

# COTTON YARN FROM BRAZIL

**Determinations of the Commission in  
Investigation No. 104-TAA-21  
Under Section 104(b) of the Trade  
Agreements Act of 1979, Together  
With the Information Obtained  
in the Investigation**

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**UNITED STATES INTERNATIONAL TRADE COMMISSION**

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

Investigation No. 104-TAA-21

COTTON YARN FROM BRAZIL

Determinations

Based on the record 1/ developed in investigation No. 104-TAA-21, the Commission determines, 2/ pursuant to section 104(b) of the Trade Agreements Act of 1979 (19 U.S.C. 1671 note), that an industry in the United States would be materially injured by reason of imports from Brazil of carded yarn wholly of cotton, provided for in items 301.01 through 301.98, inclusive, and in item 302.— with statistical suffixes 20, 22, and 24 of the Tariff Schedules of the United States Annotated (TSUSA), if the countervailing duty order covering those imports were to be revoked.

The Commission further determines 3/ that an industry in the United States would not be materially injured or threatened with material injury, nor would the establishment of an industry in the United States be materially retarded, by reason of imports from Brazil of combed yarn wholly of cotton, provided for in item 302.— with statistical suffixes 26 and 28 of the TSUSA, and of yarn in chief value but not wholly of cotton, provided for in TSUS item 300.60, if the countervailing duty order covering those imports were to be revoked.

Background

The outstanding countervailing duty order was issued on March 15, 1977, as a result of an investigation that was conducted by the U.S. Department of the Treasury after the American Yarn Spinners Association, Inc. filed a countervailing duty petition on March 5, 1976.

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1/ The "record" is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure.

2/ Commissioner Stern dissenting; Commissioner Liebeler not participating.

3/ Commissioner Liebeler not participating.

On July 17, 1981, the Brazilian Government requested the U.S. International Trade Commission to review the outstanding countervailing duty order under section 104(b)(1) of the act to determine whether an industry in the United States would be materially injured, or threatened with material injury, or the establishment of an industry would be materially retarded by reason of imports of cotton yarn from Brazil if the outstanding countervailing duty order applicable to such yarn were to be revoked. Accordingly, on January 18, 1984, the Commission instituted investigation No. 104-TAA-21, Cotton Yarn from Brazil.

On February 2, 1984, the American Yarn Spinners Association requested to partially withdraw the original countervailing duty petition with respect to combed yarn wholly of cotton and yarn in chief value but not wholly of cotton. This request was denied on February 16, 1984.

Notice of the institution of the Commission's investigation was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on January 25, 1984 (49 F.R. 3145). A public hearing in connection with the investigation was held on April 6, 1984, and the Commission voted on the investigation in public session on May 8, 1984.

## VIEWS OF THE COMMISSION

On the basis of the record developed in investigation 104-TAA-21, we determine that the domestic producers of 100 percent cotton carded yarn would be materially injured by reason of imports of such yarn from Brazil if that part of the countervailing duty order covering such imports were to be revoked. 1/ 2/ With respect to 100 percent cotton combed yarn, blended 3/ combed yarn, and blended carded yarn, we determine that the domestic producers of such yarns would not be materially injured or threatened with material injury by reason of imports of such yarn from Brazil if that part of the order covering such imports were to be revoked.

A Commission determination under section 104 of the Trade Agreements Act of 1979 is prospective in nature. 4/ Under section 104, the Commission must predict the likely impact that imports covered by a countervailing duty order would have on the domestic industry if the order were to be revoked. In making this prospective analysis, it is necessary to consider, among other factors, the past and present performance of the domestic industry; the conditions of competition in the relevant markets, including the trend of imports while the order was in place; and the productive capabilities and future export intentions of the foreign producers.

The definition of the domestic industries

Section 104 expressly incorporates the definitions contained in section

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1/ Material retardation of the establishment of an industry is not an issue in this investigation and will not be discussed further.

2/ Commissioner Stern determines that an industry in the United States would not be materially injured or threatened with material injury by reason of imports of 100 percent cotton carded yarn from Brazil if the countervailing duty order were to be revoked. See Additional Views of Commissioner Paula Stern, *infra*, p. 13.

3/ The term "blend" and derivatives thereof, as used throughout this opinion, refer to cotton yarn in chief value, but not wholly, of cotton.

4/ 19 U.S.C. §1671 note.

