Industry & Trade Summary

Home Textiles

USITC Publication 3170
March 1999

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Washington, DC 20436

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Textiles and Apparel Branch
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PREFACE

In 1991 the United States International Trade Commission initiated its current *Industry and Trade Summary* series of informational reports on the thousands of products imported into and exported from the United States. Each summary addresses a different commodity/industry area and contains information on product uses, U.S. and foreign producers, and customs treatment. Also included is an analysis of the basic factors affecting trends in consumption, production, and trade of the commodity, as well as those bearing on the competitiveness of U.S. industries in domestic and foreign markets.[1]

This report on Home Textiles covers the period 1993 through 1997. Listed below are the individual summary reports published to date on the energy, chemicals, and textiles sectors.

USITC publication number	***Publication date***	***Title***
Energy and Chemicals:		
2458	November 1991	Soaps, Detergents, and Surface-Active Agents
2509	May 1992	Inorganic Acids
2548	August 1992	Paints, Inks, and Related Items
2578	November 1992	Crude Petroleum
2588	December 1992	Major Primary Olefins
2590	February 1993	Polyethylene Resins in Primary Forms
2598	March 1993	Perfumes, Cosmetics, and Toiletries
2736	February 1994	Antibiotics
2739	February 1994	Pneumatic Tires and Tubes
2741	February 1994	Natural Rubber
2743	February 1994	Saturated Polyesters in Primary Forms
2747	March 1994	Fatty Chemicals
2750	March 1994	Pesticide Products and Formulations
2823	October 1994	Primary Aromatics

[1] The information and analysis provided in this report are for the purpose of this report only. Nothing in this report should be construed to indicate how the Commission would find in an investigation conducted under statutory authority covering the same or similar subject matter.

USITC publication number	*Publication date*	*Title*
Energy and Chemicals--Continued:		
2826	November 1994	Polypropylene Resins in Primary Forms
2845	March 1995	Polyvinyl Chloride Resins in Primary Forms
2846	December 1994	Medicinal Chemicals, except Antibiotics
2866	March 1995	Hose, Belting, and Plastic Pipe
2943	December 1995	Uranium and Nuclear Fuel
2945	January 1996	Coal, Coke, and Related Chemical Products
3014	February 1997	Synthetic Rubber
3021	February 1997	Synthetic Organic Pigments
3081	March 1998	Explosives, Propellant Powders, and Related Items
3082	March 1998	Fertilizers
3093	March 1998	Adhesives, Glues, and Gelatin
3147	December 1998	Refined Petroleum Products
3162	March 1999	Flavor and Fragrance Materials
Textiles and apparel:		
2543	August 1992	Nonwoven Fabrics
2580	December 1992	Gloves
2642	June 1993	Yarn
2695	November 1993	Carpets and Rugs
2702	November 1993	Fur Goods
2703	November 1993	Coated Fabrics
2735	February 1994	Knit Fabric
2841	December 1994	Cordage
2853	January 1995	Apparel
2874	April 1995	Manmade Fibers
3169	March 1999	Apparel

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ABSTRACT

This report addresses trade and industry conditions for home textiles for the period 1993-97.

- Home textiles include such furnishings as bed, toilet, kitchen, and table linens (e.g., sheets, blankets, comforters, pillows, towels, and table cloths), curtains, and draperies.

- The U.S. home textile industry underwent major restructuring during 1993-97 as a result of a highly competitive retail environment. Because many consumers remained highly value conscious, retailers became more demanding of their suppliers in terms of price, quality, selection, and service. Moreover, consolidation in the retail sector and the growing concentration of sales volume among a few big retailers increased the bargaining power of the retailers and disrupted traditional producer-buyer relationships.

- To remain competitive, U.S. producers have merged, acquired, or otherwise restructured to reduce costs and gain production capacity, new product lines, and market share. The large firms now offer retailers a wide range of goods, including those with strong brand name identification, and are able to meet retailer demands for large volume orders, low prices, and tight delivery schedules.

- U.S. producers also formed strategic alliances with retailers to strengthen business relationships. They invested in new manufacturing and information technologies to increase capacity and productivity while reducing employment levels. The new technologies also provided producers with greater flexibility to coordinate production and marketing with retailer needs and to speed the flow of goods, services, and information to retailers as well as from the producers' raw material suppliers.

- U.S. producers' shipments of home textiles grew by 11 percent during 1993-97, to an estimated $9.6 billion. U.S. consumption rose by 16 percent in the period to $11.0 billion. Imports' share of the market rose from 12.0 to 16.3 percent in the period.

- The U.S. trade deficit in home textiles widened considerably during 1993-97, rising by $542 million to $1.4 billion. U.S. imports grew by $651 million, or 58 percent, to $1.8 billion and exports rose by $108 million, or 35 percent, to $415 million. China, India, Pakistan, Portugal, Mexico, and Taiwan supplied 63 percent of the imports in 1997, and Canada accounted for 51 percent of the exports.

- Estimated world exports of home textiles rose by 35 percent during 1993-96 to $8.8 billion. China, Pakistan, Portugal, and India were the world's largest exporters, together accounting for 45 percent of world home textile exports in 1996. The European Union, as a group, is the largest exporter of home textiles with 31 percent of world exports in 1996.

INTRODUCTION

Home textiles are furnishings made of textile materials and intended for residential and institutional use in bedroom, bath, dining, kitchen, and other living areas. For purposes of this report, home textiles include the following finished articles: (1) bed linens, such as sheets and pillowcases; (2) other bedding products, such as bedspreads, blankets, comforters, and pillows; (3) toilet and kitchen linens, such as towels and wash cloths; (4) table linens, including tablecloths, cloth napkins, and place mats; (5) curtains and draperies; and (6) hand-woven and needle-worked tapestries and other wall hangings.[2]

This report examines recent developments in the home textile industry, particularly changes during 1993-97. It consists of four major sections: U.S. industry profile, U.S. market, U.S. trade, and foreign industry profile. The U.S. industry section discusses recent structural changes in the industry, the impact of technological innovations, the move toward globalization, and the key strategies that home textile producers are using to maintain a competitive advantage. The U.S. market section examines changing consumer characteristics, factors affecting demand, and trends in U.S. consumption and production. The section on U.S. trade discusses trends in U.S. imports and exports, and U.S. and foreign trade measures. The foreign industry profile provides a brief overview of the leading world producers and exporters of home textiles.

The principal raw material used in the manufacture of home textiles is cotton, which accounted for roughly 70 percent of total fiber usage in home textiles in recent years.[3] The remainder consists primarily of manmade fibers, particularly polyester. Factors affecting fiber usage include fiber properties, product end uses, and fashion trends. For example, cotton is used in towels because of its absorptive properties and in bed linens because of its cool and soft "hand" (i.e., how the fabric feels). Polyester is used in home textiles, often in blends with cotton, because of its ease-of-care properties and durability.

U.S. INDUSTRY PROFILE

Industry Structure

U.S. producers of home textiles were classified in the Standard Industrial Classification (SIC) system under SIC 22, Textile Mill Products, and SIC 23, Apparel and Other Finished Products.[4] The producers of home textiles in SIC 22 are integrated weaving mills that

[2] Carpets and rugs are not included in this report.

[3] Based on data for products covered by this report, as published in *Cotton Counts Its Customers*, 1997 ed. (Memphis, TN: National Cotton Council of America, 1998).

[4] The SIC was replaced by the North American Industry Classification System (NAICS) beginning with the 1997 data. Home textiles are provided under NAICS subsectors 313, Textile Mills, and 314, Textile Product Mills. See Executive Office of the President, Office of

(continued...)

manufacture home textiles directly from fabrics woven in the same mill, while the firms in SIC 23 make home textiles by cutting and sewing purchased fabrics. U.S. producers are further subdivided in SIC 22 by principal fabric: SIC 2211, Broadwoven Fabric Mills, Cotton; SIC 2221, Broadwoven Fabric Mills, Manmade Fiber; and SIC 2231, Broadwoven Fabric Mills, Wool. The firms in SIC 23 are subdivided into SIC 2391, Curtains and Draperies; and SIC 2392, Housefurnishings, not elsewhere classified (nec). The structure of the domestic industry, its principal raw materials, products, and channels of distribution are illustrated in figure 1.

The cut-and-sew firms in SIC 23 account for roughly three-fourths of U.S. producers' shipments of home textiles annually, and the integrated mills in SIC 22 account for the rest (table 1). Employment in the U.S. home textile industry is believed to have declined in recent years, principally because of increased automation and industry consolidation. Although employment data are not available for the integrated mills that make home textiles, employment in the cut-and-sew sector declined by 6 percent during 1993-97.

Table 1
Home textiles: U.S. industry profile, 1993-97[1]

Item	1993	1994	1995	1996	1997[2]
Product shipments (million dollars):					
SIC 2211[3]	1,252.9	1,436.2	1,648.5	1,737.4	1,820.0
SIC 2221[3]	354.1	377.8	388.6	382.0	400.3
SIC 2231[3]	15.0	15.2	14.6	14.2	14.9
SIC 2391	1,239.5	1,555.5	1,191.8	1,147.2	1,117.9
SIC 2392	5,740.5	6,074.7	5,904.5	5,923.9	6,220.1
Total	8,602.0	9,459.4	9,148.0	9,204.7	9,573.2
Employees[4] (1,000):					
SIC 2391:					
Employees	20.7	21.1	23.0	19.9	19.6
Production workers	15.6	16.1	16.9	14.9	14.5
SIC 2392:					
Employees	51.4	50.4	51.4	48.7	48.2
Production workers	43.9	43.1	43.1	40.9	39.9
Number of establishments:					
SIC 2391	987	928	897	[2]855	815
SIC 2392	860	867	870	[2]865	860

[1] Product shipments are the only data separately reported, or for which meaningful estimates can be made, for home textiles made by integrated mills in SIC 2211, 2221, and 2231. Data on other industry indicators, such as employment, are not available for such home textiles.
[2] Estimated by the staff of the U.S. International Trade Commission.
[3] These data reflect the portion of this category that is accounted for by home textiles.
[4] Compiled from official statistics of the U.S. Bureau of Labor Statistics.

Source: Compiled from official statistics of the U.S. Bureau of the Census, except as noted.

