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Testimony of Eric Astrachan,
Executive Director of The Tile Council of North America
to the
U.S. International Trade Commission
regarding the
U.S.-Trans-Pacific Partnership Free Trade Agreement Including Canada and Mexico:
Advice on the Probable Economic Effect of Providing Duty-Free Treatment for Imports,
Investigation Nos. TA-131-036, TA-2104-028
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Mr. Chairman, Members of the Commission, thank you for the opportunity to testify today.

I am Eric Astrachan, Executive Director of the Tile Council of North America. The Tile Council is the trade association of the North American tile industry, representing companies that account for over 99% of U.S. tile production and over 99% of U.S. mortar, grout and related installation products manufacturing.

Mr. Chairman, my testimony is divided into two parts.

First, if I may, I'll briefly describe the nature of the domestic tile industry. Then, I'll say a few words about the likely impact of the inclusion of Canada and Mexico in the TPP on the U.S. tile industry.

The U.S. tile industry is sizable. In the latest twelve months, our member companies' domestic shipments totaled $972 million and our tile-producing member companies employed approximately 5,750 American workers.

The U.S. industry is also vibrant. It includes companies with annual sales in excess of $1 billion, competing alongside dozens of family-owned craft facilities.

And, the domestic tile industry is high tech. The Tile Council and our member companies are on the cutting edge of tile technology, developing tile, for example, that is antimicrobial for hospital and food service settings and building exterior tile that will help clean the air of smog and other volatile organic compounds.

Though the U.S. tile industry remains large and innovative, the industry is import sensitive.

The Tile Council has long had an interest in our free trade agreements, many of which have included long duty phase-outs in recognition of the import sensitivity of the U.S. tile industry.

And, while the Tile Council did not participate in the Commission's 2010 TPP hearing, our companies have long been concerned about the long-term consequences of granting duty free access to TPP member countries.

Mexico and Canada's inclusion in the TPP would have a direct impact on U.S. tile producers.

NAFTA created a unified North America tile industry, as is evidenced by the history of the Tile Council itself, which used to represent only American producers, but now represents the entire North American industry. Established in 1945 as the Tile Council of America, we changed our name in 2003 to the Tile Council of North America to reflect our expanded representation of Mexican and Canadian production – a reflection of the integration wrought by the NAFTA.

Today, U.S. tile manufacturers often complement their domestic production with facilities elsewhere in North America, particularly in Mexico. Similarly, in at least one instance, larger Mexican tile companies have supplemented their Mexican production by opening manufacturing facilities in the United States.

The financial health of these companies, and their U.S. jobs, would be directly impacted if Mexico and Canada join the United States in reducing tile tariffs to all TPP member countries.

Mexico and Canada are important export markets for our member companies' U.S. production. Should Mexico and Canada eliminate tariffs on tile for TPP member countries, resulting in increased import competition, we risk losing a vital source of exports for U.S. producers.

TPP Members Malaysia and Vietnam are modest suppliers to the North American market, but both countries would likely target North America should Canada, Mexico, and the United States eventually eliminate tile tariffs for all TPP countries.

Indeed, Vietnam is the 6th largest producer of ceramic tile in the world, with annual production of 4 billion square feet. Malaysia, too, is a major producer of ceramic tile, with annual production of 970 million square feet.

Clearly, duty free access for Vietnam and Malaysia is a major threat to an integrated North American tile industry.

Canada's MFN duty rate for ceramic tile is 8%, while Mexico's MFN duty rate is 16%. In a highly price competitive industry, these are significant tariffs. Elimination of these tariffs would almost certainly lead to an increase in imports into our key partner countries, Canada and Mexico.

Our experience with Peru has shown us what can happen when we eliminate tariffs on tile. Since the FTA with Peru went into effect, imports of tile from Peru have grown 59%, making Peru the 9th largest supplier to the U.S.

The Tile Council's concern about import penetration into North America is augmented by our past experience with Mexican Customs. After NAFTA went into effect, we witnessed a surge of transshipped and mislabeled tile imports into Mexico, some of which were destined for the United States.

Similarly, after Mexico entered into a free trade agreement with Spain, tile labeled as "Made in Spain" entered Mexico via Mexico's West Coast ports. Asian tile exporters were committing Customs fraud on a large scale.

Should Mexico eliminate tile tariffs for all TPP member companies, the Tile Council fears that illegal transshipment will only increase, augmenting the damage to our member companies from any growth in legitimate imports.

The Tile Council cannot convey strongly enough that the health of much of the U.S. industry is tied to Mexico and Canada. Many U.S. tile workers are employed by Mexican owned companies, while U.S. owned companies complement their U.S. production with Mexican facilities. Meanwhile, both Canada and Mexico serve as key export markets for U.S. produced tile.

Mr. Chairman, Members of the Commission, I thank you for the opportunity to testify and look forward to any questions.