category is the length of the short-fiber, 2 millimeter to 15 millimeter. Second, physical characteristics of the fiber, un-crimped. And the third is intended use of the fiber for wet-laid applications.

So they assert that neither Sun Fiber or the other Petitioners advertise on their website that they manufactured this kind of product defined as a standard product. So how would you response this assertion?

MS. FANG: I'm going to answer the part I still remember. So the short-cut part I've just touch base on it. That really depend on the cutting wheel availability, which Sun Fiber is willing to make investment and expedite the process.

And as far as the wet-laid goes, one of your colleague companies, Palmetto Synthetics, makes that particular fiber already.

What's your third? The third?

MS. LIN: The third is the intended use of fiber for wet-laid application.

MS. FANG: Yes, so the wet-laid is covered by Palmetto company. And I think the other one you mentioned, it's the un-crimped. So that's one of the process in the finishing of the fibers. We have crimpers on the process, so to make crimps. Then also we can make the fabric go through the crimper with different process setting to, quote/unquote, un-crimped. So that answers your question.

MS. LIN: Okay. Thank you.

MR. MROCZKA: I guess it's my turn now. Victor Mroczka from USTR.

This is a question for everybody. In the adjustment plans that you all --

PARTICIPANT: Excuse me. Is your microphone on?

MR. MROCZKA: Closer? Is that better?

PARTICIPANT: That's better.

MR. MROCZKA: All right.

PARTICIPANT: Thank you. Thank you.

MR. MROCZKA: First time I've been told I can't be heard.

So I'll start at the beginning. In the adjustment plans that you all submitted to the U.S. ITC you state that among other things one of the activities that will be undertaken if relief is provided is updating production lines and increases in capacity. Does this include modernization of increased automation of equipment?

MR. BOCKOVEN: Yeah, Don Bockoven,

Darling Fibers. The simple answer is yes. Obviously there's a lot of complications in that in terms --

MR. MROCZKA: There's a series. This is like a --

MR. BOCKOVEN: -- in terms of what automation is, where you automate, and how you do that. So obviously for us with a restart, yes, we'd be looking at a lot more automation than we had when we first restarted, and investing a significant amount of money in that.

MR. MROCZKA: So what impact will those -- will such measures have on employment in your respective facilities? What I'm really looking for there is, is it possible for you to give us a rough estimate of what percentage of any increased employment will be dedicated to production as compared to sales or administrative staff? And I say a rough estimate because I understand that some of that may be confidential.

MR. BOCKOVEN: So let me make sure I understand the question. You're asking the impact of the investment on automation?

(Off-microphone comment.)

MR. BOCKOVEN: Okay. Yeah. Obviously, we do it for an impact, right? So productivity, reliability, quality, all those three major components of a good business would be impacted by investment. And I'm not going to give you the exact percentages because that's confidential, so.

MR. SPARKMAN: So with Nan Ya Plastics we're already very automated and our line are fairly modernized. We could definitely update those lines with newer equipment that would be more efficient. As far as the -- our warehouses are already automated in that.

The fiber will -- once the fiber comes off the line it isn't touched again by a human until the forklift takes it back out of the warehouse. So the fiber will come in. It gets stored in by robots. It gets pulled out by robots. And the last thing that happens is a forklift picks it up off of the conveyor line and puts it onto the truck.

So we already have a lot of automation in there. But with regards to jobs, what we don't have is we don't have our lines running full right now. And despite the best automation that you're going to have, you still have to have people to run that automation, right. And if we could get our lines to run full, we could add additional jobs.

MR. ROSENTHAL: Mr. Mroczka, this is the point I was going to make: If you look at the market share and the capacity utilization of the industry over the last couple of years, because of the imports both of those have been terrible. If you're able to make more sales and make investments in some of the new technologies, recycled, biodegradable, you'll be able to increase your sales, increase the amount of employees who will be able to produce those volumes.

And that's really the intent here, to be able to do so in a more competitive basis, because at the end of the day what matters is that when relief is over, they've got to be able to compete against other countries. So to be able to have more people working. The more throughput you have, the lower cost per unit you have, the more competitive you are. That's crucial here. And that's going to happen if they're allowed to invest as they have in their plans. And not just invest in better or more modern, but -- capacity, but in products that are not being made now, the more eco-friendly products that a lot of consumers are looking for right now.

MR. SPARKMAN: I would just add that -- you had asked about modernization of our facility. And in my testimony I'll refer back to the fact that we did actually just started or put into effect two years ago a brand new line with up-to-date modern state-of-the-art equipment as well.

MR. ROSENTHAL: I'll just add one more thing. This is from the ITC factual record. And it's a matter of public record that Mr. Bockoven's company invested about $200 million in restarting the Darling plant. They had another investment of $30 million to expand capacity there and they were encouraged by Frontier, which was a company they were dealing with, to add this additional capacity and the $30 million investment.

And then they -- Frontier was bought by Gildan. And shortly thereafter Gildan said to Darling thank you very much, but we are going to be using the TIB Program and we're going to be importing from another source now. We do not need you to be supplying that product. And that $30 million investment was shelved.

Am I summarizing this correctly?

MR. BOCKOVEN: Yes, we spent about half of that amount and have equipment ready to be installed. So we're ready to go.

MR. MROCZKA: I don't have any further questions. Thank you.

CHAIR BUFFO: Thank you again to our

witnesses for those responses as well as for your testimony.

We will take about a five-minute break while we compose the next panel. Thank you again.

(Whereupon, the above-entitled matter went off the record at 11:00 a.m. and resumed at 11:08 a.m.)

CHAIR BUFFO: I am pleased to introduce our next panel.

Next we will hear from Engineered Fiber Solutions in person, and remotely from SASA Polyester San Turkiye, and CIRFS: The European Man-made Fibres Association.

Our TPS participants will be Stu Huffman, from the Department of State; Songhua Lin, of the Department of Labor; Tyler Van Patten, of the U.S. Department of Treasury; Kayla Johnson, the U.S. Department of Commerce; and Andrea Boron and Rachel Hasandras, of USTR.

We will now hear testimony from Tolga Gorgun, Sales and Marketing Manager, Engineered

Fiber Solutions, followed by Mr. Omer Cetin, Sales and Marketing Manager of SASA Polyester San Turkiye; and, Brian Petter, head of Economics and Trade Department from CIRFS: The European Man-made Fibres Association.

Mr. Gorgun, you may now begin your testimony, and then we will proceed in order.

Thank you.

PARTICIPANT: Could you please turn on your microphone?

MR. GORGUN: Once again, good morning valued members of the committee.

My name is Tolga Gorgun, thank you for providing us the opportunity to make comments and provide relevant information regarding the fine denier polyester staple fiber investigation.

I'm representing Engineered Fiber Solutions, a German industrial company. Engineered Fiber Solutions, or EFS in short, is a mid-sized German industrial company.

PARTICIPANT: Will you please pull your microphone a little closer?

MR. GORGUN: Closer?

EFS is a mid-sized German industrial company with 50 employees, engaged in production and sale of specialty polyester short-cut fibers, primarily within Europe and in the USA, for the past three decades.

Our fibers are produced in the same industrial park established by DuPont back in 1968, which was the first DuPont polyester plant outside of the U.S. at that time.

Our product portfolio consists of short-cut fibers specifically designed to be concealed in wetlaid production mills, which is a process similar to paper making.

These fibers are distinct from those used in customary textile or filling applications, which constitute the majority of global PSF production.

Therefore, contrary to standard polyester fibers, the fibers we offer are cut between 3 millimeters up to 18, and have no crimp on them.

They should be extremely homogenous and carry a special surface treatment to allow dispersion in water during downstream production phases.

Moreover, these short-cut fibers are packed with around 10-12 percent moisture content, which also helps with further handling during consumption.

These physical characteristics make our fibers unsuitable for general textile or filling applications, but only allows further processing in a relatively small wetlaid industry.

The sales prices of short-cut fibers are significantly higher, sometimes two to three times higher than those of standard polyester fibers due to the high technical effort required in production.

This price differential reflects the specialized demand within the U.S. industry. Such high prices are only justifiable for the U.S. wetlaid industry, only if they provide additional value for specialized applications and not available in required specifications from the domestic producers.

Under realistic economic principles, a higher overseas product price would not be justified if a domestic alternative with the same properties were readily available.

All fibers supplied to the U.S. industry have undergone extensive qualification procedures over the past 30 years, and possess specific technical characteristics that make them valuable for downstream industries, including automotive and aviation.

For example, filtration is part of this business units.

This supports the U.S. downstream value chain at multiple levels with fine-tuned interim materials from participating mills, each contributing to the production of high quality final products.

To the best of our knowledge and also publicly available information from the websites of the three petitioners for the investigation, their product portfolios which constitutes the basis for the investigation and our fiber offerings, are completely different.

Moreover, although there are also producers of short-cut fibers within the USA, the total production volumes are not sufficient to fulfill U.S. domestic need for these kind of short-cut fibers.

Consequently, we are not creating unjust competition for the U.S. industry; rather, we are providing essential raw materials that enable many U.S. companies to maintain their regular supply and production.

The global fiber production capacity is estimated to be around 63 million metric tons. Whereas the global short-cut fiber production capacity is estimated to be merely around 80,000 metric tons.

This translates to 0.13 percent of standard ASF capacity. Given such small production volumes and higher price levels, short-cut fibers do not pose any unjust competition risk to the industry.

Therefore, we strongly believe that specialty short-cut fibers should qualify for exemption from any trade safeguard measures.

Following the initial phase of comments and replies, the focus for our segment was formulated under three base subjects, which I would like to summarize here once again.

Specialty short-cut fiber production within U.S. Petitioners offer various staple fibers, primarily for textile, drylaid nonwovens, and filling industries, which is evident by the public information available on their websites.

None of the companies have listed wetlaid suitable short fibers, short-cut fibers, sorry, with cut lengths starting from 3 millimeters up to 18.

They might well be able to, sorry, they might well be capable of cutting short-cut fibers if and when they purchase through to cutting operations.

But the cut length alone is not sufficient to provide the final technical parameters the end users need.

Short cut fibers for the wetlaid consumption has gone through years of technical developments, and carries special surface treatments which allow the fibers to disburse in water tanks for final processing at end users.

This is not a process which could be supported only by cutting and delivering the fibers originally designed for not wetlaid applications.

Can produce virtually any fiber is perhaps a very broad statement. None of the petitioners have the short-cut fibers as an offering on their web pages.

And, even if they are capable of cutting a short length, it does not mean that the downstream industry could immediately use these fibers without full technical parameters covering their exact needs.

Necessity for qualification and

precise technical parameters. The fibers delivered to U.S. companies have gone a very long qualification process, and fine-tuned to meet each customer's requirements ensuring smooth processing at many U.S. mills.

The qualification process could take 1-2 years to complete, and there might even be longer delays if the fibers do not meet the exact technical parameters required by the consuming mills.

Therefore, an immediate remedy on short-cut fiber imports would cut off essential fibers supplied to the mills, which have been purchasing these fibers for many decades.

Fiber price undercutting. We respect all comments referring to low import fiber pricing as the main decision making component for import fibers, and consequently creating unfair competition from outside U.S.

Whereas EFS does not deliver specialty short-cut fibers with prices undercutting the U.S. domestic producers prices, U.S. import statistics could verify this fact easily when fiber imports from Germany into U.S. will be controlled.

Due to the very high technical effort invested in production of short-cut specialty fibers, the sales prices of these fibers are not low or undercutting the existing U.S. producers' prices.

Thank you for listening.

CHAIR BUFFO: Thank you very much. We'll turn online. Mr. Cetin, thank you.

MR. CETIN: Yes, I am here. Are you able to hear me?

CHAIR BUFFO: Yes, we are, thank you.

MR. CETIN: Okay, dear participants out there, commenter, thanks for your attention and thanks a lot for giving me this opportunity.

This is Omer Cetin, I'm working for almost 14 years and I'm responsible for the process of SASA.

First of all, SASA Polyester is located in Turkiye, and established in 1966, and currently has polyester production around 4,000 pounds a day, including fiber, damask, and Petersham. And almost SASA has 5,000 employees in them.

According to the statistics, Turkiye's volume on USA import of fine denier in last five years is respectively 0.97 percent, 6.12 percent, 3.24 percent, 5.97 percent, and 4.03 percent.

From this data, it could be seen that Turkiye covers maximum 6 percent of total imports. As a result of this, SASA considers that via this import proportion, it is not possible to cause adverse effect on domestic producers.

It could be observed that the volume of imports of the product concerned from Turkiye into United States has increased since 2019.

However, these volumes remain comparatively limited when assessed against the collective import volumes from countries like Thailand, India, Taiwan, and Indonesia, and this collectively accounts for almost 80 percent of total imports.

According to trade map data, once more evaluation of fine denier polyester staple fiber imports have been increased in last 5 years almost 45 percent in United States.

Imports from main supplier countries like Thailand, India, Taiwan, and Indonesia, which cause 80 percent of proper imports, have increased substantially also except one country also during these periods.

It has to be kept in mind that anti-dumping and countervailing duty started to be implemented for some of these countries. However seems that these applications have not been able to become sufficient.

Although there are great trade remedies against some of these major fine denier exporters from Asian countries, current import balance reflects that these remedies are not adequate. Rather than focusing on these countries, decision of safeguard against all countries would not be fair approach for both fine denier exporters and fine denier consumers for USA.

In addition to this, when average importing prices have been compared for last three years, it could be observed that Turkiye's average unit price is greatly expensive than average price of total imports, and also it is expensive than the major exporter countries' average prices.

To illustrate, in the year 2023 while average import price was 1.50 USD per kg, Turkiye's average price was 1.69 USD per kg. Also in 2022, while the average was 1.69 USD per kg, Turkiye's average export price to USA was 2.03 USD per kg. These figures shows that once more that Turkiye is not effecting negatively domestic producers with these average prices.

What is more, basic polyester fiber cost structure arises from raw material costs plus conversion costs plus fixed costs. As nature of business, raw material costs covers almost 83 to 88 percent of total production costs.

In addition to this, as known main raw materials of polyester are PTA, means purified terephthalic acid, and MEG, monoethylene glycol, basic formulation for production of polyester polymer is equal to 86 percent of PTA plus 35 percent of MEG. In other words, for production of 100 kilograms of polyester polymer, almost 86 kilograms of PTA and 35 kilograms of MEG is needed.

When we focus on production of PTA, it would be observed that raw material of PTA is para-xylene, and for 100 kilograms of PTA, includes 66 kilograms of para-xylene, which has been derived from naphtha.

Another cost item is conversion cost which covers almost 11 to 13 percent of total cost, is mainly related to production technology, which is used by producer and labor productivity.