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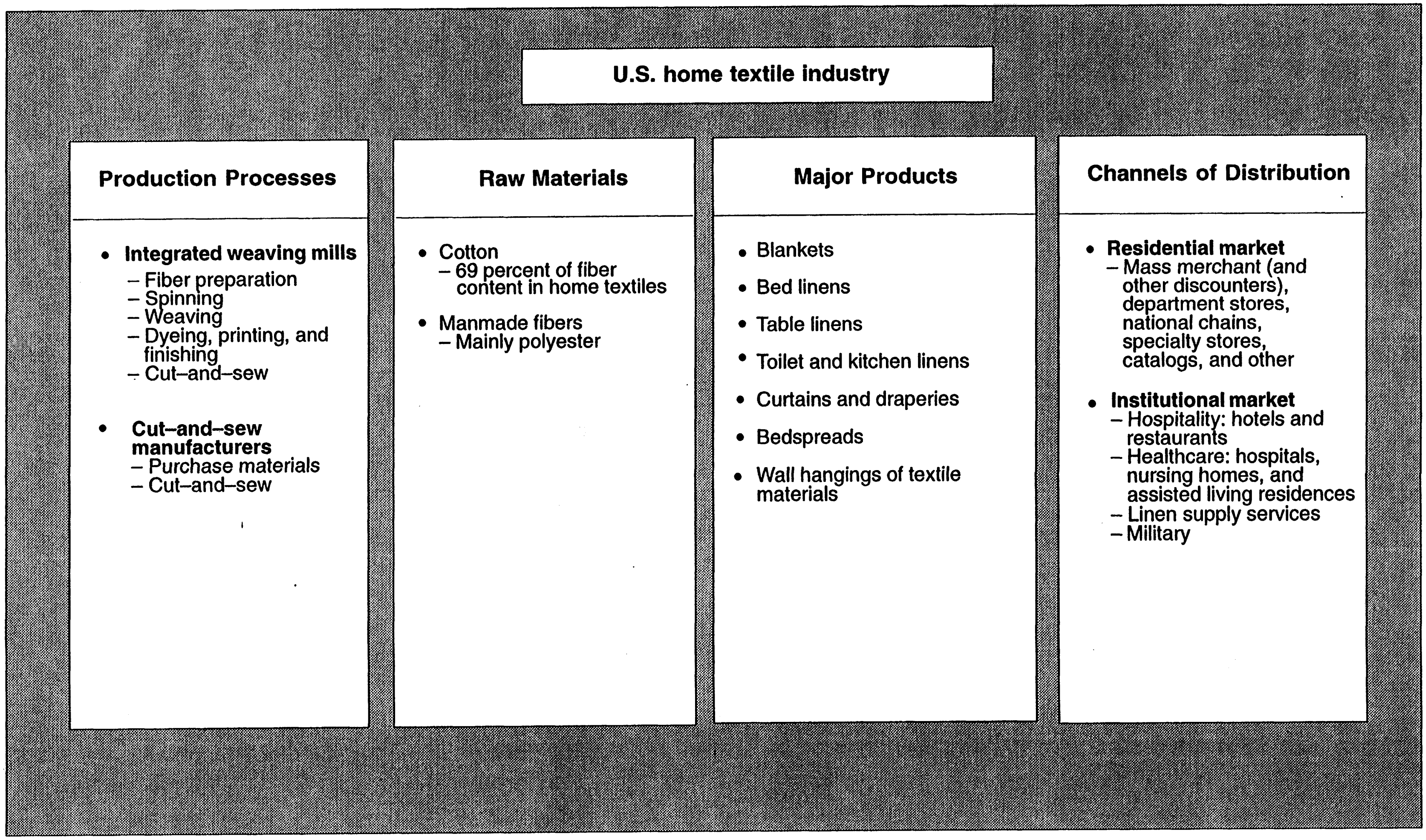
[4] (...continued)
Management and Budget, *North American Industry Classification System, United States, 1997* (Lanham, MD: Bernan Press, 1998). 4

Figure 1
U.S. home textile industry: Production processes, raw materials, major products, and channels of distribution



Source: Compiled from various sources by the staff of the U.S. International Trade Commission.

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firms, reflecting the capital intensity of the integrated operations. The top three integrated The integrated firms generally produce a wide range of goods for virtually all market segments, while the small firms typically produce a limited range of goods for niche markets. The integrated firms generally operate on a much larger scale than the cut-and-sew home textile mills each employ more than 10,000 workers, while just over one-half of the cut-and-sew establishments employ fewer than 5 workers. The integrated mills are primarily in the Southeast, whereas the cut-and-sew firms are located throughout the country.

Recent Trends

The U.S. home textile industry has undergone significant restructuring in recent years in response to a highly competitive retail environment. A major development affecting the U.S. home textile market in the 1990s has been the "fundamental shift in consumers' attitudes towards spending and value."[5] However value is perceived, whether in terms of price, product quality, or convenience, consumers have become more value conscious in recent years. In response, retailers have become more demanding of their suppliers in terms of price, quality, selection, and service. Moreover, the consolidation in the retail sector and the growing concentration of retail sales volume among fewer but bigger retailers have increased the bargaining power of the big retailers and disrupted traditional producer-buyer relationships.[6] The big retailers have been aligning themselves with home textile suppliers who offer products with strong brand name identification and consumer loyalty and who can meet their needs for large volume orders, tight delivery schedules, and low prices.

U.S. producers of home textiles have adopted several strategies to improve their competitive position in the marketplace. Among the most important of these have been mergers and acquisitions to gain manufacturing capacity and new product lines.[7] As a result of the numerous mergers in recent years, a small group of large integrated mills lead the industry. Sales of the three largest firms in the industry grew by 21 percent, from $3.9 billion in 1993 to $4.7 billion in 1997 (table 2). The percentage increase was almost twice the growth in U.S. producers' shipments, which rose by 11 percent, from $8.6 billion in 1993 to $9.6 billion in 1997. Producers have also invested in new manufacturing and information technology, formed strategic alliances with retailers, developed new products, and promoted brand-named goods.

Mergers and Acquisitions

Several of the large producers of home textiles have further expanded their operations through mergers and acquisitions in recent years. After a series of mergers in 1993,

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[5] Karen Sack, "Retailing: General," *Standard & Poor's Industry Surveys*, Feb. 5, 1998, pp. 8 and 12.

[6] Ibid., p. 6.

[7] Bill Morrisett and Coco Dawson, "Pace of Mill Mergers is Quickening," *Textile World*, May 1998, pp. 50-54.

Table 2
Home textiles: Estimated sales of major U.S.-based producers, 1993 and 1997

Company	1993	1997	Change
	--------Million dollars----		*Percent*
Pillowtex Corp.[1]	295	1,626	[2]26.7
Fieldcrest Cannon, Inc.	988	([1])	([1])
WestPoint Stevens, Inc.	1,261	1,611	27.8
Springs Industries, Inc.[3]	1,100	1,475	[4]10.5
Dundee Mills, Inc.	235	([3])	([3])
Burlington Industries, Inc[5].	432	309	-28.5
Crown Crafts, Inc.	162	276	70.4
Dan River, Inc.	185	253	36.8
The Bibb Co.[6]	235	208	-11.5
Total above	4,893	5,758	17.7
U.S. industry shipments	8,602	9,574	11.3

1 Pillowtex acquired Fieldcrest Cannon in 1997.
2 Based on the consolidated sales of Pillowtex and Fieldcrest Cannon.
3 Springs Industries acquired Dundee Mills and Dawson Home Fashions in 1995. Sales data for 1993 are not available for Dawson Home Fashions.
4 Based on the consolidated sales of Springs Industries and Dundee Mills.
5 Burlington's decline in sales was mainly attributable to the sale of J.G. Furniture in April 1996 and Advanced Textiles in October 1996 as well as lower volume and selling prices in the Burlington House Division. See "Portfolio of Growth - Burlington Industries, Inc. - 1997 Annual Report," Dec. 3, 1997, Greensboro, NC.
6 The Bibb Co. sold its terry towel business to WestPoint Stevens in 1996. The Bibb Co. merged with Dan River, Inc. in 1998.

Source: *Home Textiles Today* market research and company reports.

WestPoint Stevens, Inc. emerged as the successor to WestPoint-Pepperell, Inc., and now offers a broad selection of products across multiple price points for every distribution channel. WestPoint Stevens estimates that it has the largest share of the domestic markets for sheets and pillowcases (36 percent) and bath towels (41 percent).[8] Another major producer, Springs Industries, Inc., acquired Dundee Mills, Inc., a manufacturer of towels, infant and toddler bedding, and other related products, and Dawson Home Fashions, a producer of bathroom textiles. The addition of Dundee Mills' towel lines reportedly has enabled Springs Industries to meet growing demand for oversized bath towels and, together with the Dawson Home Fashions product line, has enabled the firm to offer coordinated bathroom sets for the first time.[9]

In 1997, Pillowtex Corp., a manufacturer of bed pillows, acquired the much larger Fieldcrest Cannon Inc., a producer of bath and bed linens. The acquisition transformed Pillowtex from a firm with $500 million in annual sales and 4,000 employees to one with $1.6 billion in

8 WestPoint Stevens, Inc., "Form 10-K for the Fiscal Year Ended December 31, 1997," filed with the Securities and Exchange Commission (SEC), Mar. 3, 1998, found at Internet address http://www.sec.gov/Archives/edgar/data/852952/0000950144-98-003615.txt, retrieved Aug. 20, 1998.

9 Trevor A. Finnie, "Outlook for the US Textile Industry," *Textile Outlook International* (United Kingdom: Textiles Intelligence Ltd.), May 1997, p. 114.

annual sales and 14,800 employees.[10] In addition to acquiring the well-known Fieldcrest Cannon brand name, the merger united the companies' extensive distribution networks, allowing Pillowtex to offer retailers a vast selection of products at all price points. In August 1998, Pillowtex acquired the Leshner Corp., a manufacturer of terry products for retail and institutional accounts. This acquisition provided Pillowtex with new opportunities and expertise in the institutional market in which Pillowtex has had a smaller market share.[11] Pillowtex's two recent acquisitions give the firm about a 48 percent share of the U.S. bath market.[12]

The latest merger in the home textile industry among the larger firms was finalized in October 1998, when Dan River Inc., a producer of textile products for the home fashions and apparel fabrics markets, merged with The Bibb Co., a manufacturer of sheets, pillowcases, and other bedding accessories for the residential and hospitality markets. Dan River viewed the merger with Bibb as an opportunity to expand its home textile business, reduce its cost structure, and gain greater leverage with retailers. The merger makes Dan River the third-largest vertically integrated manufacturer of bedding products.[13]

Capital Expenditures

On the basis of annual reports of major U.S. producers, capital expenditures on new plants and equipment overall in the U.S. home textile industry are believed to have increased in recent years, although aggregate data on capital spending are not available for the integrated mills segment Capital spending of all integrated mills weaving cotton fabrics (SIC 2211), including those for use in the manufacture of home textiles, grew by 31 percent from $223 million in 1993 to $292 million in 1996, the latest year for which such data are available. In the cut-and-sew segment of the home textile industry, capital spending rose by 31 percent for SIC 2391, from $16.8 million in 1993 to $22.0 million in 1996, but fell by 23 percent for SIC 2392, from $111.0 million to $86.0 million.[14]

During the past decade, the integrated mills of the home textile industry have restructured operations extensively and invested heavily in manufacturing and information technology to increase productivity and capacity while reducing employment levels. The mills have achieved high levels of productivity in the manufacture of high-volume commodity goods and in printing, dyeing, and finishing operations. The mills have also invested in technology to improve manufacturing flexibility in an effort to coordinate production and marketing with the needs of their retail customers. Investment in information technology systems allows producers to more easily and effectively forecast customer needs, schedule production and shipping, and manage inventories. Given the significant capital

[10] Data for Pillowtex Corp., Dallas, TX, are from *Pillowtex - The Retailer's One-Stop Shop, - 1997 Annual Report*, Mar. 9, 1998.

[11] "Pillowtex Enters Into Agreement with the Leshner Corporation," news release, posted June 8, 1998, found at Internet address http://www.pillotex.com/about_us/pr/pr980608.html, retrieved Nov. 20, 1998.

[12] Representative of Pillowtex, interview with USITC staff, Kannapolis, NC, Aug. 11, 1998, and telephone interview, Dec. 8, 1998.

[13] "Dan River to Boost Textile Biz 50% by Buying Bibb," *DNR*, July 1, 1998.

[14] U.S. Bureau of the Census, *1996 Annual Survey of Manufactures* (M96(AS)-1), and selected back issues.

requirements for large-scale production and state-of-the-art technology, barriers to entry in the integrated mill sector of the home textile industry are high.