771 of the Tariff Act of 1930 for purposes of the section 104 determination. 5/ Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that like product." 6/ "Like product" is defined in section 771(10) as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation. . . ." 7/

The imports subject to this investigation are cotton yarn provided for in TSUS items 300.60 through 302.98. Imports of cotton yarn from Brazil during the period of investigation consisted of (1) 100 percent cotton carded yarn, (2) blended carded yarn, (3) 100 percent cotton combed yarn, and (4) blended combed yarn. The 100 percent cotton carded yarn accounted for 92 percent or more of the imports of cotton yarn from Brazil during the period under investigation. 8/

In defining the like product in this investigation, we found that there are sufficient differences in characteristics and uses among the various types of cotton yarn to determine more than one like product. We examined whether carded yarn is like combed yarn, and whether 100 percent cotton yarn is like blended yarn. 9/

Combed yarn and carded yarn differ in several key respects. Combed yarn is usually made from a longer staple, higher grade cotton than that used for carded yarn. 10/ In producing combed yarn, as opposed to carded yarn, the

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5/ Id., §104(e).

6/ 19 U.S.C. §1677(4)(A).

7/ 19 U.S.C. §1677(10).

8/ Commission Report ("Report") at A-31, table 15.

9/ It should be noted that carded yarn and combed yarn may be made either 100 percent cotton yarn or blended yarn.

10/ Transcript at 53.



cotton fibers are further aligned and impurities further removed. 11/ Combed yarn is usually considered to be of higher quality and is priced higher than carded yarn, and, therefore, is used to produce a different or higher quality end use product. 12/ Thus, because of apparent differences in characteristics and uses, combed and carded yarns are each usually sold to different customers and require separate marketing and distribution efforts. 13/

We also note significant distinctions between 100 percent cotton yarn and blended yarn. The natural characteristics of cotton impart certain qualities to yarn and to end use products made therefrom. Among the more important of these qualities are softness, comfort, easy dyeability, 14/ and pliability. 15/ Another quality which cotton imparts to yarn and end use products made therefrom is wicking ability (i.e., absorbency). 16/ The extent to which these characteristics are important to end use affects the interchangeability of articles of 100 percent cotton and cotton blends. 17/ Thus, we find that 100 percent cotton yarn and blended yarn are different like products.

For the purposes of this investigation, then, we determine that there are four like products competing directly with imports of cotton yarn from Brazil provided for in TSUS items 300.60 through 302.98: (1) 100 percent cotton carded yarn, (2) blended carded yarn, (3) 100 percent cotton combed yarn, and

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11/ Transcript at 53.

12/ Report at A-4.

13/ Id. at A-10. Also, as an historical note, prior to the formation of the American Yarn Spinners Association in 1967, carded and combed yarn producers were represented by separate trade associations. Id.

14/ Summary of Trade and Tariff Information, Raw Cotton, USITC Pub. No. 841, Control No. 3-1-5, March 1981, p. 3.

15/ Id.

16/ Report at A-12.

17/ In addition, the complexity of the production process and the need to make additional capital expenditures for a separate opening, carding, and drawing line in order to shift production between 100 percent cotton yarn and blended yarn further limit the practicality of either simultaneously or alternately producing both types in mills with certain floor plans. Transcript at 53-55.

(4) blended combed yarn. 18/ We also determine that there are four domestic industries, each producing a respective like product. 19/, 20/

100 Percent Cotton Combed Yarn, Blended Combed Yarn and  
Blended Carded Yarn

The American Yarn Spinners Association, which represents the domestic producers and which filed the original countervailing duty petition on March 9, 1976, requested to withdraw the petition with respect to these types of yarn in a letter to the Commission dated February 2, 1984. 21/ The Commission refused to grant the requested partial withdrawal prior to the development of a complete record of investigation. Based on the record which has been developed, we conclude that the historically low levels of imports of these products will not increase significantly to adversely affect the domestic

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18/ Another possible like product question is whether yarns of different "counts" (i.e., diameter) constitute separate like products. Although high count yarn has different characteristics and uses than low count yarn, yarn shipments are dispersed throughout the full range of yarn counts and yarn of one count differs only slightly from yarn of the next higher or lower count. Thus, we find that there are not sufficiently clear dividing lines to distinguish among yarns of different counts as separate like products. Moreover, since the available data do not permit analysis of production or producer profits by yarn counts, a determination based on separate like products according to yarn counts would necessitate the use of Section 771(4)(D) and thus our analysis would have been based on the same data as that which we have used.

19/ We are instructed in the statute that "the effect of subsidized . . . imports shall be assessed in relation to the United States production of a like product if available data permit the separate identification of production in terms of such criteria as the production process or the producer's profits." 19 U.S.C. §1677(4)(D). In this investigation, separate data are available for each of the four like products concerning all indicia except profit and loss information. Profit and loss information is available for 100 percent cotton carded yarn (see note 31, *infra*) and 100 percent cotton combed yarn. Such information on blended carded and blended combed yarn was not essential to our analysis of these products.