This long explanation is made in order to explain how raw material prices effects polyester prices, and at the end of the day, as demonstrated, main final cost derivative relies on oil prices.

Oil/naphtha prices does not differ greatly according to geographical properties, which means difference on import prices between exporter countries could not be explained by raw material prices.

To sum up, in a industry like polyester on which almost 85 percent of the final cost derives from raw materials, such different prices should be explained by dumping, profit level of seeking of some producers more than the industry average, or forwarding of producers the cost of old technology and inefficient labor productivity to market, implying safeguard means punishing countries or companies which make dumping and which do not. Also it could give a path to maximize profit level of companies which do not renew their technology and increase its efficiency.

SASA would like to touch end use of fine denier polyester fibers. The major two subindustries on which it is used are hygiene and spinning. Spinning is, briefly, convert of fiber to filament, which would serve garment at the end of the day. Hygiene industry consists of production of wet wipes, baby diaper, baby wipes, medical fabrics, et cetera. On these industries, hygiene has extreme qualification expectations, which could not be covered by all producers.

Hygiene type of fabric producers which are first step on the chain after fiber producers, have very deep and challenging parameters about which they may audit their suppliers regularly.

These quality parameters based on having hygiene standards about production, storing, and loading. In worldwide, there are few producers which are able to fully cover these demands.

Thus, as supported by some fiber consumers in USA, USA-based fine denier fiber producers are not able to cover all of this expectations of the markets in terms of quality.

That's why SASA, as SASA, we kindly request to evaluate this possible safeguard implementation from this point of view.

According to SASA, any trade remedy will have two great consequences. First, since these goods could not be supplied from domestic market fully, consumers will continue to import via paying remedy and as a result of that, these remedies will be reflected to final price of goods by producers. Because of that, final consumers will pay more than deserved for final goods.

Secondly, due to high cost of polyester fiber in the USA market, while import of fine denier fiber are declining, import of products like nonwoven fabrics, garments, which is being produced by fine denier fiber, will increase drastically. In other words, market would prefer importing intermediate goods from other sources, rather than importing fine denier fibers.

Under the facts mentioned above, SASA

considers that the fairest settlement of this investigation could be support of domestic producers via state. In order to support the industry, possible government incentives would be satisfying all parties of the industry via that on one hand, final consumers would not pay high prices for final goods, on the other hand, domestic producers will get opportunity for taking deep breath against its competitors.

Finally, if the commission recommends import restrictions, the most appropriate form would be the tariff quota. SASA would like to reiterate that a country-specific volume-based measure, such as a tariff rate quota would be the most appropriate on this case. The TRQ should be set via some criteria which would be decided by a commission. On these criteria, countries which makes fairly trade and which not should distinguished, and fairly trade making countries should have supremacy against which are not making fairly trade.

Thanks for your attention.

CHAIR BUFFO: Thank you, Mr. Cetin.

Please proceed, Mr. Petter.

MR. PETTER: Thank you very much. Can you hear me?

CHAIR BUFFO: Yes, we can.

MR. PETTER: Thank you so much.

Good morning, and thank you very much for giving us the opportunity to contribute to this hearing.

My name is Brian Petter, and I serve as the head of the Economic Central Department at CIRFS, which represents Europe's $12 billion man-made fibers industry.

Now, would like to begin by emphasizing that imports of fine denier polyester staple fiber from the European Union and Turkiye into the United States, have not significantly increased, nor are they likely to cause or threaten to cause serious injury to the domestic industry as they must trade debt in our written submission, import prices from both the EU and Turkiye, exceed the average import prices into the U.S., of the product concern.

And furthermore, the EU prices are even notably higher than the U.S. export prices for the domestic in question, product in question.

In light of this, it is evident that imports from the EU and Turkiye are not causing serious injury to the domestic industry. This should be carefully considered when determining any potential remedies.

Now, CIRFS would like to draw your attention to the preamble of the WTO agreement on safeguards, which emphasizes that it is, it is its objective to enhance and rather than restrict competition in international markets.

Should USTR conclude that a remedy is warranted, the most appropriate course of action to support the domestic industry and its workforce, would be to provide trade adjustment assistance, alongside programs aimed at aiding domestic spinners and other end users through targeted tax incentives during the duration of the remedy.

CIRFS also supports the petitioner's proposal to renegotiate trade agreements to incorporate a fiber for rule of origin, as a standard. This rule in fact, should be regarded as the goal centered in all preferential trade agreements globally.

Now, if USTR recommends import restrictions, the most appropriate form would be a country-specific trade tariff trade quota.

In the context it is important to emphasize that a safeguard measure may only be applied when a product is being imported in increased quantities. The root cause of this issue is therefore, the increased volume of import.

Secondly, according to Article 5.1 of the WTO agreement on safeguards, a member shall apply safe measures only to the extent necessary to prevent a remedy -- to prevent or remedy serious injury, and to facilitate adjustment.

Now, CIRFS believes that a volume-based measure would be the most appropriate in this case.

This should be implemented through a country-specific tariff rate quota where measures would only apply above the average import levels of the last 3 years, established by Turkiye and the member states of the European Union.

A tariff should be only applied if the import of those volumes from the specific origin exceed the respective annual quota level.

Type of a measure targets the root cause of the problem, while preserving historical trade flows. By doing so, this measures would avoid unduly penalizing fairly traded imports, which have not significantly increased in recent years, benefitting also domestic consumers and competition in the U.S. market.

This is particularly pertinent since the U.S. in the domestic industry total capacity, to our knowledge, it's insufficient to meet the total market demand. Lastly, we would like to respectfully request to consider these specific exemptions from the introspective measure.

First, an exemption for fine, fine denier polyester staple fibers, and second, for below-antimony polyester staple fibers with antimony levels less than or equal to 10 BPM.

Exempting specialty products that are neither supplied by the domestic industry, nor available in sufficient quantities from alternative sources, is consistent with the principle of proportionality in the application of remedies.

To all of our best of our knowledge, exemptions granted can be reviewed 2 years after their imposition, if the circumstances for those measures have changed.

So, thank you very much for your attention and consideration.

CHAIR BUFFO: Thank you, Mr. Petter, and thank you to all the witnesses for your testimony. We will now turn to our TPSC participants for questions.

MR. AMDUR: Okay, good morning, this

is Alexander Amdur, from Customs and Border Protection.

Mr. Petter, I have a question for you but it's also if any of the other witnesses want to comment as well.

So, if the person were to impose safeguard relief but include product exclusion process, are there particular aspects of an exclusion process the industry would find helpful or conversely, burdensome?

And then also, how can an excluding process be structured that is enforceable and not burdensome on both importers and Customs and Border Protection, which is the agency responsible for enforcing trade measures on important goods?

And then, what key data or information elements would be important?

MR. PETTER: Thank you very much for the question. I think the other representatives may answer as well, but from our point of view of course, the product needs to be, or the exception needs to be clearly, clearly defined with technical parameters.

Of course, there might be some circumstances where technical parameters will have some limits, but at least we will have a basis for that. I think one way to manage it, and that's what something that we pointed out in our statement, is that a possibility to manage this kind of exemptions is through granting end-use authorizations.

That for example, give customs authorities the opportunity to survey the full use of the products within the processes of the holders of the authorization, until the products have been processed.

I think that guarantees enough security for all parties. It isn't, as from our point of view, it isn't very burdensome. It is the way it is handled in the U.S. for some cases.

So in any case, it would be acceptable to all for example, for an importer in the U.S. to request an authorization, which applies for the whole period of the remedy. And then, customs authorities would have the opportunity to control and to see, and to verify whether the goods that are being imported, are really being used for the purpose explicitly stated in authorization.

I hope that helps to clarify your question.

MR. AMDUR: Yes, thank you. Are there any other comments from the other witnesses?

MR. GORGUN: I might probably add in addition to the technical parameters of the fibers, the cut length, the crimp, and other technical parameters, perhaps the intended end use could be a defining parameter here.

Wet laid for example, is completely different from textile applications, or nonwoven applications, or filling applications.

The mills or the industries using short-cut fibers in the wetlaids, could be exempt from remedies or any special area.

MR. AMDUR: Okay, thank you.

MR. VAN PATTEN: All right, thank you.

Mr. Gorgun, this next question is for you, as well.

And, it refers to a statement you made on page 1 of your comments, and then again verbally today. You asserted that there are producers of a similar short-cut fiber in the United States, but that total production volume is not sufficient to fulfil U.S. domestic needs for those kinds of short-cut fiber. So, I have two questions for you as that statement relates to the U.S. ITC's report.

First, on page 40 of the ITC's report, they assert that U.S. shipments of fine denier PSF specialty products, generally exceeded U.S. importers' U.S. shipments of imports for fine denier PSF specialty products, including short-cut fine denier PSF.

And secondly, the ITC report asserts on page 43 that the domestic industry had ample excess practical capacity throughout the period of investigation with which it could have increased production and U.S. shipments of fine denier PSF to U.S. markets.

If you could kindly respond to those two statements from the ITC?

MR. GORGUN: Certainly. Of course, we respect all those comments and have no doubt about the truthfulness.

But sometimes the required products are in small technical parameters, differentiated from another. And in some cases, the end users requires a specific characteristics on the product, which is not easily available from the U.S. suppliers although they can manufacture these fibers, of course, and perhaps also exporting outside of USA.

This provides us the opportunity to make a niche polyester fiber and fulfil the demands of the industry within U.S.

MR. VAN PATTEN: Thank you.

MS. HASANDRAS: Thank you. Rachel Hasandras, USTR. This question is for Mr. Omer Cetin, from SASA Polyester.

On page 6 of your comment, you assert that without an exclusion, U.S. domestic producers of hygiene and spinning products will be unable to access fine denier PSF, as few producers are able to meet the quality parameters necessary for production.

Please respond to the ITC report's assertion that one, domestically produced fine denier PSF is like imported fine denier PSF, and both are used in nonwoven hygiene and spinning applications.

And two, the majority of responding purchasers reported that domestically produced fine denier PSF is comparable to imports of fine denier PSF with respect to 17 out of 20 purchase, purchase factors, and differences other than price were only sometimes or never significant.

MR. CETIN: Yes, first of all, let me combine answer for both questions.

Initially, the hygiene industry, the fiber which is being used by the hygiene industry, could be seen similar and also similar to what is being used for the spinning industry in terms of technical deficits.

However, the issue here which I'll try to mention that the, there are some quality requirements of this hygiene consumers not only about the production technical issues, physical technical parameters of the production, other than the operation of production plants, warehouses, and loading shipments.

As I mentioned, I'm working for 14 years and we have been obviously many, many times with this hygiene type of non-moving producers not only from Europe, but also from other parts of Europe.

That require that pro -- very handle their expectations and products they make based off of our consumers located also in USA, that are not able to cover this quality parameters from the domestic markets. As a result of that, they are making imports into their plants in the United States. That's what I try to underline on this articles.

MS. HASANDRAS: Thank you. No further questions.

CHAIR BUFFO: Are there any other questions from the TPSC participants?

Thank you very much. Thank you for your responses, and thank you again to the witnesses for your testimony.

We are running a little bit ahead of time, so we will close now for a one hour lunch break to resume at 12:45.

(Whereupon, the above-entitled matter went off the record at 11:40 a.m. and resumed at 12:50 p.m.)

CHAIR BUFFO: Good afternoon and welcome back everyone. I am pleased to introduce our next panel.

Next we will hear from Sandler Nonwoven Corporation; INDA, the Association of Nonwoven Fabrics Industry; Milliken & Company; and, Gildan.

Our TPSC participants will be Alex Amdur of CBP; Songhua Lin of the U.S. Department of Labor; Tyler Van Patten, of the U.S. Department of Treasury; Marin Weaver of the U.S. Department of Commerce; and, from the USTR, Andrea Boron, David Salkeld, and Mike Gagain.

We will now hear testimony from Tobias Baumgaertel, as Sales Director, Sandler Nonwoven Corporation; Wes Fisher, Director of Government Affairs, INDA; Matthew Holt, Sourcing Director from Milliken & Company; Mark Doyon, Vice President of Commodities for Gildan; as well as John Maness, Senior Vice President of Yarn Spinning at Gildan.

Mister, did I say it right?

MR. BAUMGAERTEL: Baumgaertel.

CHAIR BUFFO: Baumgaertel, please proceed.

MR. BAUMGAERTEL: Thank you very much. Good afternoon members of the committee, and good afternoon to everybody in the room, but also being online.

My name is Tobias Baumgaertel. I am a Sales Director of Sandler Nonwoven Corporation, and I appreciate the opportunity today to express, to express strong opposition to the commissioner's recommendations of a 4-year period of relief and tariff quota, to be imposed on imports of fine denier polyester staple fibers.

Sandler Nonwoven Corporation is a wholly owned and operated subsidiary of Sandler AG, a German firm. Being in business for 145 years.

Sandler started its operations in Perry, Georgia, in 2015, with staff of 30 people and one production line.

Today, the company is operating two production lines and employs 105 people in the U.S.

Sandler has made a significant investment over the past years at our location in Perry, Georgia. With the two production lines, we invested almost 100 million U.S. dollars in Perry, Georgia. It's quite significant for Sandler, and was a big milestone in the history of our company.

Sandler manufactures nonwoven textiles that are used in the production of person hygiene products. Manufacturing these products requires the use of imported polyester stable fibers, including those that are subject to this investigation.

Despite all our efforts, we have not been able to find U.S. producers for these fine denier polyester stable fibers meeting our high requirements respect of our U.S. customers' stringent specifications for the manufacture of products for sensitive personal hygiene applications, such as baby care, feminine hygiene, or adult incontinence.

Domestic producers have been unwilling or unable so far, to produce and offer the fibers we need. According to our customer standards, the production of nonwovens for hygiene applications requires the use of virgin fine denier polyester stable fibers, to prevent any contamination.

One important criterion we have to

fulfil for example, is the absence of antimony in nonwoven for baby wipes, which requires the use of antimony-free fibers. By the way, antimony is a common catalyst in the production process of polyester stable fibers.

To the best of our knowledge, there is currently no U.S. producer able to fulfill this requirement. In regard to the domestic non-availability of virgin and antimony-free fibers, please let me refer to the individual petitioners as following.

Nan Ya is first. Nan Ya promotes polyester stable fibers for textile applications. Nan Ya uses antimony in its production of fine denier polyester stable fibers.

For Nan Ya to produce antimony-free fibers, its polymerization unit would have to be refitted or replaced by a new polymerization unit dedicated to using an alternative catalyst to antimony.

Second is Sun Fiber. All of the company's finding new polyester stable fiber is made from recycled inputs.

These recycled inputs are made from plastic bottles and other materials, which contain antimony. Thus, their fibers also contain antimony and can subsequently, not used in our production process.