Among the leading U.S. producers of home textiles, Springs Industries increased its capital spending by 31 percent during 1995-97, from $75.2 million to $98.5 million. Much of the investment was for new manufacturing equipment and information technology to reduce costs and improve customer service. Springs Industries projected its 1998 capital spending to be the highest in its history, about 50 percent higher than 1997 spending. Included in this spending are plans to modernize and add capacity to its towel plants.[15]

Capital spending by Pillowtex declined from $21.0 million in 1996 to $20.6 million in 1997. Pillowtex plans to invest about $240 million over a 3-year period to improve operating efficiencies and reduce costs in its towel and sheet facilities in Kannapolis, NC.[16] Capital spending by Crown Crafts in its fiscal year ending in March 1998 rose by 46 percent over the preceding year to $8.3 million; the firm expects to spend an estimated $14.3 million for a new software system to expedite production.[17] WestPoint Stevens spent about $525 million from 1993 to 1998 on new facilities, including a towel finishing plant and an expansion of loom capacity, increasing overall production capacity by 12 percent.[18]

Technology and Productivity

Technological innovations have played a key role in reshaping the U.S. home textile industry, whose manufacturing operations are highly complex, requiring a series of intricate processes that must be carefully coordinated and closely monitored, and largely automated. The adoption of technological innovations over the years has enabled manufacturers to shorten the design, manufacturing, and marketing cycle. These innovations have also enabled producers to increase productivity, lower production costs, enhance product quality, and expand product lines.[19]

In the integrated mill segment, fabric output per loom hour almost doubled, from an average of 16.8 square yards in 1987 to 32.8 square yards in 1997. At the same time, the number of looms in weaving mills declined by more than half, from 133,445 to 62,245.[20] The

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[15] Data for Springs Industries, Fort Mill, SC, are from *Springs 1997 Annual Report*, Mar. 3, 1998, and *Springs 1996 Annual Report*, Mar. 3, 1997.

[16] Data are from *Pillowtex - The Retailer's One-Stop Shop, - 1997 Annual Report*, Mar. 9, 1998.

[17] Crown Crafts, Inc., Atlanta, GA, "Form 10-K for the Fiscal Year Ended March 2, 1998," filed with the SEC on July 13, 1998, found at Internet address http://www.sec.gov/Archives/edgar/data/25895/0000950144-98-008319.txt, retrieved Aug. 20, 1998.

[18] "Marketing Strategies - WestPoint Stevens Home Fashions, Corporate Highlights," found at Internet address http://westpointstevens.com/corporate1.htm, retrieved Dec. 4, 1998.

[19] Officials of leading home textile mills, USITC fieldwork in North Carolina, Aug. 10-13, 1998.

[20] Since broadwoven fabrics are the basic materials used in the manufacture of home textiles, productivity data for these fabrics are a good indicator of productivity for the integrated home textile mills. U.S. Bureau of the Census, *Current Industrial Reports: Broadwoven Fabrics (MQ22T)*, 1997, and selected back issues.

adoption of more flexible and efficient manufacturing processes has also contributed to the increase in labor productivity in the home textile industry. In "modular manufacturing," for example, small teams of workers trained in several manufacturing tasks and aided by electronically controlled equipment work jointly to produce finished products. The modular system reportedly provides for greater production flexibility, since the workers' tasks are interchangeable, and for better product quality, because it minimizes the number of monotonous, repetitive manufacturing tasks.[21] Some firms also use the unit production system (UPS), which relies on overhead transporters to move products between work stations from the first phase of production to final distribution, to maximize employee output and enhance product quality.[22]

In the cut-and-sew segment, productivity gains have not been as consistent or large as those of the integrated mills, mainly because their specialized manual inputs are less capable of being automated easily and cost-effectively. During 1993-96, productivity--as measured in terms of value added per worker hour in constant dollars–actually fell by 13 percent for SIC 2391 (curtains and draperies), from $19.35 to $16.77, but rose by 9 percent for SIC 2392 (house furnishings, nec), from $30.34 to $33.08.[23]

Several technological innovations introduced recently are having, or are likely to have, a significant effect on productivity and product quality in the home textile industry. The Murata Vortex Spinner, which is currently on trial in a large U.S. home textile firm, spins yarn at a much higher rate than spinners now used in most mills. It also eliminates the spinning of yarn onto spools and several other intermediate steps and is expected to shorten the first stage of manufacturing. The adoption of new wide-width automated sewing equipment, which can sew all four corners of products like fitted sheets simultaneously, has reduced sewing time by half. The development of proprietary wide-width circular knitting machinery has enabled a U.S. firm to produce seamless, high-quality knit jersey sheets (a T-shirt-like fabric).[24]

The use of computer technology in the home textile industry has enhanced the speed, efficiency, flexibility, and precision of product design, printing, and dyeing. CAD/CAM systems allow producers to create new designs and print samples faster and less expensively than in past years.[25] Digital printing technology enables firms to offer an unlimited number of colors more cheaply and without the physical limitations imposed by bulky rollers and screens.[26] These developments enable home textile firms to keep pace with changes in fashion trends and customer demands.

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[21] Official of a leading home textile mill, interview with USITC staff, Greensboro, NC, Aug. 13, 1998.

[22] Official of a leading home textile mill, interview with USITC staff, Fort Mill, SC, Aug. 12, 1998.

[23] Estimated by USITC staff based on data from the U.S. Bureau of the Census, *1996 Annual Survey of Manufactures* (M96(AS)-1), and selected back issues.

[24] Officials of a leading home textile mill, interview with USITC staff, Greensboro, NC, Aug. 11, 1998.

[25] CAD/CAM is the acronym for computer-assisted design and computer-assisted manufacturing.

[26] Raye Rudie, "Getting in Tech," *LDB Interior Textiles*, Sept. 1998, p. 52.

Technological innovations in the U.S. home textile industry have largely been generated by its suppliers, including chemical companies, fabric producers, machinery manufacturers, and information technology companies. To keep abreast of the latest innovations and suggest needed equipment improvements, home textile manufacturers usually develop close relationships with their machinery suppliers.[27] Because looms are no longer manufactured in the United States, home textile manufacturers import textile machinery, mainly from Germany, Japan, Italy, Switzerland, Belgium, and France.

Production Cost Factors

Raw materials and labor are the two leading cost components of home textile manufacturing. Materials on average accounted for an estimated 44 percent of the total cost of U.S. home textile production during 1993-96, and wages accounted for 15 percent of the total.[28]

Raw material costs are subject to wide fluctuations as a result of changes in supply and demand for cotton and polyester fibers. U.S. and foreign government fiscal policies and agricultural programs, and the prices of underlying raw materials such as petroleum, can also influence raw material costs. For example, cotton came under significant downward pricing pressures recently as a result of large cotton exports from China and reduced demand in East Asia, a major cotton market. However, cotton prices stabilized in the short term because of lower cotton production in California and Texas brought about by adverse weather conditions in the summer of 1998.[29] Polyester prices were also subject to downward pricing pressures as a result of lower cost polyester imports triggered by the East Asian financial crisis. Because of the volatility of raw material costs, home textile firms often make commitments for the purchase of raw materials at least six months to a year in advance of production requirements. Some firms hedge through forward contracts and the futures and options markets.[30]

The integrated home textile mills, which consume large quantities of electricity and water, have comparatively high energy and water costs. Energy costs for broadwoven cotton fabric mills (SIC 2211) averaged 3.8 percent of the total value of industry shipments during 1993-96, compared with an average of 2.9 percent for all textile mill products.[31] Energy costs for the cut-and-sew firms averaged less than 1 percent of total annual shipments during the period. Several integrated mills operate their own power plants to generate electricity and process water used in weekly production. Access to ample and reliable supplies of water

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[27] Information in this paragraph is from officials of leading home textile mills, USITC fieldwork in North Carolina, Aug. 10-13, 1998.

[28] Estimated by USITC staff based on data from the U.S. Bureau of the Census, *1996 Annual Survey of Manufactures* (M96(AS)-1), and selected back issues.

[29] "World Cotton Consumption Flat," International Cotton Advisory Committee, Washington, DC, press release, Sept. 1, 1998.

[30] Officials of leading home textile mills, USITC fieldwork in North Carolina, Aug. 10-13, 1998.

[31] U.S. Bureau of the Census, *1996 Annual Survey of Manufactures* (M96(AS)-1), and selected back issues.

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and electricity for continuous high-volume production is considered a competitive advantage that U.S. manufacturers have over suppliers in many developing nations.[32]

Compliance with federal, state, and local environmental and workplace safety rules and regulations add to the U.S. industry's cost of production. Environmental regulations provide standards for landfill use, recycling, minimizing waste, and reducing chemical emissions. Compliance with U.S. environmental regulations has, at times, required investment in new technologies and changes in manufacturing processes.[33]

Business Strategies

The growing competition facing the domestic industry as a result of the consolidating retail environment, changing consumer preferences, and pricing pressures has prompted many U.S. producers of home textiles to develop strategies to maintain a competitive edge and meet retailer demands.[34] A number of U.S. producers have been adopting global manufacturing and marketing strategies to remain competitive in the domestic market and seek sales growth in foreign markets.

Restructuring and Related Strategies

As discussed earlier in the report, U.S. producers have pursued mergers and acquisitions to gain manufacturing capacity, new product lines, and market share, as well as enter new markets. As a result, the large producers now offer retailers a wide range of home textile products, or "one-stop shopping," and are better able to meet retailer demands in terms of price, service, and delivery. In addition, a number of U.S. producers have formed "strategic partnerships" with retailers in an effort to strengthen their business relationships. These partnerships use information technology in conjunction with "quick response" programs to speed the flow of goods, services, and information between manufacturers and retailers in an effort to respond promptly to consumer demand. In addition, through "vendor managed inventory" programs that use electronic data interchange systems and point-of-sale data at the retail level, producers are able to track the sale of items by color, brand, and other

[32] Officials of leading home textile mills, USITC fieldwork in North Carolina, Aug. 10-13, 1998.

[33] New software has been developed to enable producers to comply with U.S. environmental regulations more effectively. In October 1998, the American Textile Manufacturers Institute (ATMI) unveiled the Voluntary Product Environmental Profile (VPEP), an electronic database developed in coordination with the Institute of Textile Technology through an American Textile Partnership (AMTEX) project. For more information, see ATMI, "ATMI Unveils Electronic Environmental Product Profile," press release, Oct. 14, 1998, found at Internet address http://www.atmi.org/NewsRoom/releases/pr199833.htm, retrieved Nov. 23, 1998.

[34] Officials of leading home textile mills, USITC fieldwork in North Carolina, Aug. 10-13, 1998.

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features and replenish retailer inventories when they reach pre-determined minimum levels.[35]

As part of the strategic partnerships, producers are providing retailers with more merchandising and marketing assistance. For example, many producers now offer "floor ready" merchandise--that is, goods delivered to the retail selling floor already packaged with all essential labels and product information inserts. Producers increasingly help retailers coordinate product lines, design store layouts, and create advertising materials. Some producers also maintain showrooms to provide retailers with guidance on displaying products in stores.[36]

U.S. producers also differentiate their products in the marketplace through the use of brand names. Brand-named goods annually represent roughly two-thirds of U.S. producers' shipments of sheets, pillowcases, and towels. Brand-named products often generate higher profit margins for the producers, which promote their own brands and also offer popular designer labels through licensing arrangements. Although U.S. consumers have become somewhat less brand loyal in recent years, brand loyalty remains important to many consumers who want to be assured of product quality and consistency. Brand names help consumers identify home textile products with desired features, such as value, quality, and fashion.[37]

The home textile industry considers product innovation to be critical for sales growth.[38] Since many home textile products last as long as 10-15 years, producers face the challenge of creating new product designs and colors to generate sales growth. New products developed in recent years include the oversized bath towel and cotton knit sheets, which are made from T-shirt-like fabric and are comfortable in any season. In addition, firms are now making sheets and pillowcases with thread counts of 250 and higher, compared with the industry standard of 180 (the higher the thread count, the finer the product), and in a variety of new colors at competitive prices (table 7).[39] Producers have developed new products that address specific consumer concerns. For example, to help consumers coordinate bedding products, firms now market the "bed-in-a-bag", which contains coordinated sheets, pillowcases, a comforter, and other bedding accessories.