20/ The domestic producers responding to the Commission's questionnaires are listed in the Report at A-11.

21/ The American Yarn Spinners Association also indicated at the hearing that they could not at this time substantiate a claim of material injury or threat of material injury if the countervailing duty order covering these yarns from Brazil were to be revoked. See also, Transcript at 82.

industries upon revocation of the existing countervailing duty order covering these products. Almost all the cotton grown in Brazil is of the type normally used in the production of carded yarn and not combed yarn. 22/ In addition, blends from Brazil tend to be fairly high priced relative to world prices, and have not and are not expected to be an economically attractive export item for Brazil. 23/ Therefore, 100 percent cotton combed yarn, blended combed yarn and blended carded yarn will not be discussed further.

#### 100 Percent Cotton Carded Yarn

##### Condition of the industry

With respect to the domestic industry producing 100 percent cotton carded yarn, certain indicators present evidence of erosion in the condition of the industry. We note at the outset that the level of operations of this industry, although below historical levels, has improved during the period under investigation. 24/ Indicators for consumption, 25/ production, 26/ capacity utilization, 27/ employment, 28/ and shipments 29/ all rose from 1981 to 1983. Of significance, however, are the declines in the following indicators. The average value per pound of yarn shipped fell from \$1.65 in 1981 to \$1.58 in 1982, and remained at that level in 1983. 30/ Net sales decreased 3.1 percent from 1981 to 1982; units shipped increased 2.4 percent over this period. Gross profit margins decreased significantly between 1982 and 1983, dropping from 13.0 percent to 9.4 percent, and gross profit dropped

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22/ Report at A-26.

23/ Transcript at 166.

24/ Report at A-33.

25/ Id. at A-32 and A-34.

26/ Id. at A-12.

27/ Id. at A-13.

28/ Id. at A-18.

29/ Id. at A-15.

30/ Id.

16.2 percent, both despite a unit volume gain of 20.6 percent over this period. Both the operating profit margin and operating profit decreased substantially from 1982 to 1983. 31/

Likely effect of removal of the countervailing duty order 32/

We believe that the erosion in the gross profit margins of the domestic industry is linked to price suppression being exerted by the imports from Brazil, and that this price suppression would worsen if the countervailing duty order were revoked, resulting in material injury to the domestic industry.

Imports of 100 percent cotton carded yarn from Brazil have increased substantially since 1980, when no shipments were recorded, to 8,252,000 pounds in 1983. These imports are concentrated in the segment of the market consisting of singles yarns of counts 26s and finer. 33/ Their market share in this segment is estimated to be in the 23 percent to 26 percent range. 34/ Pricing information collected in this investigation 35/ shows that the quarterly weighted average price of 30s count 100 percent cotton carded yarn from Brazil decreased from \$1.77 per pound in January-March 1981 to \$1.54 in January-March 1983 and increased to only \$1.62 per pound in October-December

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31/ Id. at A-20, table 10. Twelve producers of 100 percent cotton carded yarn provided profit and loss data on such operations, and they represented 60 percent of reported production of such yarn in 1983. Ten of these firms produced only 100 percent cotton carded yarn in their establishments. Two of the nine firms which produced both 100 percent cotton yarn and blends had no difficulty providing separate data.

32/ Commissioner Stern does not join the remainder of the majority opinion. Commissioner Stern discusses these factors in her Additional Views, infra at 13.

33/ American Yarn Spinners Association, Prehearing Brief at table 5 (citing U.S. Department of Commerce data). Imports from Brazil in this category represented far "over three-quarters of all 100 percent cotton carded yarn from Brazil." Transcript at 21.

34/ Transcript at 22.

35/ The Commission gathered pricing information on 30s count yarn, which is slightly finer than 26s yarn and a benchmark pricing point for other yarn counts.

1983. 36/ The margins of underselling for this type of yarn ranged from 8.2 percent to 13.3 percent. 37/ Because imports from Brazil are concentrated in the segment of 26s singles and finer, their effect on prices is felt most directly in this segment. However, in the cotton yarn market, there is a relatively constant price differential between yarns of different singles counts. 38/ Therefore, price pressure exerted by the imports from Brazil in the market segments of 26s singles count and finer is also reflected in market segments of lower yarn counts, resulting in the price suppression and gross profit margin squeeze currently being experienced in this industry.