Last is Darling Fibers, which I understood is currently closed. Darling Fibers produced polyester stable fiber for the fabric, garment, and fashion industries, and used recycling input.

To our knowledge, they could not produce virgin antimony-free fibers, or would have to limit their production capacities of specialized fibers by yarn.

Besides the petitioners, there are, to our knowledge, no other domestic producers that could provide virgin and antimony-free fibers.

Hence, any anti-dumping or countervailing measures against foreign fine denier polyester stable fiber, would put our enterprises at a massive competitive disadvantage while the U.S. market could not satisfy our needs.

Let me express in the context that Sandler always has been committed to buy American where possible. And, has been covering also its fiber requirements on the U.S. market where available. There is even a proven record that Sandler transferred successfully fiber sourcing from Europe to the U.S.

So, we are committed if fibers are available. But the conditions are not given to fine denier polyester stable fibers for hygiene applications.

Hence, there is no justification for imposing a remedy on products the domestic industry does not currently make. If U.S. involving producers can no longer offer domestically produced nonwovens competitively, customers will cover their needs with nonwoven manufacturers from abroad, especially Asia, which we also see today already.

This will lead to a considerable

weakening of the U.S. economy. In worst case, the out of quota tariff rate for fine denier polyester stable fibers would be 45 percent, while there is zero percent applicable duty rate on finished nonwovens of heading 5603. And even China Section 301 tariff of 25 percent would leave finished nonwoven of heading 5603 is still a far more competitive than domestically produced nonwoven.

But Sandler is committed to maintain and expand the U.S. presence, and is prepared to manage, through a cyclical, and normal business uncertainties.

Deliberate measures that target key components of our supply chain present a jeopardy to our existing production, and could terminate any future investments in the United States, and would also put at risk the investments we already made, and the trust we created in our hometown, Perry, Georgia.

I hope this will not be the case, of course. We are committed citizen to our community in Georgia, and have looked forward to fostering its long-term development.

In short, subjecting the fine denier polyester stable fibers to the proposed measures, would impose significant economic harm on many U.S. companies, including Sandler. With this in mind, Sandler Nonwoven Corporation respectfully requests the planned measures to be waived, or at least exclusions for the use and the production of person hygiene products to be granted.

Before I close my testimony today, I would like to respond to the, to some of the arguments of the petition's panel this morning, if you will allow me.

The first one is quality. Now, the petitioner's panel tried to narrow down everything to cost this morning. One important topic was not mentioned so far, and this is quality.

The hygiene industry has specific quality requirements to not only meet, but to exceed customers' expectations, and also consumers' expectations.

Contaminant-free materials are key to making all the materials for hygiene by its application. Contaminant-free products is not the benchmark, but the expected standard from Sandler's customers. Contaminants in fibers can result by mix of fiber grades due to complex manufacturing and cleaning process, or other impact throughout the fiber manufacturing process.

To Sandler's knowledge, none of the petitioners to fulfil the high quality standards to provide fibers for hygiene nonwoven manufacturing. One example is antimony-free fine polyester fiber.

The second topic, and the second strong argument from the petitioner panels this morning, was qualification time. The qualification process, and, therefore, time, in the hygiene and fibers industry is critical. Qualification of a new product is a process being conducted in multiple steps throughout the qualification. The process and qualification time is not only about fiber manufacturing, but most importantly about nonwoven manufacturing and converting within tens of testing and specification were included. This will ensure superior quality of the end product, and the positive consumer experience.

Just to give you one example, the EPA registration process -- and this is only EPA -- for institutional and industrial wiping application such as hospital disinfecting wipes, will take 12-18 months.

EPA standards and regulations are important for the environment, and individual health. There is no way, there is no way to take shortcuts to these standards and regulations to complete a qualification in just five weeks. It's impossible.

I really would like to thank you very much to give me the opportunity today to express strong opposition to tariffs. It's vital for us to source globally, but again, I would really like to underline that because this is also a topic made this morning.

Buy American is just one argument we have as nonwoven manufacturers. That's what we do, and that's important for us. But if the industry cannot fulfil our standards, we need to go somewhere else.

Thank you.

CHAIR BUFFO: Thank you for your testimony. You may proceed, Mr. Fisher.

MR. FISHER: Thank you.

Good afternoon, my name is Wes Fisher, I'm the Director of Government Affairs for INDA, the Association of the Nonwoven Fabrics Industry.

INDA was founded in 1968 and is headquartered in Cary, North Carolina, and our member companies represent the entire nonwovens value chain, including raw materials and rolled goods producers, machinery manufacturers, converters, and brand owners.

On behalf of INDA, we thank you for the opportunity to provide testimony regarding potential actions concerning fine denier polyester staple fiber.

INDA would like to reiterate its written comments previously submitted to both U.S. ITC and USTR, and urges the president to consider the significant negative impacts on the nonwovens industry that additional duties on fine denier PSF would bring.

U.S. based nonwovens rolled goods producers are strongly opposed to potential actions regarding fine denier PSF, and generally feel that the nonwovens industry would be harmed to a greater extent than issues being experienced by the petitioner, if such actions were implemented.

As a trade association representing the global nonwovens value chain, our primary goal here today is to echo the concerns of nonwovens producers, and other companies participating in the nonwoven supply chain, several of whom are in attendance today, and echo the concerns they have expressed throughout this process.

Direct nonwovens manufacturing is an approximately $20 billion industry in North America, with nonwovens contributing to nearly $100 billion in sales to end users.

INDA members include the manufacturers of thousands of durable and disposable products such as personal care items, hygiene products, PPE, medical equipment and construction materials, automotive fixtures, and many other durable and disposable end uses.

In the United States, there are approximately 15,000 employees working at nonwoven fabric mills, and many thousands of additional employees throughout the U.S. nonwoven supply chain, such as converters of nonwovens rolled goods into wipes or other types of products.

The hundreds of companies employing these workers are located in small towns throughout the United States, including throughout the Southeast, such as the Carolinas and Georgia, and in the upper Midwest.

Staple fibers are a significant input in North American drylaid, wetlaid, and airlaid short fiber nonwovens production. Total staple fiber consumption, so fine denier and all other types of staple fiber, was 3.226 million metric tons in 2023.

And polyester is the largest staple fiber category, representing 38 percent of staple fiber consumption in North America in nonwovens in 2023. Or, roughly 1.225 million metric tons.

It's also worth noting that while these numbers represent the entirety of North America, the United States was responsible for 88 percent of North American nonwovens production.

Those figures are derived from the Census Bureau's annual survey of manufacturers, and INDA's most recent industry outlook and industry supply reports.

In collecting feedback regarding the safeguard petition, INDA received feedback from members representing a diverse array of nonwovens rolled good producers who utilize polyester staple fiber, and specifically, fine denier polyester staple fiber for a variety of processes.

And found that in general, nonwovens producers are strongly opposed to measures that would inhibit imports of fine denier PSF, citing the potential for such actions to significantly harm the industry, and result in significant production and job loss in nonwoven production.

Reasons cited included perceived lack of sufficient supply of U.S. polyester staple fiber to satisfy current demand in the domestic manufacturing sector and the potential for raw materials to be produced into rolled goods, or finished goods overseas and imported at lower duty rates.

In addition to the immediate tangible benefits of a loss of nonwovens production in the United States, we urge the president to further consider the future consequences of decreased capacity to make nonwovens in the U.S. with a recent example being the COVID pandemic, which taught a valuable lesson regarding the need to have the capacity to make critically important materials such as PPE, here in the United States.

As was also mentioned by several commenters, there are several types of specialty polyester staple fibers specifically engineered and best needed for a variety of applications in nonwovens and other processes, such as low antimony PSF, which are used to produce baby wipes and other types of products, that are not produced domestically, or not widely available domestically.

We urge the president to offer exclusions for such products when weighing final actions in this matter. We've also specifically received significant feedback from our members stating they rely on Korea for specialty PSF imports, and urge the president to consider that, as well.

In closing, INDA encourages the president to explore a holistic approach to addressing anti-competitive trade practices, as it has been widely expressed by the U.S. Nonwovens Industry that many different rolled goods and finished products are arriving in the United States at well below market rates, in some cases possibly due to foreign subsidies that create non-market conditions.

The potential imposition of additional duties on polyester staple fiber and other actions, would likely unintentionally exacerbate this issue by incentivizing fiber to be manufactured into nonwovens overseas, and imported into the United States.

Thank you for the opportunity to provide input on this matter. I'd be happy to answer any questions. Would also be happy to forward any specific technical questions about the nonwovens process for the industry, to our technical staff in North Carolina.

Thank you.

CHAIR BUFFO: Thank you very much. You may proceed, Mr. Holt.

MR. HOLT: Thank you.

Milliken and Company is the largest domestic textile manufacturer in the United States. A diversified manufacturer, we also produce specialty chemicals, floor coverings, and healthcare products.

We're headquartered in Spartanburg, South Carolina, and operate in 13 states. We proudly employ approximately 7,000 associates in the USA.

At Milliken we use PSF as a key raw material in our wovens business, which goes into products like protective gear and uniforms for the military, flame-resistant apparel for first responders and hazard occupations, industrial fabrics, and more.

Each year we buy around 25 million pounds of PSF, all of it high tenacity, a specialty product. Of that amount, we purchase roughly half from the sole domestic supplier, with the remainder being imported.

If remedies, including tariff rate

quotas, are imposed, our textile business and workforce would suffer substantial harm.

First, the higher prices compelled by the U.S. ITC recommended remedies would cause us to lose business. We purchase PSF on a formula: the raw materials, being PTA and MEG, plus a conversion cost, or the manufacturing cost plus margin for the producer.

While it's too early to know how the final remedy would increase our costs, I can say that after the 2017 PSF antidumping case, Nan Ya increased the conversion portion of their costs by an average of 65 percent between 2017 and 2023. We cannot absorb another increase like that.

The domestic textile industry is in a recession. Our volumes are down 25 percent-plus, our workforce has been reduced, and we've had to close facilities. Remedies that further strain us would jeopardize the thousands of textile jobs downstream in the PSF producers.

Second, the higher prices compelled by

the remedies would harm the entire industry and cause us to lose business to imported products, especially to our CAFTA-DR partners.

Our free trade agreements are based on yarn-forward rules of origin. So, the yarn, fabric, and apparel must be made in a free trade country.

However, that doesn't include fiber, meaning PSF can be imported from low cost suppliers -- China, India, et cetera -- into CAFTA-DR, made into fabric or apparel, and shipped back to the U.S. to compete with our products duty free.

Some U.S.-produced products could be 30 percent more expensive than other textile products made even in the Western Hemisphere.

Additionally, the CAFTA-DR reality means that manufacturers will face tremendous pressure to offshore jobs and operations if trade-based remedies are imposed.

Finally, we are concerned that remedies that force us into purchasing from the sole domestic supplier would jeopardize our operations. Domestically, only Nan Ya manufacturers the high tenacity polyester staple fiber we need, despite our best efforts to qualify others. They don't have the practical capacity to meet the demand of all the specialty PSF they offer.

Necessary gaps between product runs and competing demand for specialty products would impact our ability to purchase high tenacity. We saw this firsthand in 2022.

I hope that I have demonstrated how devastating the U.S. ITC remedies would be for the domestic textile manufacturers who buy PSF and would now face higher prices, increased competition from Central America, and supply constraints.

I would also note that any tariff-based remedy would ultimately hurt the entire domestic textile industry, including the Petitioners. While they would see some initial benefit from the remedies in the short term, it won't last, as we and other domestic producers will be buying less for a shrinking business moving forward.

Some actions we think the Trade Policy Staff Committee could take that would help the Petitioners remain competitive and also lift the entire industry include trade adjustment assistance, tax or other financial incentives for the PSF producers, investment incentives including capital investment for the entire industry so the domestic PSF industry can have better throughput, more specialty products, and more competitive prices.

If the committee chooses to move ahead with the tariff rate quota or additional tariffs, we would request that high tenacity be excluded from any remedies. If not, or a transparent exclusion process where we can advocate for relief. And end quota imports should have no added duty, as this is the precedence in most other instances of a TRQ.

However, and I cannot stress this

enough, we implore the committee to think about the entire domestic textile industry. We're at a precarious point right now. Any trade-based remedies could be the difference between continuing to exist or being forced to close facilities and pursue offshore manufacturing.

Thank you so much for your time and consideration today. And I look forward to any questions you may have.

CHAIR BUFFO: Thank you, Mr. Holt.

You may proceed, Mr. Doyon.

MR. DOYON: Good afternoon. Thank you for the opportunity to testify regarding the impact of the proposed action on fine denier polyester staple fibers, commonly referred to as PSF.

On behalf of Gildan Activewear, I'm Mark Doyon, Vice President for Commodities, Customs, and Trade.

Gildan is a leading manufacturer of active wear, underwear, socks, and legwear. Gildan sells and distributes product worldwide to consumers, retailers, and distributors. We own and operate vertically integrated, large scale facilities manufacturing all steps, from yarn spinning in the United States, to garment manufacturing in Central America, Dominican Republic, and Haiti.

In fact, I am confident we are the largest apparel manufacturer in the Western Hemisphere. We employ nearly 3,000 people in the United States, and 35,000 in the CAFTA-DR Caribbean region.

I testified to the ITC along with my two colleagues during the injury and remedy phases of this investigation. I am back here to testify today along with my colleague John Maness, Senior Vice President of Yarn Spinning, because this is a critical issue that would determine the competitiveness and continued existence of much of the remaining yarn spinning in the United States.

Just in the last year alone, 11 yarn spinning plants closed due almost entirely to intense international competition from low cost Asian suppliers, including the surge of shipments entering under Section 321 de minimis.

Gildan purchases around 40 to 50 percent of all U.S.-grown cotton consumed domestically. Gildan spins yarn from cotton and PSF in our seven facilities in North Carolina, where we employ nearly 2,000 U.S. manufacturing workers.

We export U.S.-made yarn to knit into fabric and sew into garments chiefly in Central America, the Dominican Republic, and Haiti, from where finished garments are sent to the United States, with about 20 percent of our finished apparel exported to Europe, Canada, and elsewhere.

While we understand the challenges facing the U.S. fiber industry, Gildan strongly believes that the recommended tariffs and quotas on imports of PSF are not in the best interests of the U.S. economy. It would simply transfer the injury to their customers, the broader textile industry, and the communities that depend on this vital supply chain.

An innocent victim of such action would be U.S. cotton growers if even more yarn spinning moves offshore, as would happen. Any benefit of the recommended safeguards would be outweighed by the substantial economic and social costs.

One of the key issues we face is the limited capacity and reliability of the U.S. fiber industry.