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[35] Ibid.

[36] Ibid.

[37] Brands of the leading firms include Pillowtex--Royal Velvet, Fieldcrest, and Cannon; Springs Industries--Wamsutta and Springmaid; and WestPoint Stevens--Martex, Lady Pepperell, and Vellux. Information from annual reports of leading U.S. home textile producers.

[38] "Marketing Strategies - WestPoint Stevens Home Fashions, Corporate Highlights," found at Internet address http://westpointstevens.com/corporate1.htm, retrieved Dec. 4, 1998.

[39] For more information on U.S. producers of bed linens with higher thread counts, see Alan E. Wolf, "Sneak Preview: Solids Shake the Market," *Home Textiles Today*, Sept. 21, 1998, found at Internet address http://www.virtualmarketing.com/domains/cahners/hometextile/archives/webpage_2200.htm, retrieved Sept. 21, 1998.

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Globalization

The U.S. home textile industry historically has focused on marketing its products in the United States, the world's largest single-country market for home textiles. In recent years, however, a number of U.S. firms have expanded their focus to include foreign markets. This effort has been facilitated by the progressive dismantling of trade barriers in major foreign markets as a result of the Uruguay Round of multilateral trade negotiations and the North American Free Trade Agreement (NAFTA). U.S. producers now recognize that "for every 100 potential customers . . . 95 of them live outside the United States."[40] U.S. producers view licensing arrangements and joint ventures, however, as the most cost-effective way to compete in the global market, partly because of differences in culture and product standards and the relatively small size of many foreign markets.[41] For example, differences in bed sizes and bedding standards make it costly for U.S. producers to adjust their manufacturing equipment or install new machinery to produce home textiles for export. Relatively high shipping costs for bulkier and heavier home textiles such as comforters and blankets likewise limit direct exports.

Several U.S. producers have also been sourcing globally to remain competitive in the domestic market. In an effort to meet retailer demands for a wide range of goods at competitive prices, U.S. producers have begun to supplementtheir domestic production with imports of selected articles, particularly from NAFTA member Mexico. They also import to test the viability of a new product without the risk of capital investment. For example, a U.S. producer is now importing knit sheets from Mexico until it can determine whether the recent popularity of these sheets is an actual trend or just a fad.[42]

U.S. MARKET

Consumer Characteristics and Factors Affecting Demand

The U.S. market for home textiles consists of the residential and institutional markets. The residential market is the larger of the two markets by far and thus is the main focus of this section. U.S. consumer spending on home textiles has grown faster than overall consumer spending in recent years. Real personal consumption expenditures for "semidurable house furnishings" rose at an annual rate of 5.5 percent during 1993-97, compared with a

[40] ATMI news releases, "U.S. Textile Industry Leader Talks About Going Global," Apr. 18, 1997, found at Internet address http://www.atmi.org/NewsRoom/releases/pr1698.htm; and "Industry President Focuses on U.S. Textiles, Global Competitiveness, and Sub-Saharan Africa," May 11, 1998, found at Internet address http://www.atmi.org/ NewsRoom/releases/ pr1698.htm, retrieved Sept. 25, 1998.

[41] Official of a major home textile mill, interview with USITC staff, Kannapolis, NC, Aug. 10-13, 1998.

[42] Official of a major home textile mill, interview with USITC staff, Fort Mill, SC, Aug. 10, 1998.

3.1-percent rate for overall consumer spending.[43] The growth in consumer spending on home textiles, which in 1997 totaled $32.8 billion, or 0.6 percent of overall consumer spending, reflected favorable economic trends. During 1993-97, real disposable personal income rose at an annual rate of 2.7 percent, while the unemployment rate fell from 6.8 to 4.9 percent.[44] Moreover, consumers felt more confident about the economy, as evidenced by the Index of Consumer Sentiment, which increased at an annual rate of 5.7 percent during 1993-97.[45] Given these developments, the number of households redecorating their homes has increased recently.[46] Consumer demand for many home textiles also closely reflects changes in new housing starts and existing home sales, both of which rose during 1993-97.[47]

Similarly, the home textile market benefitted from favorable demographics, including the formation of 5.4 million new U.S. households during 1993-97.[48] Many baby boomers (those born between 1946 and 1964) are now spending more time at home and seeking to make their homes more comfortable, known as the "cocooning effect."[49] Baby boomers account for most of the households headed by persons aged 35-64, which represent the largest group of households in the United States (42 percent of the 1997 total) and have the highest income. Another growing market for home textiles is the Generation X consumers (those born between 1965 and 1977), many of whom are now buying their first homes. These consumers often seek to define themselves by their abodes and personal surroundings.[50]

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[43] U.S. Department of Commerce, Bureau of Economic Analysis (BEA), Personal Consumption Expenditures Branch, facsimile of a table containing statistics on personal consumption expenditures for selected products, Oct. 27, 1998. Semidurable house furnishings consist largely of home textiles, including piece goods allocated to house furnishing use; they also include lamp shades, brooms, and brushes.

[44] BEA, *Survey of Current Business*, Oct. 1998, table C.7, p. D-40, table D.1, p. D-41, and selected back issues.

[45] The Index of Consumer Sentiment (prepared by the University of Michigan, Survey Research Center, Surveys of Consumers) measures consumers' assessments of their personal financial situation, overall economic conditions, and buying attitudes. University of Michigan, facsimile of Surveys of Consumers, Oct. 15, 1998.

[46] According to the American Express Retail Index, which tracks spending trends at retail, 39 percent of homeowners surveyed undertook home projects in 1997, up from 31 percent in 1996. See "Poll: More are Redecorating," *Home Textiles Today*, Mar. 30, 1998, p. 77.

[47] Housing starts averaged almost 1.5 million units a year in 1996-97, compared with less than 1.2 million units in the early 1990s. U.S. Bureau of the Census, *Current Construction Reports: Housing Starts* (C20/98/8), Aug. 1998, p. 3. Sales of new homes and existing homes rose by an average annual of 4.8 percent and 5.2 percent, respectively, during 1993-97, according to data from the National Association of Realtors, found at Internet address http://nar.realtor.com/databank/home.htm, retrieved Oct. 27, 1998.

[48] Data referenced in paragraph are from the U.S. Bureau of the Census, Historical Income Tables - Households, "Age of Householder--Households by Median and Mean Income, 1967 to 1997" (table H-10), found at Internet address http://www.census.gov/hhes/income/histinc/h10.html, retrieved Oct. 28, 1998.

[49] Faith Popcorn, *The Popcorn Report: Faith Popcorn on the Future of Your Company, Your World, Your Life* (New York: Harperbusiness, 1992).

[50] Teresa Busillo, "How to Sell to Generation Xers," *Home Textiles Today*, Mar. 16, 1998, p. 22.

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Consumers often look to brand names as representing desired features such as quality and fashion. Just as the use of brand names by U.S. producers is a key element in their efforts to compete through product differentiation, retailers are promoting their own private-label brands to attract consumers. The recent introduction of Kmart Corp.'s Martha Stewart collection of home textiles exemplifies the use of a retail brand name that conveys fashion authority, quality, and value.[51] Brand loyalty is critical for both producers and retailers as it is more profitable to expand sales through current customers than to attract new ones.

Price plays a key role in the consumer purchasing decision. Many consumers now shop for bargains and sales, encouraged in part by the pricing policies of retailers, particularly the "every day low prices" of the mass merchants. As a result, and because many stores sell similar home textile articles, competition has intensified in the home textile market, resulting in considerable downward pressure on retail prices. The pricing pressures are evident in the Consumer Price Index (CPI) for home textiles, which rose at an annual rate of only 0.2 percent during 1993-97, compared with a 2.6-percent rate overall spending.

As consumers have become more value- and time-conscious in recent years, they have spent less time shopping and have changed where they shop for home textiles. Major beneficiaries of the trend are the mass merchants, which offer a wide range of basic goods at competitive prices; specialty stores, which offer one-stop shopping to consumers looking for product differentiation and diversification; and catalog houses, which offer convenience (table 3). The share of the U.S. home textile market accounted for by the mass merchants--Wal-Mart Stores, Inc., Kmart Corp., and Target, a subsidiary of Dayton Hudson--rose by 4 percentage points during 1993-97 to 41 percent (figure 2). Wal-Mart Stores alone accounted for 10 percent of the market in 1997, second only to J.C. Penney Co., Inc., with its 13 percent market share. The specialty stores (e.g., Bed, Bath, & Beyond, Inc. and Linens 'n Things, Inc.) and the catalog houses expanded their share of the market by 5 percentage points each, to 15 percent and 14 percent, respectively. In contrast, the market share of the traditional major outlets for home textiles, namely the department stores and national chains, fell by a total of 15 percentage points to 27 percent during 1993-97.

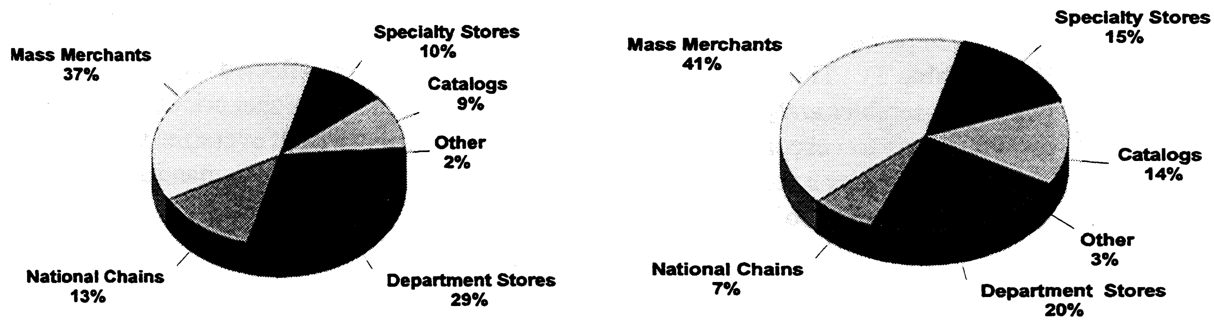
Table 3
Home textiles: Sales of major U.S. retailers, 1993 and 1997

Retailer	1993	1997	Change
	Million dollars		*Percent*
J.C. Penney Co., Inc.	1,950	2,482	27
Wal-Mart Stores, Inc.	1,385	1,880	36
Kmart Corp.	1,200	1,602	34
Target (subsidiary of Dayton Hudson)	881	1,215	38
Sears, Roebuck, and Co.	670	780	16
Bed, Bath, & Beyond, Inc.	306	587	92
Linens 'n Things, Inc.	333	540	62
Mervyn's (subsidiary of Dayton Hudson)	470	401	-15

Source: "Retailing Giants: Top 50 Home Textiles Retailers," *Home Textiles Today*, July 20, 1998, p. 11.

[51] Kmart Corp. introduced the Martha Stewart collection in the spring of 1997 and, by the end of that year, had sold nearly $500 million in goods. See Teresa Busillo, "Everyday Exceeds Expectations," *Home Textiles Today*, Mar. 16, 1998, p. 4. 16

Figure 2
Home textiles: U.S. retail channels of distribution, 1993 and 1997[1]



1993 sales: $15.4 billion

1997 sales: $18.7 billion

[1] For this report, the U.S. International Trade Commission used the retail channels of distribution as defined by *Home Textiles Today*. As such, mass merchants include Wal-Mart Stores, Kmart Corp., and Target; department stores include J.C. Penney Co., Inc., Dayton Hudson stores (with the exception of Target), and Federated Stores; national chains include Sears, Roebuck, and Co. and Montgomery Ward; specialty stores include Bed, Bath, & Beyond, Inc., Linens 'n Things, Inc., and Strouds; catalogs include Spiegel, Domestications, and Fingerhut; and other includes home shopping, military post exchanges, warehouse stores, and Internet sales.