In past investigations under section 104, the Commission has analyzed the effect of a change in the countervailing duty deposit rate on imports as an indication of the effect of the order on the behavior of imports in the market. 39/ In the instant investigation, this analysis reveals little apparent correlation between changes in the deposit rate and the trend of imports. The deposit rate increased from 2.5 percent in 1980 to 3.55 percent in April 1982, and again to 10.51 percent in August 1983. Imports from Brazil during the same period increased annually from zero in 1980 to 8,252,000 pounds in 1983.

However, there is in this case a substantial difference between the deposit rate in effect at the time pricing and buying decisions were made and the final net subsidy rate determined by Commerce approximately two years

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36/ Report at A-36, table 18.

37/ Id.

38/ Transcript at 30-31. This price differential is based on prices for the three basic yarn counts of 10s singles, 20s singles and 30s singles, which serve as benchmarks for prices on other yarn counts. Id. Existence of these benchmark price levels does not, however, support a finding of separate like products based on yarn counts. See fn 18, supra.

39/ See, e.g., Certain Scissors and Shears from Brazil, Inv. No. 104-TAA-19, USITC Pub. No. 1456 (1983).

later. 40/ For the year 1981, during which the deposit rate in effect was 2.5 percent, the final net subsidy rate determined in 1983 by Commerce was 10.97 percent, 41/ or 4.4 times the deposit rate. For the year 1982, the deposit rate was 2.5 percent through April and 3.55 percent through the remainder of the year. By contrast, the final net subsidy rate determined in 1984 was 15.16 percent, 42/ or 4.3 times the deposit rate. No net final subsidy rate has yet been determined for 1983. In light of the relationship of the final net subsidy to the deposit rate, we conclude that a substantial economic benefit would be afforded the importers of Brazilian 100 percent cotton carded yarn should the current countervailing duty order on the product be revoked. 43/

In past section 104 investigations, the Commission has considered the future production capabilities and export intentions of the foreign exporter. 44/ In this case we note that in the 1982/83 agreement year Brazil essentially achieved the designated consultation level and in the 1983/84 agreement year nearly filled the specific limit established under the current bilateral agreement implemented under the Multifiber Arrangement (MFA). 45/ Brazil further used the flexibility options of the agreement to significantly increase the level of cotton yarn allowed in the 1983/84 agreement year,

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40/ In section 104 investigations, final net subsidy determinations in excess of the deposit rate do not result in additional countervailing duties being paid from the time commencing with the Commission's receipt of the request to remove the outstanding countervailing duty order. 19 U.S.C. §1671 (note), at (b)(4)(A).

41/ 48 F.R. 34999, August 2, 1983.

42/ 49 F.R. 15250, April 18, 1984.

43/ Margins of underselling averaged 10.7 percent from 1981 to 1983. Report at A-36, table 18. Thus, had the deposit rate in effect been at the final net subsidy determination levels of 10.97 percent in 1981 and 15.16 percent in 1982, and had these rates been reflected in the price of the imports from Brazil, the price suppressing effects of these imports would have been greatly reduced.

44/ See fn 39, *supra*.

45/ Report at A-10 combined with Table 14, at A-29.

indicating that Brazil can and will ship as much cotton as possible under the existing agreement. 46/ Brazil is the world's sixth largest producer of raw cotton and a major producer of cotton yarn. 47/ Its exports of cotton yarn in 1983 were an estimated 50 percent greater than those in 1980, with the United States accounting for the largest increase. 48/ One Brazilian exporter of cotton yarn reported it expected to expand its worldwide exports twelve-fold. 49/ Based on the demonstrated ability of Brazilian producers to produce raw cotton and cotton yarn, Brazil's use of the flexibility provisions in the bilateral agreement to increase the allowable levels of their cotton yarn exports to the United States and in shipping as much cotton yarn as was allowed, and indications of future increases on the part of exporters, we conclude that imports of 100 percent cotton carded yarn from Brazil, which are currently causing price suppression and thus eroding domestic profit margins, will continue to increase.

The Brazilian industry contends that the existence of the MFA and the implementing bilateral agreement between Brazil and the United States set quota levels that are non-injurious. 50/ We disagree. While the existence of a quota is one of the factors or conditions of trade that may be relevant to the Commission's determination of material injury or threat thereof, it is not dispositive. Unfairly traded imports may materially injure the domestic industry even though their quantitative levels are regulated by quota

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46/ See also, Transcript at 164.

47/ Id. at A-26.

48/ Id. at A-27, based on annualized 1983 data.

49/ Id. at A-27.