Only four domestic producers of PSF remain, with a combined practical capacity of approximately 300 million pounds, compared to 545 million pounds of PSF consumption in 2022, leaving a shortage of 245 million pounds.

The ITC tariff rate quota, or TRQ recommendations, are based on 2023 demand which numerous companies have explained was abnormally low compared to previous years. The ITC's recommendations on TRQs, one as low as 110 million pounds, would severely constrain the yarn spinning industry from future growth, while forcing yarn spinners to pay punitive tariffs on almost half of their PSF consumption, rendering them and other downstream manufacturers uncompetitive.

And unrealistically low TRQ would eventually result in a sharp contraction of the domestic yarn industry and the loss of thousands of U.S. jobs.

Additionally, there is agreement that the U.S. demand will grow far more than the 2 percent used in the ITC projections, with some stakeholders stating that they expect growth of over 6 percent through 2030. Any quantitative or tariff-based restrictions must still allow imports to bridge the gap between what domestic PSF producers realistically can deliver today and what U.S. purchasers of a range of distinct types of PSF must have for continuity of their U.S. operations.

Further, despite our efforts to increase our domestic sourcing, none of the U.S.

PSF suppliers have been able to supply the quantity or quality we require for spinning. Yarn spinning for apparel depends on fibers from the same production lot, from a single supplier, to ensure consistency, especially for dying. Unfortunately, the domestic producers have repeatedly to fail -- repeatedly failed to meet these critical requirements, with no single fiber producer being able to meet our substantial needs.

We are not alone in this experience, with other commenters confirming not only the shortfall of domestic fiber, but the fact that only one of the four existing supplies is even capable of providing fibers of the appropriate, appropriate length and tenacity for use in apparel spun yarns.

Such an inequity in fiber production introduces the risk of catastrophic failure of the industry. And a policy forcing U.S. manufacturers to rely on such single source production is inconsistent with our supply chain resilience objectives.

The U.S. yarn spinning industry is already under intense pressure from low cost international competition, particularly from CAFTA-DR countries where yarn spinners do not face tariffs or quotas on PSF imports. These countries have become increasingly competitive in recent years, with CAFTA-DR imports of PSF reaching 85 million in 2022, roughly 17 percent of total U.S. consumption.

Much of this PSF comes from China and is subject to prohibitive duties when imported directly into the U.S. If the administration imposes additional tariffs and/or quotas on PSF imports, U.S. yarn spinners like Gildan will find it even more difficult to compete with producers in CAFTA-DR countries where raw material costs are lower and access to PSF is unrestricted.

Petitioners claiming that domestic purchasers of PSF will not experience hardship over, in their own words, modest price increases of up to 22 percent, are surely going to be proven wrong. China and other countries' textile industries and PSF supplies will benefit, especially in low margin segments of the apparel market.

In the end, the recommended actions would drive more U.S. production, yarn product, offshore, leading to job losses and further eroding the domestic yarn spinning industry.

Once production shifts offshore it will be nearly impossible to bring it back, leaving the U.S. textile industry even more vulnerable to foreign competition.

As I mentioned earlier, one of the consequences of offshoring the U.S. yarn spinning industry would be a decline in purchases from U.S. cotton growers. Reducing yarn production in the U.S. due to increased costs and lack of availability of PSF would lead to a corresponding decline in our demand for U.S. cotton, further weakening this vital agricultural sector.

The interconnectedness of the U.S. textile supply chain means that any disruption to one part of the system, such as yarn spinning, will have a cascading effect on other sectors, including cotton farming. The proposed remedies will not only harm U.S. yarn spinners and other downstream PSF-consuming industries, it will also have a detrimental impact on U.S. cotton growers.

The ITC's recommended remedies are based on the assumption that U.S. fiber producers will be able to adjust and improve their competitiveness if given more protection, and that it would not negligibly affect PSF users in the United States.

The Petitioners' adjustment plan, which calls for increased investment in research and development, operational upgrades, and product expansion, is based on the flawed assumption that additional protection will lead to increased sales and profits which they can reinvest in the business.

The reality is that the domestic fiber industry has not shown the ability to make these adjustments, even with the protection they've enjoyed for nearly 20 years. Additional protection will not address the underlying issues of scale, reliability and quality in the U.S. fiber industry. Instead, it will raise costs for downstream manufacturers and push more production offshore.

At Gildan we are committed to sustainability. And a key part of our sustainability strategy is the use of spinnable, post-consumer, recycled PCR PSF in our spinning operations.

PCR fiber is an essential component of our efforts to reduce plastic waste, decrease reliance on fossil fuels, and support a circular economy. However, there are currently no domestic producers of spinnable PCR PSF that meet the requirement for apparel production.

Nan Ya, the largest U.S. producer of fine denier PSF, does not produce any PCR fiber.

Sun Fiber, another domestic producer, manufactures recycled PSF, but their product is too course for use in yarn spinning and is primarily used in home furnishing applications.

Given that there is no domestic supplier of spinnable PCR PSF, we urge the immediate exclusion of this product from any trade remedies based -- imposed on PCF imports. Our ability to continue using spinnable PCR is critical to meet our sustainability goals and maintain a competitive yarn -- maintaining competitive yarn spinning operations in the U.S.

Any restriction on our ability to source PCR fiber would undermine our sustainability initiatives and force us to seek alternative, less environmentally friendly products and materials.

Gildan is actively consuming hundreds of thousands of pounds of PCR fiber per week. I am ready to buy domestic PCR fiber when it exists, but today it is not available. Petitioners admitted as much in a prior hearing. It must be excluded from any remedy.

There has been discussion around fibers with other sustainable characteristics, such as recycled textile waste, or fibers with biodegradable features.

While these technologies may have some future place among the growing list of potential sustainable fiber options, they are in no way a substitute for 100 percent post-consumer recycled fiber.

PCF production removes plastic bottles from the world's rivers and oceans, and is considered part of a circular supply chain. In fact, it was quite stunning to read in the ITC's report that Nan Ya produces a spinnable biodegradable fiber which is competitive with PCR. This is simply wrong. At this time it is not even clear if this particular product, introduced in July of this year, can be legally labeled as biodegradable in certain jurisdictions.

As many companies are finding out the hard way, sustainability claims are highly regulated, and the penalties associated with greenwashing are substantial. We think it's highly inappropriate and, frankly, dangerous for the ITC or suppliers to dictate what can and cannot safely satisfy our sustainability goals and to disregard the distinct characteristics and clear environmental benefits of PCR PSF.

The ITC has also recommended an effective ban on PCF imports under the Temporary Importation under Bond program. This allows -- which allows U.S. manufacturers to import goods without duties if they are used for manufacturing and then exported. At Gildan we believe this recommendation is both inappropriate and counterproductive.

The TIB program is a critical tool for U.S. manufacturers like Gildan, as it allows us to import raw material such as PSF for use in our U.S. yarn spinning operations, and then export the finished product to international markets. This program supports U.S. manufacturing and exports, which is aligned with the Biden administration's goal of strengthening domestic manufacturing and promoting exports.

Banning PSF imports under TIB would harm U.S. yarn spinners, reduce U.S. exports, and incentivize the import of finished goods from foreign manufacturers, undermining the administration's trade policy objectives.

At Gildan we believe there are more effective ways to support the U.S. fiber industry without harming downstream manufacturers. If the administration adopts any of the ITC's recommendations, the administration should:

Not impose remedies that interfere with the independent statutory provisions for TIB;

Ensure that any TRQ is sufficiently large to allow U.S. downstream manufacturers' access to the distinct varieties of PSF that they need;

Refrain from end quota tariffs, and significantly reduce out-of-quota tariffs;

Exclude unavailable products, including spinnable PCR PSF now;

And provide for an effective tax-based

exclusion process for subsequent exclusion from remedies of products unavailable from domestic producers at the time of the demand.

In conclusion, Gildan understands the challenges facing the U.S. fiber industry. We believe the recommended tariffs and quotas on PSF imports would do more harm than good.

These remedies will undermine the U.S. yarn spinning industry, push more production offshore, and threaten thousands of jobs across the U.S. textile supply chain.

We urge the U.S. Government to reconsider the -- to consider the experience of Gildan and other U.S. companies, exercise restraint in adopting any trade-restricting remedies, and consider alternative solutions that support the fiber industry without harming the larger downstream manufacturing industries that depend on PSF.

Thank you for your time. And my colleague and I look forward to taking your questions.

CHAIR BUFFO: Thank you very much.

Thank you to all the witnesses for your testimony.

I will now turn to our TPSC participants for questions.

MS. WEAVER: So, most of you have touched on impact at some level in your opening statements, but could you please articulate any impacts that imposing the U.S. ITC's recommendation would have specifically on your businesses?

And for companies with international operations, could you please focus on your domestic production?

MR. MANESS: I'm not sure we heard the entire question.

MS. WEAVER: Sorry about that.

So, most of you mentioned impact at some level in your opening statement. But could you articulate any impacts that opposing -- imposing the U.S. ITC's recommendation, recommended remedy would have on your businesses?

And for companies with international operations, could you please focus on your U.S. production?

MR. DOYON: Yes. So, just for the record, I'm Marc Doyon with Gildan.

Yeah, I mean, specifically for us, we're a big, large consumer of PSF. The remedy itself would force us to pay up to 22 percent, I guess, on the end-quota tariff for a product, the recycled polyester that is not made domestically, which seems very counterproductive, and very expensive for us. And then limit our ability to compete globally.

Apparel manufacturing, and these guys could talk about their business specifically, but the difference between us getting a program at Walmart and all is pennies. It's an extremely competitive marketplace. So this is really a lack of competitiveness. And it would force us to reconsider whether yarn spinning should remain in the United States.

MR. MANESS: And if I could just add

relative to the -- I'm sorry, this is John Maness with Gildan -- relative to PCR in particular, the contention that these suppliers could just start making it is not a light statement. That would involve millions of dollars of investment on their part, and securing a supply chain of bottles for recycling and things like that.

I mean, it's almost like us saying we could make blue jeans. I mean, maybe we could but it would take years before we'd be in a position to do that. It's a completely different operation.

MR. HOLT: Matt Holt with Milliken.

I would just like to add, in my testimony I mentioned our volumes are down 25-plus percent. And a significant amount of that is because of the increased activity in Central America. It is taking advantage of low cost polyester using, using countries like China, India, et cetera.

I'd also note that -- trying to think how to answer this -- I'd also note that the de minimis has been a huge impact for us as well: more imports coming in.

Today my competitors are no longer across the street. Almost all of my competitors are in Southeast Asia or CAFTA. And it's a fight that we have been against for quite some time that's ramped up lately. And any additional costs would just do nothing but speed up qualifications down south.

And we've found that once programs move out of the United States there's very low likelihood that they ever return.

MR. FISHER: Just briefly, speaking as a trade association, we don't have direct business impacts, but echoing the concerns of many, many folks within our membership, it's a very competitive industry with very, very steep competition from all over the world.

And the volume that's run is very, very high volume. So pennies per kilogram, per however you want to measure it, do make a huge difference when deciding when, where to open and close lines. And that certainly could lead to lines being closed in the United States.

MR. BAUMGAERTEL: I fully agree. What I would like to add is that keep in mind that 70 percent of our cost is coming from raw materials, from fibers. And that's huge. So, whenever there will be tariffs on the imported fibers we use today, it will have a direct impact on our, on our cost scenario.

So, we can't absorb that. As a consequence, we have to pass that into the entire value chain. At the end of the day costs will go up for everybody. And at the end of the day I feel also costs for end consumers.

MS. WEAVER: Thank you.

MR. AMDUR: So, I have a question similar to a question I asked the previous panel.

So, if the president were to impose safeguard relief but include a product exclusion process, are there particular aspects in the exclusion process that the industry would find helpful or, conversely, burdensome?

And, also, how can an exclusion process be structured that is enforceable and not burdensome on both importers and Customs and Border Protection which is responsible for enforcing the trade requirements on imported goods?

And what key data or information elements would be important?

MR. HOLT: Matt Holt with Milliken.

So, for me it is description-based. I'm asking for high tenacity fiber to be excluded from any trade-based remedies.

And tenacity is a strength characteristic of a fiber. My woven fabrics that I produce, if you think of a military garment, requires extreme strength. And there is only one producer here that can make high tenacity fiber.

So, when it comes to a remedy, we would like to have a clear carve-out for the tenacity range that falls within high tenacity fiber to be excluded.

MR. MANESS: John Maness with Gildan.

I am not entirely sure what that exclusion process should look like, but I certainly think it should start by excluding any products that are not available in the United States, specifically in our case, post-consumer recycled polyester staple fiber in a spinnable quality.

That is not available in the United States, that we are aware of. No one has attempted to sell us that product. And it would not be something that could be brought online in any short period of time.

And to the extent that it is not available, it would seem, as Marc said earlier, totally counterproductive to green initiatives that are being undertaken by companies like us to use recycled polyester to be -- to put a tariff on a product that we don't have any ability to buy in the United States.

MR. DOYON: And just to clarify, I know that this isn't specifically your question, but actually we don't want an exclusion program for PCR, we want it excluded from the remedies entirely, because it's just not made.

We've been in this room three times in the last six months with, supposedly, the company that makes it. And we're a public company. We have a stated goal with 30 percent recycled polyester in our supply chain. And that company has not approached us to sell the product.

So, if they don't -- we published as well in the ITC's hearing, post-hearing, our spec sheet. So, it's out there in the public domain if anyone wants to look at it. But nobody makes a spinnable fiber, so the characteristics would be very transparent with those specs. Nobody makes it, nobody's trying to sell it to us. We're here. They know where we are and it hasn't happened. So, we think it needs to be excluded.

Now, I guess I won't comment too much on -- for us, I don't think there's anything we would really need excluded beyond that. That's more for the guys in the front row.

MR. FISHER: The only thing I'd like

to add -- this is Wes Fisher with INDA -- that any exclusion process we would hope would have a robust public comment and participation period, and take the views of the nonwovens industry and all participants in the supply chain into account, as well as take into account any sort of existing environmental standards, broader goals, as well as state, state and local regulations around that drive the demand for certain, certain products.

MR. AMDUR: So, if I may give you an example. What I was trying to get at is that Customs and Border Protection manages a lot of exclusions for many different type of trade remedies and trade measures. And we often find that many importers cannot, basically, support -- they claim the exclusion, they cannot support that their products meet the specifications of exclusion. Sometimes they just admit that they made mistakes.

And then also can be that, depending on the type of product, it can be very -- it's not a matter of a harmonized tariff classification, it's usually at a much more detailed level.

So, I guess that's what we're asking about, like what key data or information elements would be important, that could be basically verifiable for Customs and Border Protection for determining whether goods meet an exclusion?