Source: *Home Textiles Today 1995* and *1998 Business Annual*, Cahners Publication (New York, NY).

Data are not readily available for the institutional market, which consists of the hospitality segment, including hotels and restaurants; the health care segment, such as hospitals and nursing homes; linen supply services; and the military. The available data show that institutional sales accounted for 11 percent, or $376 million, of U.S. industry shipments of sheets, pillowcases, and towels in 1997. The institutional market is believed to have grown concurrently with the U.S. economy during the past 5 years and to have benefited from growth in new construction in the hospitality and health care industries.[52]

Factors influencing institutional purchases of home textiles are price, durability, and ease of care. As firms in the hospitality and health care industries trade up to higher quality furnishings, product quality and style also become important considerations.

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[52] The number of new hotel rooms in 1997 rose by 140,000 over the 1996 level. See Tom Graves, "Lodging and Gambling," *Standard & Poor's Industry Surveys*, Aug. 27, 1998, p. 1. In the health care segment, the latest available data show that the number of nursing homes rose by 22 percent in 1996.

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Consumption

Apparent U.S. consumption of home textiles is estimated to have increased by an average annual rate of 3.8 percent during 1993-97 to $11.0 billion (table 4). The principal products are sheets, pillowcases, and terry towels, which together accounted for 37 percent of U.S. home textile consumption in 1997. During 1993-97, sheet and pillowcase consumption grew by 26 percent to $2.2 billion, and terry towel consumption rose by 34 percent to $1.9 billion (table 5). The growth in consumption of bed linens reflected strong demand for bedding ensembles and higher thread count (and higher quality, higher priced) goods.[53] The growth in terry towel consumption partly reflected the popularity of oversized towels, which were introduced by a major U.S. producer several years ago. Towel demand also benefited from an increase in construction of hospitality and healthcare facilities.

Consumption of curtains and draperies increased by 26 percent from 1993 to 1994, and then declined by 25 percent to an estimated $1.2 billion, or 11 percent of U.S. consumption of home textiles, in 1997. A decline in U.S. producers' shipments accounted for almost all of the decrease during 1994-97, which was partly attributable to weak demand for elaborate window treatments.[54] The top selling window treatment in 1997 was the pinch-pleat drape, which accounted for 30 percent of sales, followed by panels, which accounted for 24 percent.[55] Both styles are aimed at streamlined window treatments, contrasted to the blouson valances and toppers with side panels that were popular several years ago.

Table 4
Home textiles: U.S. producers' shipments, exports of domestic merchandise, imports for consumption, and apparent U.S. consumption, 1993-97

Year	U.S. shipments[1]	U.S. exports[2]	U.S. imports	Apparent U.S. consumption[1]	Ratio of imports to consumption
	Million dollars				*Percent*
1993	8,602.0	306.9	1,130.0	9,425.1	12.0
1994	9,459.4	327.6	1,323.0	10,454.8	12.7
1995	9,148.0	332.2	1,473.9	10,289.7	14.3
1996	9,204.7	346.8	1,462.5	10,320.5	14.2
1997	9,573.2	415.4	1,780.7	10,938.5	16.3

[1] Partly estimated by the staff of the U.S. International Trade Commission.
[2] Exports are slightly overstated because they include certain bedding products that are not covered by this report but are classified in a residual "basket" export provision with comforters and quilts, which are covered by this report.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

[53] Teresa Busillo, "98: Bed, Bed, and Beyond," *Home Textiles Today*, Jan. 26, 1998, found at Internet address http://www.virtualmarketing.com/domains/cahners/hometextile/archive/webpage_1238.htm, retrieved Dec. 7, 1998.

[54] David Gill, "Tab Tops Topping Out as Window Coverings," *Home Textiles Today*, Dec. 15, 1997, found at Internet address http://www.virtualmarketing.com/domains/cahners/hometextile/archive/webpage_1115.htm, retrieved Dec. 7, 1998.

[55] David Gill, "Vendors Double Import Biz in '97," *Home Textiles Today*, May 4, 1998, p. 14.

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Table 5
Selected home textiles: U.S. producers' shipments, exports of domestic merchandise, imports for consumption, and apparent U.S. consumption, by selected products, 1993-97

Item and year	U.S. shipments	U.S. exports	U.S. imports	Apparent U.S. consumption	Ratio of imports to consumption
	Million dollars				Percent
Sheets and pillowcases:					
1993	1,600.7	68.5	214.0	1,746.2	12.3
1994	1,636.4	74.7	256.1	1,817.8	14.1
1995	1,665.2	73.3	299.6	1,891.5	15.8
1996	1,771.9	79.7	305.3	1,997.5	15.3
1997	1,889.1	86.0	396.4	2,199.5	18.0
Terry towels and washcloths:					
1993	1,246.2	53.2	198.4	1,391.4	14.3
1994	1,314.9	55.4	223.0	1,482.5	15.0
1995	1,347.5	52.1	257.6	1,553.0	16.6
1996	1,443.8	57.3	335.1	1,721.6	19.5
1997	1,518.5	73.0	421.2	1,866.7	22.6
Curtains and draperies:[1]					
1993	1,239.5	23.3	87.7	1,303.9	6.7
1994	1,555.5	22.6	109.8	1,642.7	6.7
1995	1,191.8	22.3	130.2	1,299.7	10.0
1996	1,147.2	25.3	123.8	1,245.7	9.9
1997	[2]1,117.9	33.4	155.2	[2]1,239.7	[2]12.5
Bedspreads:					
1993	([3])	9.2	14.1	([3])	([3])
1994	([3])	7.3	18.5	([3])	([3])
1995	157.6	5.9	24.4	176.1	13.9
1996	248.7	5.2	25.3	268.8	9.4
1997	192.2	6.1	27.3	213.4	12.8
Comforters and quilts:					
1993	([3])	([3])	154.3	([3])	([3])
1994	([3])	([3])	198.2	([3])	([3])
1995	949.2	([3])	155.7	1,104.9	14.1
1996	871.2	([3])	148.9	1,020.1	14.6
1997	940.5	([3])	171.1	1,111.6	15.4

[1] Production data for curtains and draperies for 1993-96 are based on U.S. product shipments for SIC 2391 from the U.S. Bureau of the Census, *1996 Annual Survey of Manufactures* (M96(AS)-1), and selected back issues.
[2] Estimated by the staff of the U.S. International Trade Commission.
[3] Data are not available.

Source: U.S. Bureau of the Census, *Current Industrial Reports: Bed and Bath Furnishings* (MQ23X), Summary 1993-96, Sept. 17, 1998, tables 3a and 3b, except as noted.

Imports' share of the entire U.S. home textile market expanded continually during 1993-97, rose by slightly more than 4 percentage points to 16 percent (table 4). Imports' share of the U.S. market for sheets and pillowcases rose from 12 percent to 18 percent during the period (table 5), largely reflecting the rise in imports of specialty items such as knit and embroidered sheets. Import penetration in terry towels increased from 14 percent in 1993 to 23 percent in 1997; part of the increase reflected a temporary towel shortage in the domestic market in 1996-97.[56] Import penetration in curtains and draperies rose from 7 percent in 1993 to just over 12 percent in 1997, likely reflecting the cost advantage of sourcing these labor-intensive home textile goods from countries with lower labor rates.

Production

U.S. producers' shipments of home textiles rose by an average annual of 2.7 percent during 1993-97, to an estimated $9.6 billion (table 4). In 1995, shipments declined by 3.3 percent, partly reflecting overstocked inventories of key producers who had anticipated bigger sales that year.[57] U.S. producers make a wide range of home textiles, particularly sheets and pillowcases, and terry towels. The available data suggest that industry concentration in these two categories is significant. In 1997, the two-largest producers of sheets and pillowcases, WestPoint Stevens and Springs Industries, accounted for about two-thirds of U.S. production, and the two-largest producers of terry towels, Pillowtex and WestPoint Stevens, accounted for more than three-fourths of U.S. production (table 6).[58]

U.S. producers' shipments of sheets and pillowcases grew by an average annual of 4.2 percent during 1993-97. Although sheets of 180 thread count, considered the standard in the industry, constitute the largest share of U.S. shipments, shipments of such goods declined by 20 percent during 1993-97 to $516 million. In contrast, shipments of sheets with thread counts of 195 or higher rose by 148 percent to $499 million (table 7), reflecting consumer preference for higher quality goods.[59]

U.S. production of terry towels by quantity grew by an average annual of just 0.6 percent during 1993-95, fell by 8.1 percent in 1996, and then rebounded by 1.8 percent in 1997. Industry sources indicate that part of the 1996 decline resulted from industry consolidation, which led to a reduction in production capacity. However, the value of U.S. producers' shipments of terry towels rose by 22 percent during 1993-97 to $1.5 billion (table 5). U.S. producers' shipments of bath towels grew by 4.4 percent by quantity but by 20 percent by value during 1993-97, reflecting growing demand for larger, more expensive towels.[60]

[56] Industry sources attribute the towel shortage to several factors: underforecasting of bath needs by retailers; a switch from sheets to towels in retail store promotions; the rising popularity of oversized towels, which require longer production runs; and a temporary decline in industry-wide production after WestPoint Stevens acquired The Bibb Co.'s towel plants. See Alan E. Wolf, "Where Have All the Towels Gone?" *Home Textiles Today*, May 19, 1997, p. 1.

[57] Official of a leading home textile mill, telephone interview with USITC staff, Aug. 20, 1998.

[58] WestPoint Stevens, Inc., "Form 10-K for the Fiscal Year Ended December 31, 1997," filed with the Securities and Exchange Commission (SEC), Mar. 3, 1998, found at Internet address http://www.sec.gov/Archives/edgar/data/852952/0000950144-98-003615.txt, retrieved Aug. 20, 1998; and official of Pillowtex, interview with USITC staff, Kannapolis, NC, Aug. 11, 1998.

[59] Higher thread count sheets retail at higher prices than the standard 180 sheet and are considered to be higher quality. Industry sources report that consumers are increasingly selecting higher quality goods.

[60] U.S. Bureau of the Census, *Current Industrial Reports: Bed and Bath Furnishings (MQ23X)* Summary 1993-96 and Sept. 17, 1998, tables 2a-b and 3a-b.

Brand-named towels accounted for 55 percent of the quantity and 61 percent of the value of U.S. producers' shipments of terry towels in 1997.[61]

U.S. producers' shipments of curtains and draperies rose from $1.2 billion in 1993 to almost $1.6 billion in 1994, and then declined to $1.1 billion in 1996, the latest year for which official statistics are available. According to official statistics for U.S. production of bedspreads, comforters, and quilts, which were not available until 1995, production of these products fluctuated widely (table 5). The decline in the production of bedspreads in 1997 largely reflected sluggish consumer demand for these goods, the popularity of hand-sewn quilts and specialty items such as chenille throws, and increased imports.

Table 6
Selected home textiles: Sales of leading U.S.-based producers, 1997

(Million dollars)

Product and Firm	Sales
Bath towels:[1]	
Pillowtex Corp.	600
WestPoint Stevens, Inc.	540
Springs Industries, Inc	192
Leshner Corp.	115
Sheets and pillowcases:	
WestPoint Stevens, Inc.	655
Springs Industries, Inc.	625
Pillowtex Corp.	247
The Bibb Co.	130
Dan River, Inc.	120
Comforters and bedspreads:	
Springs Industries, Inc.	290
WestPoint Stevens, Inc.	155
Dan River, Inc.	134
Pillowtex Corp.	108
Curtains and draperies:	
Burlington Industries, Inc	124
CHF Industries	96
Miller Curtain	93
S. Litchenburg	90

[1] Includes retail and institutional sales.

Source: "Home Textiles Today Ranks the Top 5," *1998 Business Annual*, Cahners Publication (New York, NY).

