

The Panty Hose Wars.(Caribbean free trade could hurt Israeli nylon exporter)(Brief Article)

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American jobs are at stake.

NEARLY 20% OF AMERICA'S HOSIERY NYLON COMES FROM the Israeli city of Migdal Ha'Emek, a depressed area near Nazareth. There, the Nilit chemical and yarn factory employs 700 Jewish and Arab Israelis, many of whom work for a joint venture with Sara Lee, makers (under the L'eggs name and other brands) of half the panty hose sold in the U.S. It's a sweet arrangement that's flowered under the wing of the U.S.-Israel free-trade agreement of 1985. But politicians are fickle, especially on the subject of free trade.

Privately held Nilit is owned by the Levi family, which emigrated from Italy and founded the firm 30 years ago. Founder Ennio's younger son, Chairman Michael Levi, 45, is hoping Israel's Washington lobby can tweak the bill to allow Israeli materials into CBI products duty-free, taking the sting out of the bill. But congressional leaders so far have not paid heed. Politics sure is a dirty sport, isn't it?

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Congress is considering an update of a different trade law, the Caribbean Basin Initiative, that would undermine Nilit's duty-free exporting to the U.S. So the company's \$70 million worth of nylon shipments--half its annual revenues--are in jeopardy. Who stands to be the big gainer? Giant DuPont, the nylon pioneer.

DuPont has two-thirds of the American hosiery nylon market, having lost the other third to Nilit and other nylon producers. DuPont can get some of that back through this year's trade bill, which, like most such legislation, is sponsored by the finance committee chairman. He's Senator William Roth of Delaware, where DuPont is the largest employer.

Ostensibly the legislation has nothing to do with either Israel or panty hose. It simply expands the 1984 Caribbean pact to exclude from tariffs all apparel cut and assembled in the 27 island states and bordering Central and Latin American countries from U.S.-made fibers. Many American manufacturers-- including Sara Lee--have set up factories there, capitalizing on the region's cheap labor pool and the locals' gift for sewing. The U.S. tries to give the region a break vis a vis stiff Asian apparel competition (FORBES, Mar. 6).

Under the new rules, nylon from Israel or other non-U.S. sources would continue to be taxed on value added in the Caribbean--up to 16%. Result: If the bill passes, Nilit fears, it will lose hosiery and underwear business to duty-free American yarn (though its biggest customer, Sara Lee, says it will keep buying to service non-U.S. markets).

DuPont's nylon division, which includes fibers for carpet, clothing and other uses, did \$4.5 billion in sales last year. Panty hose accounts for less than a tenth of that. But the company closed a nylon plant in Martinsville, Va. last June (citing outdated equipment), so you could argue that