MR. FISHER: Well, I defer to the folks here and some on the next panel that are intimately involved in the, in the industry. But I imagine there's several test methods around things like tenacity and other characteristics that, that could be pointed to.

MR. DOYON: I'll just add, I think this is why it's a challenging topic because how -- it's very difficult. I think you'd have an argument on the other side that they could make it, what's substitutable, what's appropriate, you know, what's an appropriate competing product.

I think that's why we would recommend, and I think other people, respondents, have also asked for rather than going down the very tricky-to-administer exclusion process, that we carve out appropriate product from remedies in advance. And then that will limit that -- those challenges with the exclusion processes going forward.

MR. AMDUR: Okay, thank you.

MS. LIN: Songhua Lin from Department of Labor. And I have two questions for all the witnesses.

The first one is if action is taken to limit the flow of fine denier PSF to the United States, how does it impact the production of domestic users of imported PSF? And will there be any impact on the operation that could adversely affect their employees?

And I'm aware you already mentioned some informations here today, but could you be more specific like what kind of production line and how it affects the production and also employee. And specific examples should be more helpful. Thank you.

MR. DOYON: Yes. So, in terms of

specific impact, I mean, the remedy, you can talk about the end tariff quotas first. I mean, there's range, but 20 percent, that's going to raise our cost on our fiber by 20 percent.

And as I've sort of said in an earlier answer, it's a highly competitive business on the apparel side. And just to lay out a hypothetical, I mean, we're working -- we would be potentially one day looking at a program to sell to a big mass market retailer or a wholesale distributor.

And the difference in getting that program or not is razor-thin margins. And if we cannot sell our capacity that, we cannot run it. And that means plants close, or they consolidate, or potentially look for places where we can compete. That would be, logically, for us, in Central America.

But -- and speaking about just hypothetical industry, I mean, just because a plant moves from the U.S. doesn't mean it stayed in CAFTA. It could -- there's cheaper places in the world to manufacture. So, it really threatens the jobs that go with those plants.

It's that simple. It's just it's an uncompetitive -- it's inherently making the domestic industry less competitive. And because we compete on a global -- in a global marketplace. It's not a U.S. closed market.

MR. MANESS: And to some extent just within the CAFTA region, where we participate heavily, it puts us at a disadvantage to other members within the region in that they are able to use whatever polyester they choose. And we would be essentially moved into a fiber-forward type rule de facto by this change. Where CAFTA-DR was written a yarn-forward rule, this puts it into essentially a fiber-forward rule.

There's also significant expense if we are forced to make a change. I mean, there's an expensive and long qualification period just to validate that the product, the new product can perform in our spinning mills, in our knitting mills, the dye's the same shade.

I mean, I know it seems probably like a knock-back to complex of a business, but we make hundreds and hundreds of different colors of T-shirts, and sweatshirts, and things like that. And when you change polyester every one of those shades has to be redeveloped through our laboratories.

And there's also risk of performance. Two or three percent loss in spinning performance in my plants takes me from meeting budget to not meeting budget.

And everybody in the business world understands that that's how manufacturing operations run is that you build standards based on an expectation of performance. You build cost sheets based on that expectation. And you quote business based on those expectations.

So, there is performance risk. And there's also risk of service being dedicated. In our case and in the case of Milliken, too, I think there's only, there's only one supplier that makes what we use here. And there are zero supplies that make the PCR portion.

MR. HOLT: Matt Holt, Milliken. Two things I'd like to touch on. The first one goes back to price. Milliken is a 150-year-old company. We're known for our quality and our reliability. The programs that we're losing is completely due to price.

So, to give an example, on the lower end of the recommendation, the end quota tariff, on 100 percent polyester good for me this is an 8 to 12 percent cost increase.

On the higher end, that's a 35 to 40 percent cost increase. I'm losing business today without this penalty. These programs don't come back once they're gone. So, I just want to stress the urgency there that pennies matter, especially 8 to 12 percent.

The second part I'd like to call out is the sole source aspect. It's not good practice in any supply chain anywhere to be completely reliant on one supplier. And it's not good practice to even be reliant on multiple suppliers in one small geographical area.

If we cut off Asian supply chains and there's ever a hiccup, it's 8 to -- it's actually 12 to 16 weeks to get those back started, flowing in again. So, that would be catastrophic for us, any event of any sort of interruption at all.

MR. BAUMGAERTEL: You were also asking about the impact on our business. Worst case really would be to shut down the plant that we have. It would be catastrophic for us.

Of course, we can't. And if we have to, we probably will consider, again, catastrophic impact on the region of the mid-Georgia area, on customers, on everybody. We can transfer our equipment back to Germany where it came from, but that is not our plan. Our plan is to be here, to stay and to grow here.

The tariffs probably coming into place, and worst case would be 45 percent, we are no longer competitive. And the others already said we have, we are in a very highly competitive business environment in the nonwovens industry.

But on the other hand we would like to provide the quality, the service to our customers here in the U.S.

And with our new home base here in the U.S. we feel we have made the right decision. But to be here, and that happened really over the last I would say 8 to 9 years since we are here, there are more and more obstacles coming up. And that's not good. That's not good for our industry. That's not good for any company here.

And when you were asking for inclusion or exclusion of certain products, to narrow that down, to maybe specify that, I think we need to go a step back and say, okay, I have the entire value chain here.

But the biggest problem is really imports of finished goods into the U.S. coming, coming from offshore. And maybe the focus needs to shift to such product to really protect the entire value chain of these products here in the U.S.

MR. FISHER: And just to underline

what Tobias just said, in the nonwoven industry we see a lot of companies like, like Sandler Nonwovens there, have a global presence and have assets in the U.S. And if they're forced to make the hard decision to close down a line in the United States and shift assets to one of their existing assets elsewhere in the world, they certainly might have to consider that.

MS. LIN: Okay. Thank you.

My second question is if relief is granted, do we know how will this impact U.S. households who purchase consumer items that contain PSF as an input?

MR. DOYON: Yeah. I would probably keep it, my comments, just confined to the jobs. And I think this is worth pointing out again.

We, the downstream industry, yarn spinning, nonwovens, represent around 20,000 jobs. I think the number on the other side's significantly lower, although I kind of lost track of where it is.

So that's where our focus is, on

keeping our people employed in the U.S. I think that's the main point.

MR. HOLT: Matt Holt, Milliken. I'd echo that. The impact we'd see is the lost jobs. The programs will leave the United States and be made elsewhere. So, I'm not sure what the customer impact will be at the point of purchase, but there will certainly be thousands of jobs at risk if this is put in place.

MR. FISHER: Yeah, just to echo, in my comments the Census Bureau's annual survey of manufacturers puts around 15,000 directly of companies that report under the NAICS Code for nonwoven fabrics mills. I can off the top of my head think of five or six other converters that probably represent another 5,000 or so of jobs.

So, it's a significant number of jobs in the nonwoven industry. And this is a significant portion of it when we look at fine denier PSF and the types of products that it supplies to, that things like wipes are something like 20 percent of the nonwovens sector in North

America.

MS. LIN: Thank you.

MR. SALKELD: Okay, thank you. This question is to Mr. Baumgaertel of Sandler Nonwoven.

In your testimony today you've spoken a number of times about some of the challenges that your company faces in planning alternative sourcing, and especially the importance of specifications and other characteristics of it, and, in particular, for the application that the fibers will go into and into the product.

So, just a couple of points that we'd like to clarify with you in regard to the ITC report.

So, on page one of your request to testify you talk about the difficulties of finding alternative producers in the U.S. Can you respond to the ITC's observation that all U.S. importers of fine denier PSF reported to at least be able to sometimes find interchangeable product with the imported fine denier PSF? And in other cases they're sometimes, always, or frequently interchangeable for other U.S. producers?

MR. BAUMGAERTEL: I would say it always sounds very simple and easy in theory. However, if you look into the details, and coming back to the quality and qualification time, it is not so easy.

We do need to do really long due diligence up front even if we can take fibers or bring fibers in for test runs. These are really just to check the basic boxes concerning qualities, concerning quality standards at the fiber manufacturers.

Hygiene is a big topic for us as hygiene manufacturer. It also may require an audit process involved as well.

So, it is complex. And to interchange fibers from A to B is also sometimes not possible, it's even not allowed because of your customer specification. Once you qualify the product, fibers are set, they are not cast in stone. Maybe there are backups allowed to use as well.

But to change these fibers we need to go back to square one and start the qualification process all over again together with our customer. And the customer at the end of the day, he makes the call.

Of course we can demonstrate that there are alternative fibers available. But, again, it's a long and complex process.

MR. SALKELD: Okay, thank you.

MR. BAUMGAERTEL: What I would like to add also is, and that was also a point in my testimony, we successfully demonstrated that we could make it happen. We even can transfer fibers being sourced offshore to the U.S. We can. And it works. It's great to do that because that makes our life also a little bit easier as far as, for example, supply chain terms are concerned. And then they will be above.

But you need to work together with your customer to make that happen. And specifications is a big, big hurdle.

MS. BORON: Great. My next question is for Milliken and others, as appropriate.

In your request to testify, and in your remarks here this morning, you noted that the higher --

PARTICIPANT: May you pull your mike a little closer.

MS. BORON: Sure. I'll start again.

In your request to testify, Milliken noted that higher prices compelled by the remedy would harm the entire domestic textile industry and cause you to lose business, especially to the CAFTA-DR partners. Could you please expand on this point and explain how a potential remedy would impact downstream yarn spinners in the United States?

I believe that Gildan as well got into this into your testimony. Thanks.

MR. HOLT: Yes. Thank you for the question.

So, I mentioned the yarn-forward rules

of origin. We would essentially be blocking off all imports in the United States if we move forward with this remedy, making our raw material the highest of anyone in the country -- in the world, excuse me.

CAFTA would now have access to Chinese fiber that is under antidumping, 201 tariffs, and other tariffs, similar to India. Any low-cost producer in the world is able to send fiber into CAFTA to compete with us. So, they have a huge leg up before they even start.

And that is an enormous burden for us if we are unable to take advantage of any import fiber whatsoever.

MR. DOYON: Yeah, I'll just add, I mean, we talked a lot about how competitive the industry is. So, there's really no ability to just pass these costs on to our customers.

We try to pass this cost on to our -- these additional costs or tariffs, or other restrictions, we just lose the business. Our customer tells us, sorry, I can go get this from,

from Asia much cheaper. But it's just that simple.

We've got to find somewhere else to sell. And if we can't, then the capacity closes. It's just there's no pricing power because of the competitive nature of our markets.

MR. HOLT: And Matt Holt, Milliken. I'd just like to add, if I can, I think long term the domestic textile industry, Nan Ya, Darling, Sun, they need growth. They need their customers to have more demand for polyester staple fiber so they are able to continue to sell for the next ten years, not the next four.

And I think the recommendations put forth do quite the opposite. It will certainly cause less demand for U.S. polyester if these remedies are put in place.

MS. BORON: Thank you.

MR. GAGAIN: Good afternoon. Once again, I'm Mike Gagain from USTR. As you know, the Commission recommended a quantitative restriction regarding imports of PSF under the

Temporary Importation under Bond program.

If the TPSC were to recommend that the president impose safeguard relief, to include imposing a quantitative restriction on imports under the TIB program, do you all have any views on how much volume allowance it would take for the PSF-consuming industry to be able to transition operations away from that program, or how long it would take the industry to transition away from that? Thanks.

MR. DOYON: So, the question is can we transition away from it and how long?

MR. GAGAIN: Yes. Or, and/or how much -- yeah, they recommended a quota. And I guess what I'm wondering is if you all have any views on if the TPSC were to recommend the president take that as part of any safeguard action what, what an allowance would be and/or how long it would take the industry to transition away from using the TIB program?

MR. DOYON: Yeah. I guess, first of all, the way we see it it's not a quota, it's a ban. Zero quota strikes us as effectively banning TIB rather than. So, that's just the first point.

I mean, transitioning away, I think just on the TIB topic, we utilize TIB on all our imports because we're a vertical manufacturer and all our products are re-exported. So, we're using TIB for the very reason it was designed, which is to keep manufacturing in the United States, to keep us competitive on intermediate products that are for re-export.

So, the way we see it, if it's a ban on TIB, TIB goes away immediately. We can't use it. And as far -- there isn't really a timeline, I guess, it's just a matter of, there would be an impact. It's very disruptive to our business specifically.

It would be ideal, if it was implemented, that there was a period of time, probably six months or so to flush through all of those entries that need to be done. But -- and the longer the better.

Because it is a very long supply chain today with long transit times. And you're going to have a port strike tomorrow, so it's a very challenging environment to manage these supply chains. So, the more notice, the better.

MR. GAGAIN: Thank you very much.

MR. VAN PATTEN: Thank you, Mr. Doyon. This next question is for you as well.

On page 6 of your request to testify you claim that Petitioners would not be able to generate the capital needed from guaranteed increase in sales resulting from the potential imposition of a 201 remedy.

And if you could kindly respond to the U.S. ITC's report where they say that the domestic industry have ample excess capacity throughout the period of investigation with which it could have increased production of fine denier PSF. Thank you.

MR. DOYON: Yes. So, we have -- I guess there's various adjustment plans out there. There's not just one Petitioner here. But -- and it's my understanding that there's been sort of close to 20 years now of various protections for the domestic PSF industry. And it hasn't been apparent that the positive adjustments can be made.

And the history of why polyester imports surged when they did is hotly contested on why. But we would tell you that we were buying a lot of polyester in 2019 from a domestic supplier who went out of business within a couple years. And we were forced to import.

And an interesting fact is that that supplier who is no longer in business actually started importing for us so that they could keep the supply available. So, I think this is the history here.

I think that it's been a -- we just have our doubts around the ability to make those positive adjustments and, in the specific case of Darling, we wish them the best, but it's hard to see how they could have that plant restarted.

They testified today that those

employees have gone on to other employment, that the plant hasn't run. It's going on three years, I guess, soon. So we're just a little skeptical of the ability to make those adjustments given there's been other protections that -- over that time period.

Sorry, there was a second part of the question. Could you --

MR. VAN PATTEN: No. No, you covered it. Thank you.

CHAIR BUFFO: Thank you very much for your responses and, again, for your testimony. We will now take a five-minute break while we compose the next and final panel of the day. Thank you.

(Whereupon, the above-entitled matter went off the record at 2:03 p.m. and resumed at 2:12 p.m.)

CHAIR BUFFO: Good afternoon and welcome back. I am pleased to introduce our next panel. Next, we will hear from BMT Fibers, Proctor & Gamble, and Fibertex Nonwoven.

Our TPSC participants will be Alex Amdur, CBP; Songhua Lin of the U.S. Department of Labor; Marin Weaver, the U.S. Department of Commerce; and Mike Gagain, David Salkeld, and Victor Mroczka of USTR.