[61] Ibid.

Table 7
Sheets: U.S. producers' shipments, by thread count, 1993-97[1]

Year	Total U.S. shipments	195 thread count or greater	180 thread count
	Quantity (1,000 dozen)		
1993	16,331	1,773	8,807
1994	16,190	2,085	8,189
1995	15,282	2,335	7,364
1996	16,277	3,522	7,260
1997	16,480	4,381	6,643
	Value (Million dollars)		
1993	1,197.1	201.2	646.1
1994	1,230.9	241.2	612.3
1995	1,242.3	302.3	572.5
1996	1,344.5	421.3	541.6
1997	1,420.1	498.8	516.1

[1] Including flat and fitted sheets, excluding crib sheets.

Source: U.S. Bureau of the Census, *Current Industrial Reports: Bed and Bath Furnishings (MQ23X)* Summary 1993-96, Sept. 17, 1998, tables 2a-b and 3a-b.

U.S. TRADE

Overview

The U.S. trade deficit in home textiles widened considerably during 1993-97, rising by $542 million, or 66 percent, to $1.4 billion in 1997 (table 8). The widening of the deficit resulted from a much larger increase in U.S. imports than U.S. exports. Imports grew by $651 million, or 58 percent, to $1.8 billion, while exports rose by $108 million, or 35 percent, to $415 million. The import increase was broad-based by product type and country and largely reflected strong growth in consumer spending on home textiles. The export growth resulted mainly from larger shipments to Canada.

The largest U.S. trading partners in home textiles are China, India, Pakistan, Portugal, Mexico, and Taiwan, the major import sources, and Canada, the main export market (table 8). In 1997, the six import sources together accounted for 63 percent of U.S. imports, and Canada accounted for 51 percent of U.S. exports. China, India, and Pakistan rank among the world's largest and lowest cost producers and exporters of cotton textiles, and Portugal is a major exporter of competitively priced, quality bed linens.[62] Taiwan remains a major supplier but is being supplanted by the lower cost competitors. The relative importance of

[62] Based on trade data and officials of leading U.S. home textile mills, interviews with USITC staff, Aug. 10-13, 1998.

Table 8
Home textiles: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by selected countries and country groups, 1993-97
(1,000 dollars)

Item	1993	1994	1995	1996	1997
U.S. exports of domestic merchandise:[1]					
China	2,025	243	5,816	990	951
India	54	68	454	0	117
Pakistan	25	17	143	64	252
Portugal	179	274	125	222	201
Mexico	32,204	43,491	18,065	26,284	27,189
Taiwan	1,952	2,088	2,020	1,750	3,310
Turkey	162	71	39	166	60
Canada	132,958	146,582	149,648	168,001	212,781
Israel	455	644	2,241	1,970	1,034
Brazil	926	1,396	3,114	5,216	3,071
All other	135,974	132,714	150,505	142,104	166,429
Total	306,915	327,588	332,170	346,767	415,396
EU-15	31,233	35,683	41,170	36,879	41,021
Latin America	78,734	82,308	62,928	73,305	77,829
Asian Pacific Rim	33,704	36,674	46,959	36,845	49,920
ASEAN	9,581	11,671	11,144	9,052	10,058
U.S. imports for consumption:					
China	413,460	442,397	405,579	325,717	408,931
India	93,603	105,505	136,585	154,768	210,199
Pakistan	77,538	89,871	135,678	160,456	194,499
Portugal	77,637	97,790	130,899	148,389	175,633
Mexico	42,281	66,337	86,476	116,224	164,889
Taiwan	96,764	96,624	95,722	105,803	109,872
Turkey	18,820	23,930	29,583	31,383	47,949
Canada	22,193	34,924	50,488	45,445	52,403
Israel	26,324	32,948	45,557	35,335	38,480
Brazil	41,953	46,086	36,338	35,837	37,744
All other	219,417	286,562	320,975	303,190	340,117
Total	1,129,991	1,322,975	1,473,881	1,462,548	1,780,715
EU-15	168,379	213,937	259,994	273,205	314,007
Latin America	103,266	140,194	148,768	178,997	238,892
Asian Pacific Rim	580,889	629,576	607,126	529,684	626,080
ASEAN	42,153	53,676	61,734	66,264	73,216
U.S. merchandise trade balance:					
China	-411,435	-442,153	-399,763	-324,727	-407,980
India	-93,549	-105,437	-136,131	-154,768	-210,082
Pakistan	-77,513	-89,853	-135,535	-160,393	-194,247
Portugal	-77,459	-97,516	-130,774	-148,167	-175,433
Mexico	-10,076	-22,846	-68,411	-89,940	-137,699
Taiwan	-94,812	-94,536	-93,702	-104,052	-106,562
Turkey	-18,658	-23,859	-29,544	-31,217	-47,889
Canada	110,765	111,659	99,160	122,556	160,378
Israel	-25,870	-32,305	-43,316	-33,365	-37,446
Brazil	-41,027	-44,690	-33,225	-30,622	-34,673
All other	-83,443	-153,849	-170,470	-161,086	-173,688
Total	-823,076	-995,387	-1,141,711	-1,115,781	-1,365,320
EU-15	-137,156	-178,255	-218,824	-236,326	-272,986
Latin America	-24,532	-57,886	-85,840	-106,691	-161,063
Asian Pacific Rim	-547,185	-592,902	-560,168	-492,839	-576,160
ASEAN	-32,572	-42,005	-50,590	-57,212	-63,158

[1] Exports are slightly overstated because they include certain bedding products that are not covered by this report but are classified in a residual or "basket" export provision with comforters and quilts, which are covered by this report.
Note.–Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export. Because of rounding, figures may not add to totals shown. The countries shown are those with the largest total U.S. trade (U.S. imports plus exports) in these products in 1997.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Mexico and Canada as major U.S. trading partners partly stems from NAFTA trade benefits and favorable transportation linkages that help to minimize shipping costs and time.[63]

U.S. Imports

Principal Suppliers and Import Levels

Imports consisted primarily of a wide range of mostly cotton goods from several key suppliers during 1993-97. The principal imports were toilet and kitchen linens, which rose by 61 percent to $469 million, and bed linens, which grew by 85 percent to $446 million (table 9). The toilet and kitchen linens consisted mostly of cotton towels, mainly from Pakistan, China, and India; the bed linens consisted mainly of cotton sheets and pillowcases, primarily from Portugal, Pakistan, and China. The import growth in bed linens partly reflected the popularity of cotton knit sheets and pillowcases, imports of which rose from $5 million in 1993 to $44 million in 1997. Significant import growth also occurred during 1993-97 in curtains and draperies (77 percent), blankets (73 percent), and bedspreads (93 percent). Both U.S. producers and retailers import home textiles in an effort to offer customers a broad range of goods at competitive prices.

Geographically, imports grew rapidly from several countries, especially India, Pakistan, Portugal, and Mexico, but declined from China by 1.1 percent during 1993-97 (table 10). Import growth during the period was 125 percent for India, 151 percent for Pakistan, 126 percent for Portugal, and 290 percent for Mexico.

U.S. quotas limited imports from China, whose shipments consisted of a wide range of home textile articles, unlike those from most other suppliers, which are concentrated in just a few items. Imports of Chinese comforters and quilts, the largest product category, peaked at almost $166 million in 1994, and then fell to average annual of roughly $100 million during 1995-97 (table 9). Imports of Chinese toilet and kitchen linens, the second-largest product category, showed little growth, falling from $83 million in 1993 to $70 million in 1996, before rebounding to $84 million in 1997. The only Chinese product to show significant import growth in the U.S. market during 1993-97 was curtains and draperies, shipments of which rose by 77 percent to $59 million. Other major imports from China were bed linens, which rose by 11 percent to $56 million, and table linens, which fell by 27 percent to $37 million.

India's shipments to the United States are concentrated in toilet and kitchen linens, which more than tripled during 1993-97 to $63 million, and table linens, which grew by 64 percent to $75 million. Pakistan's shipments are concentrated in toilet and kitchen linens, which rose by 73 percent to $103 million, and bed linens, which more than quadrupled to $69 million. Portugal's shipments consisted mostly of bed linens, which more than doubled to $142 million, of which $101 million consisted of cotton flannel goods.

[63] Ibid.

Table 9
Home textiles: U.S. imports for consumption, by principal products and countries, 1993-97

(*1,000 dollars*)

Product and country	1993	1994	1995	1996	1997
Toilet and kitchen linens	290,830	325,508	354,188	388,708	468,967
Pakistan	59,338	64,852	80,224	96,062	102,578
China	82,712	73,494	71,892	69,670	84,233
India	19,777	26,344	36,532	43,862	63,328
Brazil	32,963	35,850	29,727	31,519	35,429
Thailand	15,100	18,472	23,519	19,817	22,583
Mexico	1,932	2,503	6,863	9,588	14,877
Bed linens	240,479	287,012	355,891	356,162	445,919
Portugal	67,182	82,049	106,797	125,719	142,410
Pakistan	16,585	23,011	41,651	44,248	69,243
China	50,247	45,502	45,257	42,421	55,742
Israel	14,104	16,432	27,529	16,981	22,814
Mexico	1,371	1,813	5,343	9,751	20,741
Table linens	152,974	159,135	187,058	170,038	203,472
India	45,685	45,394	50,407	57,332	75,128
Taiwan	27,912	37,119	44,072	45,904	56,069
China	51,095	45,546	50,122	27,349	37,377
Comforters and quilts	154,254	198,150	155,734	148,877	171,061
China	131,868	165,615	101,367	94,486	103,470
Canada	10,504	17,116	33,416	21,617	21,460
Mexico	68	163	920	8,923	20,636
Curtains and draperies	87,715	109,833	130,203	123,809	155,167
China	33,217	42,891	56,648	38,482	58,711
Taiwan	21,795	18,148	14,930	24,172	21,259
Turkey	4,463	9,854	15,043	14,570	17,307
India	2,612	4,245	7,497	10,726	14,461
Mexico	2,396	8,209	8,401	10,343	12,948
Blankets	55,405	62,308	75,320	77,765	95,587
Mexico	21,397	20,823	26,146	35,175	44,835
Korea	6,009	7,805	8,999	10,269	8,951
China	6,032	4,479	4,913	1,942	6,455
Pillows	36,318	49,471	60,132	59,145	79,671
Mexico	12,196	20,783	26,746	25,103	32,426
China	5,720	9,872	11,954	11,047	14,103
Bedspreads	14,112	18,512	24,387	25,253	27,266
Portugal	3,477	6,024	10,349	8,621	10,789
India	1,991	2,720	2,651	2,657	3,916
All other[1]	97,906	113,046	130,966	112,791	133,605
China	50,493	53,117	62,431	37,521	45,711
India	11,030	12,246	17,886	18,547	26,577
Total	1,129,991	1,322,975	1,473,881	1,462,548	1,780,715

[1] Included in all other are hand-woven and needle-worked tapestries, other wall hangings, and articles classified in residual or "basket" tariff provisions.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 10
Home textiles: U.S. imports for consumption, by principal sources, 1993-97

(1,000 dollars)

Source	1993	1994	1995	1996	1997
China	413,460	442,397	405,579	325,717	408,931
India	93,603	105,505	136,585	154,768	210,199
Pakistan	77,538	89,871	135,678	160,456	194,499
Portugal	77,637	97,790	130,899	148,389	175,633
Mexico	42,281	66,337	86,476	116,224	164,889
Taiwan	96,764	96,624	95,722	105,803	109,872
Canada	22,193	34,924	50,488	45,445	52,403
Turkey	18,820	23,930	29,583	31,383	47,949
Israel	26,324	32,948	45,557	35,335	38,480
Brazil	41,953	46,086	36,338	35,837	37,744
All other	219,417	286,562	320,975	303,190	340,117
Total	1,129,991	1,322,975	1,473,881	1,462,548	1,780,715

Source: Compiled from official statistics of the U.S. Department of Commerce.