We will hear testimony from John Price, President and Chief Operating Officer, BMT Fibers; Mark Thornton, Vice President, Baby Care North America, Proctor & Gamble; Nirosha Wimalasena, Senior Director, Research and Development, Baby Care Global Material Development and Supply, Proctor & Gamble; and Alexander Brent, Supply Chain Manager, Fibertex Nonwovens, accompanied by Carlos Benatto, President, North America, Fibertex Nonwovens; and Mary Simons, Operations Director of Fibertex Nonwovens.

Please begin your testimony, Mr. Price.

MR. PRICE: Ladies and gentlemen, thank you for the opportunity to appear. And I want to thank you for your service to the

American people.

I'm John Price, I'm President and Chief Operating Officer of BMT Fibers. I've been working in the textile industry in the USA for about 30 years. We're a 100-year-old American textile merchant.

We supply polyester staple fiber to the broad range of American textile companies that depend on us for raw materials that they need to run their factories, including some of the largest U.S. spinning mills in the country, legendary spinning mills that have been around a long time.

Our customers need our fiber to make sure that they're competitive in a global marketplace. They need to count on us to have a secure supply chain that's not going to go away. I stress global marketplace because today, Commerce and industry in the textile trade is really dominated by major retail.

It's not like the old days. There is no more Woolworths, Sears Roebuck, Montgomery

Wards. There are very few large retail brands that count on this trade. And the problem is that our American textile companies are fighting it out every day against global textile companies in developing countries that have very low costs of production.

So when Walmart or Costco or Target is putting down a bid for 10 million t-shirts, they don't care where they're coming from. They're going for price. And if our textile mills cannot compete in that marketplace, those orders are going to Bangladesh or they're going to another market around the world.

And those people are going to get those jobs, and those people are going to work in those mills and support those economies. And not ours. And that's the problem that we're dealing with here.

So I think our entire industry has been suffering for the past couple of years ever since COVID, and I'm going to explain why. Everybody was over-inventoried during COVID.

Supply chains were expanded from maybe two months to four and a half months, 4.6 months. My company measured 4.6 months from the time we passed the PO to an overseas producer of polyester fiber to the time that fiber was delivered here in the USA to a textile mill was 4.6 months.

Why is that important? It's important because everybody in the United States industry stocked up to make sure that their supply chains were full. I'm talking about finished goods.

So all the products that you see in the stores that are made with fiber, everything from apparel to home furnishings to upholstered furniture to filters to nonwoven textiles, everything. There wasn't enough and the supply chains were so slow and so mismanaged that people had to be safe to make sure there was a product on the store shelves.

And so what happened was there was a huge problem of over-buying and over-production. And I'm talking about top down. That's why there was a shortage of warehousing during COVID, because the warehouses across the United States were packed full of finished goods that had been produced.

And so American industry did not overproduce by four months or six months to be safe. They overproduced by 12 to 18 months. And so when COVID went away, the entire textile industry fell into a slump. And it hit some segments of our trade much worse than others.

We're a fiber merchant, so we supply to all of the trades, from spinning to nonwovens to home furnishings to decorative pillows to people that make sofas, people that make carpets. So we get to see all of those industry segments as a fiber merchant. A fiber merchant is like a cotton merchant, but instead of moving cotton, we move polyester fiber.

And so the industry has been on its knees for the past couple of years. That's why the U.S. fiber producers are in trouble. They're in trouble because fiber demand has been dramatically reduced over the past 18 to 24 months.

In fact, it's been, from where we sit, we supply fiber to all of these factories. From where we sit, the actual factory consumption of polyester staple fiber across the USA has been down 30, 35 percent from pre-COVID, normal levels.

So what does that mean? It means the factories that are making the products out of polyester fiber -- and if you've never seen polyester fiber, if you open up one of the decorative pillows at home on your sofa and you pull out that white fiber inside, that's what we're talking about here. Looks like cotton. A basic raw material.

It's used in everything. You're wearing it right now. It's in the carpet, it's in the furniture. Basic raw material. And so the problem that we've experienced is that these factories across the U.S., in almost every segment, some industries were hit worse than others.

Check the statistics on the United States furniture industry right now or the United States home furnishings industry, which makes decorative pillows and bedding, sleeping pillows. They've all been -- they were sitting around waiting for purchase orders from major retail, and those orders never came.

And the reason they never came is because everybody had stocked up on all of this COVID inventory and warehouses were bloated across the land. And so that's the problem for the past two years in this industry, it's the fallout since COVID. And that's why these, the fiber makers, whom we respect, have had a really tough time. Just like most people in our trade.

So I wanted to make that clear. I mean, that's a big deal. Some industries were impacted worse than others. Check how many bankruptcies there have been in the past 18 months across the United States furniture industry and the United States home furnishings industry.

Apparel was hit hard, too, but less hard. Nonwovens was hit hard as well, but less hard. But everybody was hit. And so it's been a real tough time.

We've lost a lot of names in our American textile industry and as well in our American retail trade. And you could read the stories about Big Lots, all kinds of retailers, Bed Bath & Beyond. That's why this all happened.

So I wanted to set the stage with that so everybody could understand what's going on here. Now, from where we sit, so we've got this record contraction, let's say, in demand that took place during this period of time. And it's been tough for everybody.

But the good news is that the U.S. industry that consumes fiber, all industries combined, we're looking at an expected growth rate of about 6.2 percent, which is supposed to happen from 2024 through 2030. So we've dealt with this COVID situation, which was a disaster.

The market was on its knees. It's still on its knees. It's getting ready to recover, it wants to recover. But now we're dealing with issues with ocean freight, which is -- and port strikes, which is another disruption. Market wants to recover, and we're about to enter a period of expansion in the U.S. trade, which is very important.

So, these consumption numbers from last year and the year before, they were depressed for everybody. It wasn't because of cheap imports, it was because of depressed demand for Made In USA products. So I think that's critical to point out.

We here in the U.S., we've got a growth rate in front of us that's looking pretty good. So right now, we as a country, we command a pretty important spot in these industries that consume polyester fiber as a raw material. And that's driven in large part -- we've got a super strong automotive industry.

We've got a super strong textile

industry with some of the most legendary names in the business. These names that you've heard from today, these are legendary textile companies. They represent America, and the best of America.

And so polyester fiber is the critical, well, together with cotton, cotton and polyester fiber, and some viscose for that matter, rayon, those are the products that they depend on as their oxygen supply to make their products.

And so what we're doing right now is we're starting to -- we're starting to mess with polyester. And I'm going to tell you why that's going to be a problem, in our opinion, for the team. And when I say a team, I'm talking about the country.

Why do we use polyester? Polyester is used for durability. It's very flexible as a raw material. It lasts long, you can wash it, it doesn't wear out. A lot of great things about polyester.

Polyester, now we have technologies

that make it biodegradable, which means it hits the landfill at its end of life and it's going to be biomass in three to five years. That's amazing.

The other great thing about polyester is that when you wash your clothes in the washer and the dryer, and the microfibers come off -- you've all changed the lint in your dryer. Well, a lot that's cotton and a lot of it's polyester. That polyester will live in the environment for a long time. But with biodegradable polyester, it's going to be gone in three to five years. It's revolutionary.

So we've got all these applications that are using polyester staple fiber that are totally dependent on that product. Clothing, home furnishings, industrial products. And we're a market leader in innovating these products.

Why? Because we have this amazing textile industry. And the innovation, it doesn't come from over there, it comes from right here. We're responsible for that. And so we have to consider this. We're playing this leading role, we're shaping the polyester landscape as a country. And that makes us strong.

Now, why is that important? Well, right now, everybody's in trouble. Not everybody, but the majority of the textile trade has been really weakened. So we need to recover from that and benefit from this growth that's in front of us.

This is not the time to hit these struggling factories with this massive limitation on the most, one of the most important raw materials that they consume. Because you're going to stagger them.

The safeguard remedies are extraordinary. The one, these remedies that are recommended by the ITC on all fine denier from all global origins, everybody in the world is going to be cut off from shipping polyester staple fiber to this country. What that's going to do is that's going to cut the legs out from under our American textile manufacturers.

Remember, we're competing against the rest of the world. This is a global, this is truly a global marketplace. It is our team against those teams.

And if you eliminate the ability of these players to compete against low-cost countries in Asia, our textile industry is going to evaporate. And it just will, because it's profit-driven and it's very, very low margin.

So I'm going to tell you why. Number one, you take away the polyester staple fiber. Now you've eliminated this raw material, right. What's going to happen if we do that? This is our opinion, but I've talked to a lot of people across the trade. Let me tell what our crystal ball is telling us.

First of all, what's left of our American textile industry is going to be weakened. They're going to -- these big spinning mills that we're hearing from and others, they've already got spinning mill operations down in Central America because of CAFTA.

What are they going to do? They're going to pick up these spinning mills up here that are consuming their polyester and they're going to move them down there. And they're going to take their spinning mills here in the USA, and they're going to use those spinning mills to process cotton, American cotton.

So, there will be no polyester spinning here in the USA anymore. It's going to go away. So we're going to just execute another transfer of wealth from here to Central America. We're going to execute another transfer of industry expertise from here to Central America.

We're going to empower Honduras, and we're going to close down these mills here that are going to impact American towns and jobs. And we're basically going to lose -- not lose, but we're going to erode what's left of our American textile strength.

And that's the reality of what's going to happen with something like this. This is really extraordinary. So it's going to cost

American consumers. These companies are going to lose business. They're going to become less competitive. They're going to need fewer workers. Where are the people going to work, as a country, if we lose manufacturing, you know?

We've lost our ability to project strength around the world, period. Nobody's going to work in services, that's not going to save us. It's manufacturing that we need. We need to provide jobs for the masses so they can provide for their families, and we can build a strong economy.

So it's going to increase costs for everybody. It's going to force these guys to go away. They're going to shut down plants.

We're talking about a situation where we want to save a few hundred jobs in one particular industry segment, but the net cost of that is going to be a few thousand jobs for companies that are going to just say sorry, we can't compete up here anymore, we're going to go down to Central America, where there are no limitations on raw materials imports.

And, guess what? They're going to be buying from China. Isn't that great? Now we're going to make China stronger because now we're going to buy Chinese fiber instead of buying fiber from our strategic allies in southeast Asia. I mean, it doesn't really make a lot of sense, does it?

So I think that the net result on all this is going to be the loss of more American working class jobs. Now let's step back and go to 30,000 feet. What does it mean for America?

You're talking about, we've been struggling as a country to compete in the textile industry around the world. And we have lost -- we've lost 70 percent of our American textile industry. We've lost it. It's gone.

MR. GAGAIN: Mr. Price --

MR. PRICE: These companies that you're hearing from today --

MR. GAGAIN: Mr. Price, I'm cognizant that you're over your time.

MR. PRICE: I'm sorry?

MR. GAGAIN: You're -- you've reached your allocated time for testimony.

MR. PRICE: Okay.

MR. GAGAIN: But we will have questions.

MR. PRICE: I'm wrapping it up anyway. So that's conclusion on this thing. And I just want you all to realize that it's a macro economic decision we're making here, and we're strongly opposed to it.

MR. GAGAIN: Thanks, Mr. Price.

MR. PRICE: Thank you.

CHAIR BUFFO: Thank you. Next we will have testimony from Mr. Thornton. You want to go next? Brent, Mr. Brent, please proceed.

MR. BRENT: If it's okay, Fibertex would like to go next.

Good afternoon, my name is Alexander Brent, I'm the Supply Chain Manager for Fibertex Nonwovens.

Fibertex Nonwovens is a global

manufacturer of high performance nonwovens, supporting multiple industries, including personal care, automotive, industrial, and construction markets.

Fibertex North America employs 230 people between our South Carolina and Illinois locations. During the COVID pandemic, our manufacturing plants produced essential sanitation products. Our access to globally competitive fine denier polyester is critical to our ability to service American consumers.

Having been a critical part of America's response to the pandemic, it is extremely disappointing to us to have such a threat to our business potentially imposed on us by the U.S. Government. We'd like to comment on the three possible remedies.

The first two are tariffs and quotas. These two remedies deliver the same impact to users of fine denier polyester. These remedies would negatively impact all U.S. domestic nonwovens converters by limiting available sources of competitive supply and reducing global competition and restricting purchase options to USMCA and other U.S. free trade agreement countries.

Meanwhile, offshore nonwoven converters can continue to buy fibers on an unrestricted global basis. In effect, this safeguard will make our company and the many other U.S. nonwoven companies uncompetitive, thus promoting great exports of higher value products. Any such action would simply shift the problem to a larger pool of U.S. manufacturers of nonwovens textiles and finished consumer products.

This will force more companies to consider offshore textiles and manufacturing and purchasing. It is worth noting that the nonwovens industry employs over 15,000 people. Nan Ya, the primary beneficiary of this safeguard, employ only a few hundred. Unfortunately, tariffs and quotas here would be a case of sacrificing the many for the few.

China and Turkiye would be the primary

beneficiary of safeguard as they flood the U.S. with nonwoven rolled goods, knowing this potential action makes U.S. manufacturers uncompetitive. It is also worth noting that this domino effect eventually comes back to Nan Ya. When they have no customers left, as they'll be out of business or manufacturing offshore, they too will suffer greatly.

The long-term effect of tariff quotas will be hugely detrimental to the Petitioners and downstream consumers alike. China especially must be absolutely thrilled at this prospect.

Secondarily, Fibertex currently buys fine denier polyester from the Petitioner companies. Thus we have experience to know that products do not perform in all applications. With tariffs or quotas on high quality foreign fiber pricing will be impacted, resulting in higher prices for us and ultimately the end consumer.

Additionally, U.S. domestic fine denier polyester manufacturers cannot supply the entire market. This has been independently verified by Wood Mackenzie and it's their nonpolitical group. This is just Nan Ya's word or our word.

The third party -- the third possible remedy is subsidies. Domestic PSF manufacturers, due to geopolitical events beyond their control, do have higher raw material costs than their aging competitors. Some subsidies to help U.S. PSF manufacturers combat this pricing gap may be warranted until the raw material pricing differential narrows.

This remedy would provide a virtuous cycle of growth as opposed to the proposed destruction of U.S. manufacturing.

A lot of discussion has gone into exclusion on products. Nan Ya wants no exclusions from safeguards, not just on products they currently make, but absurdly also on products they do not currently make. It is 100 percent necessary to exclude products that Petitioners do not currently make.

In fact, just recently I requested a sample from the Petitioners on antimony-free, and was told they don't have it. Even if they could theoretically make these new products at some point in time, it would take years to qualify in our lines and with our customers. It is akin to asking a car supplier to change from a making Kia to a Mercedes in no time and expect everything to go smoothly.