The principal import from Mexico is blankets, which more than doubled during 1993-97 to $45 million, making it the largest supplier with 47 percent of total imports in 1997. Mexico's shipments in bed linens also rose rapidly, from $1 million in 1993 to $21 million in 1997. Shipments of toilet and kitchen linens rose from $2 million to $15 million, and shipments of curtains and draperies rose from $2 million to $13 million. The growth in imports of toilet and kitchen linens came mainly from cotton terry towels and related items, which, along with curtains and draperies, were among the few finished textile products granted duty-free entry upon implementation of NAFTA in 1994.

U.S. Trade Measures[64]

The main U.S. trade measures affecting home textiles are import tariffs and quotas. As a result of agreements reached in the Uruguay Round of multilateral trade negotiations that entered into force as part of the World Trade Organization (WTO) agreement on January 1, 1995, the United States agreed to reduce tariffs and phase out quotas on textile products over a 10-year period.

Tariff measures

Home textiles are classified for tariff purposes under 70 subheadings of the Harmonized Tariff Schedule of the United States (HTS).[65] The trade-weighted duty for home textiles averaged 8.2 percent ad valorem, based on the dutiable import value in 1997. The trade-weighted duties

[64] The U.S. International Trade Commission did not conduct any investigations under U.S. dumping or countervailing duty laws on home textiles during 1993-97. On December 2, 1998, the U.S. Department of Commerce in conjunction with the USITC initiated sunset case, C-549-401, 701-TA-D, Certain Textile Mill Products - Thailand, which includes table linens.

[65] See appendix A for an explanation of tariff and trade agreement terms.

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ranged from 4.8 percent ad valorem for pillows to 11.4 percent for curtains and draperies (table 11). U.S. duty rates on home textiles will be reduced in 10 annual stages by a trade-weighted aggregate average of 19 percent, to 7.8 percent ad valorem, based on 1997 trade.[66] The United States grants preferential tariff treatment to home textiles from NAFTA members, Canada and Mexico, and Israel. NAFTA entered into force on January 1, 1994, and provides for free trade among the United States, Canada, and Mexico for goods meeting the rules of origin on a regional basis. The duty phaseout schedule of the United States-Canada Free Trade Agreement, which took effect in 1989, was incorporated and continued under NAFTA. As of January 1, 1998, all textile articles from Canada that meet NAFTA rules of origin can enter the United States free of duty. For Mexico, NAFTA duty-free benefits applied to 37 percent of its home textile shipments to the United States in 1997; these goods consisted mainly of curtains, draperies, cotton terry towels, and pillows. As of January 1, 1999, the United States eliminated tariffs on 97 percent of home textile imports from Mexico, based on 1997 trade. The rest of the imports, consisting of table linens and miscellaneous cotton goods in "basket" tariff provisions, will become duty-free under NAFTA in 2003. The only U.S. quota on Mexican home textiles (cotton terry and pile towels) was eliminated upon implementation of NAFTA.

Table 11
Home textiles: Average U.S. rates of duty and U.S. imports, by products, 1997

Item	Average duty	U.S. imports
	Percent	*Million dollars*
Bed linens	7.7	445.9
Bedspreads	6.9	27.3
Blankets	7.4	95.6
Comforters and quilts	6.1	171.1
Curtains and draperies	11.4	155.2
Pillows	4.8	79.7
Table linens	7.4	203.5
Toilet and kitchen linens	9.8	469.0
Other[1]	7.0	133.6
Total	8.2	1,780.7

[1] Includes hand-woven and needle-worked tapestries, other wall hangings, and other home textiles not specified by kind.
Note.-- Because of rounding, figures may not add to total shown.

Source: U.S. import data compiled from official statistics of the U.S. Department of Commerce.

[66] Opposition to the EU's policy regarding the importation of bananas has prompted the United States to propose imposing 100 percent ad valorem duty rates on selected EU products, including bed linens of HTS subheading 6302.21.90, pursuant to WTO procedures and GATT 1994. At the time of publication, no solution has been reached between the parties and no U.S. action has been taken.

Aside from NAFTA tariff preferences for Canada and Mexico, the only other country eligible for duty-free access to the U.S. market is Israel, as provided under the 1985 United States-Israel Free Trade Area Implementation Act. U.S. imports of home textiles from Israel totaled $38 million, or 2 percent of total imports, in 1997. Few home textile articles are eligible for duty-free entry under the Generalized System of Preferences (GSP), the Caribbean Basin Economic Recovery Act (CBERA), and the Andean Trade Preference Act (ATPA).[67]

Quota measures

The Uruguay Round Agreement on Textiles and Clothing (ATC) replaced the 1974 Multifiber Arrangement (MFA) system of quotas and requires WTO countries to phase out quotas by January 1, 2005. Textile trade will then be completely "integrated" into the WTO regime--that is, subject to WTO disciplines and the same rules as trade in other sectors.[68] All WTO countries are subject to ATC disciplines, and only WTO countries are eligible for ATC benefits.

The first two stages of the integration process have already occurred, with WTO countries integrating 16 percent of their textile trade into the WTO regime (based on 1990 import volume) on January 1, 1995, and another 17 percent on January 1, 1998. The ATC requires the WTO countries to integrate at least another 18 percent in 2002 and the rest on January 1, 2005. The ATC also requires WTO countries to accelerate growth rates for quotas still in place during the 10-year period. Quota growth rates differ by country and product. On the basis of quota levels and growth rates in effect at the end of 1994, annual quota growth rates for large supplying countries were increased by 16 percent in 1995 and again by 25 percent in 1998. They will be increased by another 27 percent in 2002. For small suppliers (i.e., countries accounting for 1.2 percent or less of an importing country's total quotas in 1991), quota growth rates were advanced by one stage--that is, they were increased by 25 percent in 1995 and 27 percent in 1998.

The United States currently has import quotas on home textiles from 16 countries, including all the major suppliers except Portugal and Mexico (table 12). All but China, Taiwan, and Nepal are WTO members, which are entitled to quota liberalization benefits under the ATC. The United States is scheduled to eliminate quotas on home textiles from WTO countries in 2002 and at the end of the 10-year quota phaseout period in 2005.

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[67] In 1997, U.S. imports of home textiles under the three programs totaled $810,000 or less than 1 percent of U.S. home textile imports. GSP and ATPA trade benefits do not apply to articles subject to textile agreements--that is, those of cotton, other vegetable fibers, wool, manmade fibers, and silk blends. CBERA benefits do not apply to goods subject to textile agreements on August 5, 1983, the date of its enactment; such goods include those of cotton, wool, and manmade fibers.

[68] WTO members with MFA quotas are the United States, the European Union, Canada, and Norway. In the 10-year transition period, the ATC allows countries to set new quotas on imports of goods that have yet to be integrated into the WTO regime and that cause or threaten serious damage to a domestic industry. Such quotas may remain in place for up to 3 years or until the item is integrated into the WTO regime.

The non-WTO countries covered by quotas are subject to restraint under section 204 of the Agricultural Act of 1956. China is the only country subject to quotas for all four quota categories providing specifically for home textile articles (table 12). In February 1997, the United States and China reached an agreement to extend the quotas on textile and apparel imports from China for 4 years and reduce quotas on products for which China had repeatedly violated quota limitations by transshipping through third countries.[69]

Table 12
Home textiles: U.S. import quotas and quota fill rates, by products and countries, 1997

Product, country, and quota category	Quota level	U.S. imports	Fill rate
	1,000 units		*Percent*
Cotton pillowcases (category 360):			
China	7,909	4,982	63.0
Pakistan	5,486	3,373	61.5
Kenya	3,230	0	0.0
Romania	1,812	998	55.1
Indonesia	1,320	911	69.0
Cotton sheets (category 361):			
Pakistan	6,379	3,259	51.1
China	4,401	3,592	81.6
Turkey	1,935	1,647	85.1
Philippines	1,941	1,929	99.4
Indonesia	1,365	1,293	94.7
Taiwan	1,338	84	6.3
Romania	1,208	121	10.0
Brazil	1,164	6	0.5
Cotton bedspreads (category 362):			
China	7,381	5,962	80.8
Cotton terry and pile towels (category 363):			
Pakistan	46,486	37,555	80.8
India	42,398	38,104	89.9
Bangladesh	25,788	21,300	82.6
Brazil	24,835	6,870	27.7
China	22,453	21,066	93.8
Thailand	22,259	19,999	89.8
Taiwan	12,867	8,532	66.3
United Arab Emirates	6,799	4,647	68.4
Nepal	6,500	4,091	62.9
South Korea	1,056	5	0.4
Malaysia	930	24	2.6

Source: U.S. Customs Service, *Status Report on Current Import Quotas*, Dec. 31, 1997, found at Internet address http://www.customs.ustreas.gov/quotas/reports.htm, retrieved Oct. 20, 1998.

[69] Transshipments of textiles and apparel by China and other countries through third countries to evade quotas remain a concern of the United States. For information on a recent transshipment case, see Committee for the Implementation of Textile Agreements, "New Transshipment Charges for Certain Cotton and Man-Made Fiber Textile Products Produced or Manufactured in the People's Republic of China," *Federal Register*, May 7, 1998, p. 25202 (63 F.R. 25202).

Rules of origin

The United States implemented new rules of origin for textiles and apparel on July 1, 1996, as required in section 334 of the Uruguay Round Agreements Act. The rules affect country-of-origin determinations for such goods that are subject to manufacturing and processing operations in, or contain components from, more than one country. The domestic industry sought the rules change because foreign suppliers were dividing their production operations among various countries as a means of avoiding U.S. import quotas.[70] For "flat goods" such as bed linens that are finished in one country from fabric made in another, the country of origin under the section 334 rules is the country where the fabric was made, rather than the country where the fabric was cut to size, hemmed, and otherwise sewn, as was the usual case under the previous rules.

In May 1997, the European Union (EU) filed a request with the WTO for formal consultations with the United States, stating that the new rules adversely affected its exports to the U.S. market of flat goods and certain other goods made of imported fabrics. The EU stated that as a result of the U.S. rules change, its exports of such goods lost their quota-free access to the U.S. market. Whereas in the past EU producers had unrestricted access to the U.S. market for their products, the section 334 rules require them to comply with U.S. quotas or visa requirements applied to their suppliers of the unfinished fabric. The statutory nature of the legislated criteria, compared to former rules administrated by the U.S. Customs Service, and their enactment had an impact on many exporting countries. Among the most vocally opposed to the new rules was the EU, who reacted publicly and strongly to challenge the new standards. Acknowledging that a return to the previous U.S. rules of origin for certain textile products would require a legislative change (i.e., an amendment to the U.S. statute), the United States and the EU agreed to postpone formal WTO dispute settlement proceedings and accept an interim solution.[71] If the WTO rules-of-origin harmonization process was not completed by July 20, 1998, the United States agreed that within 1 month it would introduce legislation to restore the rules of origin for certain textile products that existed before July 1, 1996.[72] On July 30, 1998, U.S. Senate bill S. 2394 was introduced to amend the rules of origin for non-wool fabrics and silk accessories. However, the EU expressed strong concern that the bill failed to address the rules of origin for flat goods and requested formal negotiations on November 25, 1998.[73] No action was taken on the bill before the adjournment of the 105th Congress.

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[70] U.S. House of Representatives, Committee on Ways and Means, *Overview and Compilation of U.S. Trade Statutes*, 105th Cong., 1st sess. (Washington, DC: U.S. Government Printing Office, June 25, 1997), WMCP: 105-4, p. 121.