Finally, our products go into hygiene markets. Without doing due diligence on new supply, we'd risk the health of our citizens, not least in the case of antimony-free, babies.

In conclusion, Fibertex respectfully request no Section 201 tariffs or quotas to be imposed. If a tariff right quota system is imposed, no in-quota tariff should be imposed, because that only punishes downstream users of PSF that require imports to bridge supply gaps. The quota threshold must be significantly higher to account for total annual U.S. demand to avoid chaotic supply chain shortages in the latter half of the year.

If a tariff is imposed, there needs to be an equivalent tariff on imported finished nonwovens, which incorporate the raw materials subject to the tariffs to avoid severe negative economic effects of a tariff inversion.

We do not object to subsidies or any other kind of nontrade restricting assistance for the Petitioners. Tariffs and/or quotas on the Section 201 case will decimate the U.S. nonwovens industry and the companies and consumers they support, killing a substantially greater number of American jobs in the nonwovens industry than would initially be saved in PSF production.

Thank you for your time.

CHAIR BUFFO: Thank you. Now, Mr. Thornton?

MR. THORNTON: Sounds like a plan.

Good afternoon. Thank you for the opportunity to appear today before the Trade Policy Staff Committee. I am Mark Thornton, Vice President, Baby Care North America, for the

Proctor & Gamble Company, or P&G.

I've been with P&G for 27 years in various leadership roles in Baby Care. In my current position, I oversee P&G's production and sales of baby care products in North America, including baby wipes produced in Dover, Delaware.

I am joined her today by Niro Wimalasena, P&G's Senior Director of Research and Development, Baby Care Global Material Development and Supply Organization North America; and our external legal counsel, Matt Nicely and Julie Eppard with Akin, who are available to answer any questions from the committee.

P&G takes a very simple position in this case. As a U.S. manufacturer that locally sources spunlace nonwovens from other domestic manufacturers, we respectfully request an immediate exclusion from any safeguard action of a specialty product we refer to as low-antimony PSF, as specifically defined in P&G's written comments to the committee.

For more than 185 years, P&G has been a trusted global manufacturer of consumer goods that put safety, quality, and performance first. As you can imagine, baby wipes are no exception.

As explained in P&G comments to the TPSC and before the U.S. International Trade Commission, P&G requires spunlace nonwoven substrates made from low-antimony PSF to comply with state regulations for juvenile products, including its baby wipes produced here in America. These state requirements have informed P&G's decision to adopt strict internal controls against the use of antimony as a catalyst in the production of the PET-based PSF.

The denier staple fiber length and low foam finish specified in our exclusion request are essential to the spunlace nonwoven production process. And semi-dull luster ensures that the substrate meets P&G's requirements for overall visual appearance and whiteness.

A significant share of our U.S. baby wipes production depends on low-antimony PSF.

P&G is committed to sourcing locally. Indeed, we buy other kinds of PSF from domestic suppliers for other applications, including certain homecare products.

However, despite P&G's best efforts to find domestic suppliers for low-antimony PSF, this specialty fiber is not produced in the United States, and therefore should be excluded immediately from any safeguard action. This is a low volume product with a very limited end use application.

In addition, we have narrowed the definition of our exclusion request specifically to ensure that it will be not used for any other end uses. At such low volumes with no domestic production and with no fear that other buyers will switch to imported low-antimony product, there should be no safeguard action for this product.

Imports of this product did not and will not contribute to the industry's serious injury as the domestic industry has never demonstrated any commercial interest in supplying it and won't suffer from its importation in the future while the industry remains unqualified to produce it.

I would like to remind the committee that the Petitioners testified repeatedly before the U.S. International Trade Commission that specialty products which are not made in the United States may be immediately excluded from any safeguard action.

P&G demonstrated and other witnesses here today, like Fibertex and Sandler, can confirm that low-antimony PSF is not made in the United States. By Petitioner's own standards, this product should be excluded. Not doing so unnecessarily puts workers at our nonwoven substrate suppliers and at P&G's Dover Delaware facility at risk.

Without available domestic supply of the PSF product, we may be forced to choose alternative supply chains for the finished spunlace nonwoven substrate, including possibly attaining the substrate from overseas.

But note, this means less business and likely fewer jobs for the U.S. manufacturers in South Carolina and Georgia that produce our substrates. This would reverse the important work P&G has done with our substrate suppliers to bring manufacturing to the United States and bring jobs here and the positive economic contributions, an unintended and unfortunate consequence of a safeguard action focused on other segments of the PSF market.

Finally, I would like to emphasize that P&G is requesting immediate exclusion of low-antimony PSF and provided additional background on why immediate exclusion is appropriate. It will take at least one year, if not more, for fiber suppliers to rebuild or retrofit their lines for this product and for P&G and its substrate producers to qualify any new suppliers.

Even if domestic producers were able to produce this material today, and I wanted to reiterate that increase from our spunlace suppliers have repeatedly demonstrated that they are not able to, the qualification alone takes 12 to 18 months, if all goes well.

As discussed in our responsive comments filed on September 16, our qualification standards at P&G are high. But the process we follow is no different from what the government and consumers would expect when it comes to ensuring that materials that go into baby care products meet the highest quality and safety standards and validating that the product runs properly on our lines to be able to robustly supply an essential good to American consumers.

A lengthy product exclusion process, during which high duties would be incurred, would unfairly increase P&G's costs and limit our ability to source nonwovens containing PSF to our specifications while no domestic alternative exists. Any delay would harm P&G and its U.S.-based substrate manufacturers without any benefit to the domestic PSF industry.

As we mentioned in our submission, P&G would accept a limited time exclusion that allows the industry to demonstrate its interest and ability to supply our product. Once a member of the industry has met our qualification process, and assuming we can reach agreements on terms of sale, we'd happily rely on their alternative supply, at which point the safeguard action could be imposed on the product.

But until the industry shows they can produce the product, it makes no sense for P&G and its consumers to incur the cost of trade protection.

Restrictions on this product would violate the statute's requirement that any safeguard action provide more social and economic benefits than costs. Tariffs would needlessly raise the cost of imported low-antimony PSF and they ultimately would impact the price of baby wipes made in the United States and sold to consumers.

In summary, application of a safeguard

action to this narrow specialty product would not be in the public's interest. I urge the committee to recommend that the President exclude low-antimony PSF from any safeguard actions. My colleagues and I are happy to answer any questions.

Thank you for your time.

CHAIR BUFFO: Thank you very much to you and to all the witnesses for your testimony. We will now -- I will now turn to my TPSC colleagues for questions.

MR. SALKELD: Thank you. First question is to all the witnesses. I think you've touched on it in your testimony to hear it in the written comments, but tying it back to the ITC's recommended remedy, could you articulate any impacts that imposing the U.S. ITC's recommended remedy would have on your business?

And for companies with international operations as well as domestic, could you focus on the U.S. operations? Thank you.

MS. SIMON: Yes, I'm Mary Simon, I'm

the Director of Operations for Fibertex North America. Again, we are a global company, so my comments will be directed toward North America.

If the recommendations are implemented, it's devastating to our five U.S. lines for both needle punch and spunlace from the standpoint of in the market today in wipes, automotive, and other areas, we face daily in the market significant competition from Asian suppliers primarily. We lose market share on a regular basis from Asian competition, and this will only increase should this resolution pass.

As stated previously by some of our other textile companies in the market that this basically blocks any other supply of polyester. It creates a monopoly of the polyester in North America for us to only buy from one supplier. And it will basically put most of our business out of business.

These lines of nonwovens run much like paper lines. If you don't run them full, you can't run them competitively. The damage here would be substantial in that we would see over a period of time potentially a loss of our entire business of the 280-90 people that we employ across Illinois and South Carolina.

MR. THORNTON: And just to build on what Mary said, to dimensionalize, we have majority, can have majority, of our U.S. baby wipes business on a low-antimony PSF product. So without exclusion, this means less business.

And it puts jobs at risk in our Dover, Delaware, facility. It puts jobs at risk in our substrate suppliers like Fibertex and in South Carolina and Sandler in Georgia. So the first impact is economic. It's going to be jobs.

The second is a price increase. We sell a full portfolio of products that I've got here today of different baby wipes under the Pampers name.

Mr. Sparkman mentioned showed a sample this morning of a Pampers aqua wipe. And this is really on the low end of amount of low-antimony PSF that's in the product, where this is our actually our best-selling PET wipe, which has a higher amount of low-antimony PSF. It goes up to 80 percent.

So on a wipe which goes it up to 80 percent PSF, you can imagine it's a substantial amount of increase, which will then be passed from the fiber to the substrate, all the way from us to consumers. And so it does have a major impact on us.

MS. SIMON: If I could add one comment, please, that I thought of is Fibertex North America has the two newest spunlace lines in the world. And when you look at North America, we've been a relatively new entry to the North American spunlace market. Last year we opened a plant in South Carolina. It was a $70 million investment that we'd made.

We don't target commodity products, we target specialty, highly engineered products. We target customers like Proctor & Gamble who go after the market for irresistibly superior products. We want to be part of that supply chain that is providing things that not just everyone can do.

So we would respectfully have you consider that Fibertex is asking for these exclusions because we are investing. We have the newest lines in North America. We have the newest lines in the world as far as spunlace goes. And we've invested to support U.S. manufacturing long-term.

MR. AMDUR: So I want to follow up with another variant of the question I'm asking. So how can exclusion process be structured that is enforceable and not burdensome on both importers and Customs/Border Protection? And what key data or information elements would be important for such an exclusion to be enforceable?

MR. NICELY: Mr. Amdur, just to clarify, for P&G and I think for the other folks on the panel, an exclusion process that the ITC was considering and that the Petitioners have proposed is really putting things backwards, at least for the products that we're saying that the industry does not produce.

So just to clarify, we're seeking an exclusion now, not one later. And the reason for that is because if we have an exclusion process but we have the remedy in place while that exclusion process is going on, P&G is not going to be able to get the product, its substrate suppliers are not going to be able to get the product that it needs in a way that they can remain competitive.

And so what's going to happen instead is that they're going to end up probably relying upon imported substrate or imported finished goods themselves. So by the time an exclusion would be granted, and let's just use the solar tool, one case as an example, that took about a year and a half before any exclusions were granted after the first remedy was announced.

By that point, we likely wouldn't even be able to start buying from them because it would have gone on to other alternatives.

To answer your question, though, in terms of specificity, et cetera, on the exclusion, we feel we've already provided a lot of details on the product and the definition of the product.

We've explained, and Niro can go into more detail if we need to, about what those characteristics are and how they could be tested by Customs if in fact there was a question by the -- by Customs and Border Protection about the product and whether it met the criteria of the exclusion definition.

Their testing labs are capable of checking those -- all the details that we included in our exclusion request.

MS. SIMON: I've been a supply chain professional in textiles for 30 years, and I've heard your question asked to all the panels. And I think that there's not been really a satisfactory answer because it's bureaucracy. There isn't really an efficient way to put those kind of constraint and then in a very efficient way test the products coming in.

And I just think that from the standpoint of yes, there are tests that could be done, but you can say end use, you can do physical testing of the properties, but there's -- I don't think there's any silver bullet that anyone could give you out of all of our industry that would tell you there's a very fast and efficient way to test these products is just, in my opinion, the bottom line.

MR. PRICE: Yes, sir, and just to add to that, we're talking about exclusions for specialty products. And they've talked about a very important one in the yarn-spinning side of our textile industry. We've talked about the nonwovens in the yarn-spinning side.

We also have specialty fibers that we've recommended in our written testimony, exclusions for. Examples. When you go and buy at Dick's Sporting Goods a workout shirt that has that kind of black and red melange look to it, that's made with black polyester staple fiber.

It's a special solution dyed, it's also called dope dyed black fiber.

Well, there is no reliable supply of that product made in the USA. Companies will say yes, we can make that too, but it's not that simple. And so by restricting all fine denier polyesters without specific exclusions, again, you will literally be shutting down America's ability to produce these products to compete in the global marketplace.

The same thing applies to fine denier post-consumer recycled fibers. So everybody wants to be green and they want to use recycled raw materials. And you buy a shirt and it says made with recycled polyester. Well, that's made from bottles just like these, and that's a huge industry.

And we don't have a huge supply base of those kinds of products here in the USA. We just don't have the capacity to make those fine denier post-consumer recycled polyester staple fibers. So it's another product that we've recommended for exclusion.

In the same way, when you go home and you have a luxury pillow on your sofa that feels like natural down feathers, we make those with fine denier polyester fiber that has a special silicone finish on it to make it feel very luxurious, that's how we do that.

Well, we don't make those -- I mean, there's a very limited capacity of those products here in the USA, and they're extremely expensive. And so by shutting that down, we're really shutting down America's ability to compete in those segments. Those are just some examples of specialty fibers that we've recommended for exclusion.

MR. AMDUR: Thank you. And also I have one follow-up question on another subject. In both the written and oral testimony from Fibertex Nonwovens and from BMT Fibers, you mention that if there was a quota, then you provide your recommendations on what should -- what type of quota that should be.

However, you don't really make any -- you don't really specify -- there's been proposals in the ITC report for both a quota on TIB imports and non-TIB imports. And I wanted to see if you had any comments on whether if there was a quota that's specific to TIB and non-TIB imports.

MS. SIMON: Currently Fibertex does not utilize TIB, so we wouldn't comment on that at this time.

MR. AMDUR: Okay, thank you. Mr. Nicely, did you?

MR. NICELY: Nothing to add for P&G because we rely upon the spunlace providers.

MR. AMDUR: Understood, okay. Okay, thank you.

MS. WEAVER: This question is for Fibertex and BMT Fibers. In your view, does the P&G proposed definition appropriately define low-antimony PSF? And if yes, could you also comment on whether the semi-dull luster should be part of that definition?

MR. BRENT: Essentially, yes is the answer. And in terms of the luster, from what I understand, it's actually luster translates to opacity. So if the luster is wrong and you do say -- well wrong in P&G's mind -- and you do an optically bright, that actually translates to being transparent.

So if you're using a baby wipe that is transparent, you can imagine what that looks like. And what a boon to foreign competitors of P&G that would be to be able to import a non-transparent wipe.

PARTICIPANT: Can we have a couple comments on semi-dull?

PARTICIPANT: No visuals, please.

(Laughter.)

(Off-microphone comments.)

MR. WIMALASENA: So I think just to build on what was shared there, so all of the characteristics that we have specified are there for a reason, right. And so I wanted to emphasize when we go -- it seems very simple, right. It's a product that you use momentarily. I myself, I have twins, so I am a frequent user of baby wipes.