[71] U.S. Department of State telegram No. 146388, "Textiles/Rules of Origin: Agreement with the EU," prepared by U.S. Department of State, Washington, DC, Aug. 5, 1997.

[72] The WTO Agreement on Rules of Origin calls for the multilateral harmonization of rules of origin used for non-preferential trade regimes so as to provide more certainty in the conduct of world trade. To this end, the Agreement called for a 3-year work program that was scheduled to be completed by July 20, 1998; however, the WTO extended the deadline until November 1999 30

[73] USTR official, telephone interview with USITC staff, Dec. 9, 1998.

U.S. Exports

Principal Markets and Export Levels

U.S. exports of home textiles rose by 35 percent during 1993-97 to $415 million (table 13). They accounted for 4.3 percent of U.S. producers' shipments in 1997; the relatively small export share largely reflected the historical focus of the industry on selling to the large domestic market. Exports consisted mostly of relatively lightweight and easily packaged products such as sheets and pillowcases, terry bath and kitchen linens, and curtains, which together accounted for about 60 percent of U.S. home textile exports in 1997.

Canada is the largest market for U.S. home textile exports by far, largely because of its proximity and cultural and economic similarities to the United States. U.S. brand-name home textiles are also popular there. In addition, U.S. exports to Canada that meet NAFTA rules of origin benefit from duty-free access to the Canadian market. The principal exports to Canada in 1997 were bed linens (31 percent of the total value), toilet and kitchen linens (24 percent), and blankets (13 percent).

Other export markets are Mexico and Japan, each of which accounted for roughly 6 percent of U.S. exports in 1997. Exports to Mexico fluctuated widely during 1993-97; shipments of $27 million in 1997 were 16 percent lower than those in 1993. The major exports to Mexico in 1997 were toilet and kitchen linens (23 percent) and curtains (18 percent). Exports to Japan rose continually during 1993-97, more than doubling to $24 million. The principal exports to Japan in 1997 were toilet and kitchen linens (33 percent) and bed linens (29 percent).

Table 13
Home textiles: U.S. exports of domestic merchandise, by principal markets, 1993-97[1]

(1,000 dollars)

Market	1993	1994	1995	1996	1997
Canada	132,958	146,582	149,648	168,001	212,781
Mexico	32,204	43,491	18,065	26,284	27,189
Japan	8,988	13,193	16,550	13,764	23,586
Saudi Arabia	14,945	12,724	12,880	12,546	12,348
Venezuela	7,253	3,775	4,207	4,928	11,298
United Kingdom	8,560	9,675	8,027	11,667	11,122
United Arab Emirates	5,877	4,790	7,220	9,226	9,584
Italy	1,449	1,860	2,186	1,150	8,108
Germany	4,098	4,948	4,911	5,249	7,665
Panama	4,575	3,012	5,715	5,293	6,906
All other	86,006	83,540	102,761	88,660	84,809
Total	306,915	327,588	332,170	346,767	415,396

[1] Exports are slightly overstated because they include certain bedding products that are not covered by this report but are classified in a residual or "basket" export provision with comforters and quilts, which are covered in this report.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Foreign Trade Measures

In general, factors such as differences in culture, income levels, bed sizes, and bedding standards, along with relatively high shipping costs for bulkier home textiles such as comforters and blankets, affect U.S. export levels more than foreign trade barriers. The ATC requires both developed and developing countries to reduce trade barriers on textiles and apparel in their home markets. Countries are called upon to reduce and bind their tariffs, reduce or eliminate nontariff barriers, and facilitate customs, administrative, and licensing procedures. The United States sought market access commitments from WTO members that are significant exporters of textiles and apparel to the United States. Developing countries such as Pakistan, Turkey, and India agreed to open their markets to U.S. exports of textile products.

Under NAFTA, Canada provides duty-free access for U.S. goods that meet NAFTA rules of origin, while Mexico is phasing out its tariffs on U.S. goods. In February 1997, for the first time, the United States obtained market opening commitments from China for U.S. exports of textiles and apparel.[74]

FOREIGN INDUSTRY PROFILE

Estimated world exports of home textiles increased by 35 percent from $6.5 billion in 1993 to $8.8 billion in 1996, the latest year for which such data are available (table 14). The principal foreign suppliers of home textiles to the United States--China, Pakistan, Portugal, and India--are also the world's largest exporters of such goods. These four countries generated 45 percent of the world exports in 1996; China alone accounted for 21 percent of the total. The EU countries, as a group, are the largest exporter of home textiles with 31 percent of world exports in 1996.

EU exports of home textiles rose by 28 percent from $2.1 billion in 1993 to $2.7 billion in 1996. Some 70 percent of EU exports, or $1.8 billion, consisted of bed, table, toilet, and kitchen linens. The principal EU exporter was Portugal, whose exports of home textiles rose by 31 percent from $539 million in 1993 to $708 million, or 26 percent of EU home textile exports in 1996. All but a small part of Portugal's home textile exports in 1996 consisted of bed, table, toilet, and kitchen linens. Portuguese producers use state-of-the-art weaving, printing, and finishing equipment to produce a wide range of quality home textiles.[75]

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[74] U.S. Department of State telegram No. 040894, "Textiles/China: Exchange of Notes," prepared by the U.S. Department of State, Washington, DC, Mar. 5, 1997.

[75] "Home Textiles from Portugal - The Technology," *Welcome to Portugal-- Investments, Trade, and Tourism in Portugal*, found at Internet address http://www.portugal.org/, retrieved July 15, 1998.

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China's exports of home textiles rose by 32 percent during 1993-96 to $1.8 billion. Most of China's exports in 1996 consisted of bed, table, toilet, and kitchen linens. Pakistan's exports rose by 47 percent during the period to $726 million and India's slightly more than doubled to $652 million. Turkey's exports also grew rapidly during the period, by 81 percent, to $466 million. The United States was the world's eighth-largest exporter of home textiles in 1996, with shipments of $274 million, or 3 percent of the world total.

Table 14
Home textiles: World exports, by principal sources, 1993-96[1]

(Million dollars)

Source	1993	1994	1995	1996
China	1,397.7	1,723.0	1,959.0	1,841.6
Pakistan	495.2	466.1	563.6	726.2
Portugal	539.4	600.7	723.4	708.5
India	319.6	439.6	513.7	652.4
Turkey	257.1	300.9	411.1	466.3
Italy	207.9	249.0	313.1	348.3
Germany	247.6	266.2	309.6	290.2
United States	249.5	256.0	260.5	274.2
Mexico	204.8	205.5	204.8	272.2
All other	2,581.2	2,628.0	3,016.2	3,220.1
Total	6,500.0	7,135.0	8,275.0	8,800.0
Total EU[2]	2,124.9	2,230.8	2,686.9	2,713.3

[1] Data for India in 1996 were estimated by USITC staff based on the average annual rate of growth in India's exports during 1993-95 (27 percent). Because data for a number of relatively small exporting countries were not available, data for "total" exports and for "all other" countries were partly estimated by USITC staff.
[2] Partly estimated by USITC staff.

Source: Compiled from unpublished data of the United Nations for Standard International Trade Classification (SITC) subgroups 658.3, blankets; 658.4, bed, table, toilet, and kitchen linens; 658.5, curtains, draperies, bedspreads, and other furnishing articles; and 658.91, hand-woven and needle-workeded tapestries (Revision 3).

APPENDIX A
TARIFF AND TRADE AGREEMENT TERMS

TARIFF AND TRADE AGREEMENT TERMS

In the ***Harmonized Tariff Schedule of the United States*** (HTS), chapters 1 through 97 cover all goods in trade and incorporate in the tariff nomenclature the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description. Subordinate 8-digit product subdivisions, either enacted by Congress or proclaimed by the President, allow more narrowly applicable duty rates; 10-digit administrative statistical reporting numbers provide data of national interest. Chapters 98 and 99 contain special U.S. classifications and temporary rate provisions, respectively. The HTS replaced the *Tariff Schedules of the United States* (TSUS) effective January 1, 1989.

Duty rates in the ***general*** subcolumn of HTS column 1 are most-favored-nation (now referred to as normal trade relations) rates, many of which have been eliminated or are being reduced as concessions resulting from the Uruguay Round of Multilateral Trade Negotiations. Column 1-general duty rates apply to all countries except those listed in HTS general note 3(b) (Afghanistan, Cuba, Laos, North Korea, and Vietnam), which are subject to the statutory rates set forth in ***column 2***. Specified goods from designated general-rate countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the ***special*** subcolumn of HTS rate of duty column 1 or in the general notes. If eligibility for special tariff rates is not claimed or established, goods are dutiable at column 1-general rates. The HTS does not enumerate those countries as to which a total or partial embargo has been declared.

The ***Generalized System of Preferences*** (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 for 10 years and extended several times thereafter, applies to merchandise imported on or after January 1, 1976 and before the close of June 30, 1999. Indicated by the symbol "A", "A*", or "A+" in the special subcolumn, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 4 to the HTS.

The ***Caribbean Basin Economic Recovery Act*** (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984. Indicated by the symbol "E" or "E*" in the special subcolumn, the CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries, as set forth in general note 7 to the HTS.

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Free rates of duty in the special subcolumn followed by the symbol "IL" are applicable to products of Israel under the ***United States-Israel Free Trade Area Implementation Act*** of 1985 (IFTA), as provided in general note 8 to the HTS.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn followed by the symbol "J" or "J*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the ***Andean Trade Preference Act*** (ATPA), enacted as title II of Public Law 102-182 and implemented by Presidential Proclamation 6455 of July 2, 1992 (effective July 22, 1992), as set forth in general note 11 to the HTS.

Preferential free rates of duty in the special subcolumn followed by the symbol "CA" are applicable to eligible goods of Canada, and rates followed by the symbol "MX" are applicable to eligible goods of Mexico, under the ***North American Free Trade Agreement***, as provided in general note 12 to the HTS and implemented effective January 1, 1994 by Presidential Proclamation 6641 of December 15, 1993. Goods must originate in the NAFTA region under rules set forth in general note 12(t) and meet other requirements of the note and applicable regulations.

Other special tariff treatment applies to particular ***products of insular possessions*** (general note 3(a)(iv)), ***products of the West Bank and Gaza Strip*** (general note 3(a)(v)), goods covered by the ***Automotive Products Trade Act*** (APTA) (general note 5) and the ***Agreement on Trade in Civil Aircraft*** (ATCA) (general note 6), ***articles imported from freely associated states*** (general note 10), ***pharmaceutical products*** (general note 13), and ***intermediate chemicals for dyes*** (general note 14).

The ***General Agreement on Tariffs and Trade 1994*** (GATT 1994), pursuant to the Agreement Establishing the World Trade Organization, is based upon the earlier GATT 1947 (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) as the primary multilateral system of disciplines and principles governing international trade. Signatories' obligations under both the 1994 and 1947 agreements focus upon most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, dispute settlement, and other measures. The results of the Uruguay Round of multilateral tariff negotiations are set forth by way of separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX. Pursuant to the **Agreement on Textiles and Clothing** (ATC) of the GATT 1994, member countries are phasing out restrictions on imports under the prior "Arrangement Regarding International Trade in Textiles" (known as the **Multifiber Arrangement** (MFA)). Under the MFA, which was a departure from GATT 1947 provisions, importing and exporting countries negotiated bilateral agreements limiting textile and apparel shipments, and importing countries could take unilateral action in the absence or violation of an agreement. Quantitative limits had been established on imported textiles and apparel of cotton, other vegetable fibers, wool, man-made fibers or silk blends in an effort to prevent or limit market disruption in the importing countries. The ATC establishes notification and safeguard procedures, along with other rules concerning the customs treatment of textile and apparel shipments, and calls for the eventual complete integration of this sector into the GATT 1994 over a ten-year period, or by Jan. 1, 2005.

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