However, the cues that the wipe conveys will really indicate the performance, right. And we have tailored the visual appearance of the product to look a certain way, the mechanical performance, the cleaning efficacy. So there's a lot of science that goes into the development of a baby wipe. And so the characteristics that we have outlined are there for a reason.

MR. THORNTON: And one last build is that we've specifically from midway through the process narrowed our definition so that it can only be used as a baby wipe and can be used as other end use applications.

MR. WIMALASENA: And I think just to build on Mark's point, so we've very clearly spelled out so in broad terms, right. Nonwoven is a very broad term, distinguishing from textiles. And so literally, not woven materials.

We've indicated for the use in this type of fabric we are referencing spunlacing. So we take staple fibers, we comb them into a web. We then bond them mechanically through high pressure water jets. And that's why when we talk this low foam finish, it's super critical to our substrate supplier.

So they use recirculated water to do the bonding. If you think about if you had a high -- if you have ever put Dawn in the dishwasher and you see the foam that comes out, right, think of that in a manufacturing process, right.

So I think that's, again, each of the pieces, while they may not seem meaningful, right, ultimately through the whole value chain are extremely critical.

MR. BRENT: Can I just build on that, moving away from antimony-free. It just goes to show how complicated these products are. I think at the USITC hearing this was this sort of all fibers are created equal thought. And they're not. These are very complicated, difficult products.

And simply, you can't just go to Nan Ya or to Sun Fiber and say, oh, we'll just take their fiber and use it. It's not like that. It takes a long, long time to honestly pretty much redesign these fibers to get them to run on your lines.

MS. WEAVER: Thank you.

MR. GAGAIN: Mike Gagain with USTR. This question is to Mr. Price of BMT Fibers. I promised you I had a question for you.

On page 3 of your request to testify, you indicated that the limited domestic manufacturing for specialty fibers would be fully occupied making those fibers to meet the surge in demand, which could potentially lead to a shortage in supply of other specialty fibers.

I'm wondering how you reconcile that assertion with the USITC's observations that, A, the Petitioners have domestic -- excess capacity of fine denier PSF. And B, that they currently produce products similar to or competitive with essentially all of the specialty products you listed. Thanks.

MR. PRICE: Thank you for that question, it's a good one. In our opinion, serving the industry, the only excess capacity that anybody has at the moment is the result of the past 18 to 24 months of market decline and the dramatic drop in factory demand for polyester staple fibers. It's put a lot of companies out of business. The industry's been really hobbled by this.

There is excess capacity at the moment, but that is a direct result of the fallout post-COVID. And that's what the economy's been struggling with, especially in the textile trade. So, pre-COVID, our economy in the textile trade was humming along very well, and domestic producers were also doing very well.

And so we believe that as our economy recovers and people go back to the stores and start buying thing again and major retail starts requiring more inventory on their shelves, more POs are going to start flowing to these factories. And they're going to need more fiber. And they're going to be calling the domestic producers first, just like they always do.

And so we think that economic recovery will be the solution for any excess capacity that existed over the past 18 to 24 months. And we agree, it's been a horrible 18 to 24 months for most segments of our trade. If that answers the first question.

Could you please repeat the second question?

MR. GAGAIN: Yeah, sure. So it was kind of a two-part question. But there were two observations by the Commission, the second being that the domestic industry currently produces products similar to or competitive with all the specialty products that you -- that you listed.

I'm just wondering how you reconcile that with your statement on page 3 of --

(Simultaneous speaking.)

MR. PRICE: Yeah, it's a good question, thank you. Specialty fibers, the difference is that in order to produce these specialty fibers, it requires sizable production runs. And to make a small production run is very, very expensive. And essentially, factories don't really want to do that.

And so what factories in the United States want to do is they want to run those productions line at 90-percent-plus capacity so they can optimize their efficiency. And that's when they become profitable, 85 percent and above. But 90-percent-plus factories are making money.

And so they want to run the products that are going -- that are going to be their fundamental bread and butter products and then complement that with specialty. But some of these specialty items, the volumes that are consumed in this country are relatively small. And so, because most of that consumption has gone offshore.

And so it's very difficult to get a lot of these specialty products like the polyester black fiber that I was telling you about that's blended with cotton to make the melange color that you used to see in the old gray sweatshirts. That's how we did that.

Not a lot of black is consumed here anymore. And so big producers don't really want to -- it's not economically viable for them to make that. And so the same thing with the microdenier siliconized. It's hard to make, there's not much volume. It's not a bread and bones, high volume product.

And so more difficult to source locally. Meanwhile, overseas, with these countries that have been shipping to the USA who have been very well-behaved, not dumping, doing a good job, they've empowered us to move away from China. And to work with strategic allies.

And if we start cutting them off, we're going to have nobody left to work with in the global marketplace. And this is a big concern for us.

MR. GAGAIN: Thank you very much.

Mr. Brent, I think I saw you do some hand signals when I asked that question. Is there anything that you wanted to say about my question?

MR. BRENT: Yes, thank you. If I had a dime for every time I was told by a fiber salesperson that they could make that, I'd be a rich person. Actually getting product in that really does work and does everything that we need it to do is quite a different thing. And is very difficult and often you don't get there.

So I think, frankly, the Petitioners claimed that they can make all these things. And I think the USITC is kind of taking them on their word at that. And I can tell you from ten years of experience in textiles, it's just not that easy. And you often don't get to the end and you don't get -- you can't get it to work. So unfortunately it's not just as simple as that.

MR. GAGAIN: Thank you.

MR. MROCZKA: So our questions for these hearings are written in advance of these hearings, but Mr. Brent, given what you just said, I think you will have something to say on this question.

On page 1 of your request to testify, you made a request that there be exclusions for specialty fibers currently not made by the Petitioners.

Can you respond, as you have sort of alluded to in your previous answers, to the ITC's assertion on pages 40-43 of its report that domestic production of fine denier specialty products compete with and exceed shipments amounts of imports for all types of fine denier PSF specialty products?

And further, fine denier PSF specialty products also accounted for substantial shares of both U.S. producer shipments and U.S. importers' shipments of imports.

MS. SIMON: I think Alex's position's been clear as is the -- as the position of

Fibertex. And today you've had the top textile countries in America basically say the same thing to the Commission, that the specialty fibers that we use are not available domestically. This is not something that we got together and talked about, this is just the truth.

And I think that we work with Nan Ya on other businesses across our portfolio on a daily basis. If these fibers were available, we would be working with them. We have been producing antimony-free rolled goods for several years now. If fibers were available, we love to have second sources, we would be qualifying Nan Ya as a second source.

I think you've heard from very reputable, 100-year-old companies today that that is just not the fact.

MR. BRENT: I think some, maybe some of the confusion here as well is it depends on the technology that we're using as to whether the fibers are -- can be used. So, for instance, you might be able to use it just fine on a needle punch line, but not on a spunlace line. Same thing. So especially for hygiene.

So I think maybe the USITC didn't quite understand the complexities there.

MR. THORNTON: And to build on Mary and Alex's point, I mean, today we use Nan Ya fiber in our Swiffer product as a different type of PSF. But of course we can't find low-antimony PSF in the market, we've been trying for years. And so again, it's something that you have to find the right fiber for the right application, and they're not interchangeable.

MR. WIMALASENA: Yeah, and I think just to bring to life Mark's point on the difficulty in trying to find a suitable source. So one piece fundamentally if we think about parts per million, right, it doesn't require a lot of residue to transfer from product to product.

So typically to source this product, you need a dedicated asset. And as John referenced, when people are making products, they make them at large scale. And so you need an outlet for a low-antimony portfolio beyond niche products to be economically viable for that operation.

The next piece is it's, again, as Mary mentioned, when you buy multimillion dollar assets, right, you need to find fibers that work at extremely high speeds and high efficiencies for that capital to be paid off over time.

And so finding all of the critical characteristics that come, and you've heard this throughout the testimony today, tenacity, crimp, the finishes that are there. And not necessarily the same fiber will work even on the same -- so Fibertex has multiple assets at their facility that we work with. The same fiber might not work on the same two lines.

And so when we go through a qualification process, we qualify by line, right. So by fiber, by line. And that's why there's a lot of time involved, because there's multiple stages. Fiber supplier, not a woven supplier, P&G can bring lines.

And so again, it is extremely rare to find sources of this particular application. And like Mary said, if we had a source that was down the street from them, we would love from a supply chain resilience standpoint to be able to have domestic fiber and domestic nonwoven flowing into domestic finished product manufacturing.

MR. GAGAIN: Thank you for those, I don't have any follow-up.

MS. LIN: Songhua Lin from Department of Labor. So all of you described the challenges around the supply chain from the raw materials to the intermural good and towards the end. So my questions for all the witness, let's think about from consumer perspective.

If this remedy is granted, do we know how will this impact U.S. households who purchase consumption items that contains all these PSFs as input? Thank you.

MR. THORNTON: Thank you, Ms. Lin, for the question. So today, again, we're making locally in the U.S., and if the remedy, if we were not given an exclusion, what we'd have to look for is alternates. Because some of our competitors are also already importing finished product.

So we'd have to look at opportunities across our sourcing strategy to look at should we be importing substrates, should we compete with other companies up here? Or would we -- would we also look at a range of options that would include finished product from overseas.

MS. SIMON: Just anecdotally, there is a very, very large baby wipe program that's sold through the Costco chain, arguably one of the largest baby wipe programs in the country, that's sourced throughout the industry, throughout our industry. And when economic winds turn against our favor, whether that's energy cost, labor cost, all of that business goes offshore and our plants are impacted by that.

So to me it's just a small bellwether of what's going to happen here. We struggle to maintain some share of that Costco baby wipe program on a regular basis due to stiff competition. If this passes, we will never again make Costco baby wipes.

MR. BRENT: I actually saw an example earlier this year of where we decided to give Nan Ya more business, we thought it's the right thing to do, domestic manufacturer supporting American jobs. Pushed our costs up a little bit in the overall mix, of course.

We tried to pass that increase onto the customer, and we lost the customer. It's as simple as that. So now nobody has that business, not Nan Ya, not us.

MR. THORNTON: So Ms. Lin, baby wipes are also an essential good. Again, they're used daily on babies. And it's really important that it's affordable for families. And so as you ask about the consumer, again, small differences make a huge difference in the outlay of money that a family will spend.

And so it's crucial that we keep baby

wipes as affordable as possible for families and babies.

MS. LIN: Okay, thank you.

MR. PRICE: I was just going to add one more point to reiterate what's been said, and that is that all of these American textile companies, those present here and all of the rest that we supply with polyester staple fiber, they want to produce in the USA.

They want to -- they're patriotic companies, they want Made In America, they want to create U.S. jobs. They want to support the economy with those jobs because that's what it's all about. And they don't want to go offshore.

We would be driving them to go offshore. And that would really be a shame, especially in this particular industry, the U.S. textile industry. Because we're barely hanging on.

And if they do go away, the skills, the jobs, the vocational expertise, the know-how, the R&D, all of that development, it's going to be eroded. And it's -- those are the things that are extremely difficult to replace. It doesn't come back once it goes away.

And so we have to consider that as well. They really want to produce here. And so this is one reason why we think it would be very bad for America to do this.

MR. NICELY: Can I add one thing? Matt Nicely with Akin Gump for P&G. We completely get the fact that if you impose the safeguard. The whole point, frankly, is that prices are going to go up. And so we talk about affordability. Oftentimes that falls on deaf ears in these cases because that's part of the point, raise prices.

The point here, though, is that you're pitting manufacturer against manufacturer. And you're dealing with products that, as Mark said, families are relying upon. And they have other alternatives. They have other alternatives that come in directly. That don't have to be made here in the United States.

And so ultimately, to bring this back to the statute, something you didn't get in the ITC's recommendation, because it's not their responsibility, is a cost-benefit analysis. That's the President's responsibility, to consider the effects, whether the effects of any remedy that the ITC does recommend to you is actually more beneficial than costly.

And in this instance, particularly for our product, for P&G's low-antimony product, it is clearly evident that ultimately imposing those duties are going to cost more than the benefits that they would create. Because ultimately no one's going to get the business if the remedy that they propose is imposed.

These folks are not -- Fibertex is not going to be able to, Sandler's not going to be able to produce the product for us. Dover, Delaware, our operations in Dover, Delaware, could reduce employees because we end up having to bring the product in directly.

So ultimately it's up to the

President, up to you to provide a recommendation to the President where the benefits are greater than the costs. And if the duties are imposed, the opposite would happen.

MR. GAGAIN: So one more question. This one's to Fibertex. In your request to testify, you referenced proposed solutions to fine denier PSF imports to help all American manufacturers, not just one. And I think I heard in your testimony earlier that you don't object to non-trade restricting assistance for the Petitioners.

I'm wondering if you could elaborate on that a bit and exactly what you're referring to. Thank you. And I guess when you respond, what I'm wondering is what types of non-trade restricting assistance for the Petitioners that the President could do within the confines of the safeguard statute. Thanks.

MR. BRENT: I'll say that I'm not a politician and I'm not exactly aware of the President has power to do. And there was a big argument over that in the USITC hearing.

But that said, if I could wave my magic wand, I would love for Nan Ya, and if Darling ever started up again, and even Sun Fiber to be able to produce these fibers with higher quality, more specialty products available and to increase their capacity and have more efficient lines so that they were globally competitive so that we could be globally competitive with you. Which, frankly, we are not right now if we're competing against our global customers -- our global competitors.

I mentioned, I touched on it, Nan Ya, they do have a legitimate problem in that their raw material costs are too high right now it's not their fault. If they're -- anything to help them bring their raw material costs down so that they're on a level playing field with Asian competitors, great.

That would -- that would honestly be amazing for our market to be able to -- I'm sure they'd then pass those cost reductions on. And we'd be able again to compete on a fair playing field. Anything to help them there would be wonderful.

MR. GAGAIN: Thank you very much.

CHAIR BUFFO: Thank you for your responses and testimony. And I would like to thank all the witnesses across the five panels today. Thank you as well to our interagency colleagues from the TPSC. And also, on behalf of the TPSC, I'd like to thank the USITC for hosting and supporting this hearing today.

I would also like to thank my colleagues from the Office of the General Counsel, David, Mike, and Rachel, for all of the work that went into organizing this hearing, as well as the USTR interns, Joanna Griffin and Dexter Woods.

Finally, I would like to thank our transcriber. We will be posting a transcript of today's hearing on USTR's website and on regulations.gov. And with that, I conclude today's hearing and get to use this fun gavel.

(Whereupon, the above-entitled matter went off the record at 3:18 p.m.)

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C E R T I F I C A T E

This is to certify that the foregoing transcript

In the matter of: Trade Policy Staff Committee Public Hearing

Before: USTR

Date: 09-30-24

Place: teleconference

was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate complete record of the proceedings.

Neal R Gross

Court Reporter