50/ Conselho Nacional da Industria Textil and the Ministry of Finance, Government of Brazil ("Brazilian") Prehearing Brief at 7-14, Brazilian Posthearing Brief at 1-7.

limits. 51/ Further, since the bilateral agreement between the United States and Brazil is scheduled to expire on March 31, 1985, and the likelihood of its renewal as well as the subsequent import levels from Brazil are unknown, reliance upon such import restrictions, which are uncertain in amount and duration, to prevent material injury from subsidized imports, is misplaced. 52/

Accordingly, we have determined that the domestic industry producing 100 percent cotton carded yarn would be materially injured by the imports of this product from Brazil if the countervailing duty order covering this product were to be revoked.

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51/ See, e.g., Spun Acrylic Yarn from Japan, Inv. No. 731-TA-1, USITC Pub. No. 1046 (March 1980).

52/ Cf., Sugar from the European Community, Inv. No. 104-TAA-7, USITC Pub. No. 1247 (May 1982) at 11, wherein the Commission, in its determination of threat of material injury, noted:

Reliance on quotas of uncertain amount and duration to counter the threat of injury from subsidized sugar imports is misplaced. To do so is to afford the domestic industry and exporting countries alike with an unpredictable decision-making process which is less than Congress clearly intended. Further, to do so subjects future trade relationships in this commodity to precisely the uncertainty and policy considerations which our trade laws are intended to eliminate. Therefore, the uncertainty of these quotas . . . preclude[s] us from relying on them in assessing the impact revocation of the countervailing duty order would have on the domestic industry.



ADDITIONAL VIEWS OF COMMISSIONER FAULA STERN 1/

These additional views stem from a fundamental disagreement with my colleagues over some of the criteria used to assess injury or threat thereof in section 104 investigations conducted by the Commission. These views explain my finding that if this countervailing duty order were removed, no material injury would be experienced by the domestic industry producing 100 percent cotton carded yarn as a result of the subsidies granted to the imports from Brazil. Nor, conversely, would the continuation of the order have a materially advantageous effect on the domestic industry's ability to compete successfully with these imports.

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1/ I have joined the majority views with respect to the definition of the domestic industries, their condition, and the determinations on blended carded yarn, 100 percent cotton combed yarn, and blended combed yarn.

Within the legal framework of "real and imminent," any injury to the domestic industry and any future competitive advantage that Brazilian imports may have reflect factors which cannot be attributed to the subsidies these imports receive. A causal link between imports of 100 percent cotton carded yarn and injury or the threat of injury to the domestic industry cannot be substantiated by the information collected during the Commission's investigation.

The condition of the domestic industry

Virtually all of the indicators used by the Commission to determine the condition of U.S. producers of 100 percent cotton carded yarn are positive. Production has increased, 2/ both capacity and capacity utilization have increased, 3/ both the quantity and value of domestic shipments are up, 4/ inventories have declined, 5/ and employment has risen. 6/ The sole indicator of weakness of the industry is its profitability, and this declined only in 1983. 7/ Operating

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- 2/ Report at A-13.  
3/ Report at pp. A-13-14.  
4/ Report at A-15.  
5/ Report at A-17.  
6/ Report at A-18.  
7/ Report at pp. A-19-21.

income and pretax net income each increased from 1981 to 1982 and declined in 1983. 8/ The ratios of each of these to net sales followed the same pattern. 9/ Profit declines in 1983 can be attributed to increases in the ratios of net sales to cost of goods sold and to general, selling, and administrative expenses. 10/ The increase in the cost-of-goods-sold ratio is related to a 13 percent increase in cotton prices from 1982 to 1983. 11/ This relationship is further illustrated by comparing the value per pound of domestic shipments of 100 percent cotton carded yarn with cotton prices. Despite the aforementioned 13 percent rise in cotton prices, the unit value of shipments of this yarn remained at \$1.58 per pound in both 1982 and 1983. 12/

No demonstrated effect of the countervailing duty and deposit rates on the prices of cotton yarn from Brazil

The record does not indicate a direct correlation between duty deposit rates and prices of 100 percent cotton carded yarn from Brazil. On April 9, 1982, the countervailing duty deposit rate for imports of cotton yarn from Brazil increased from 1.5 to 3.55 percent. 13/ However, the average price for 100

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8/ Id., at p. A-20.

9/ Id.

10/ Id.

11/ U.S. Department of Agriculture, Cotton and Wool Outlook and Situation, June 1983, p. 24, and March 1984, p. 26.

12/ Report at A-15.

13/ Report at A-4.

percent cotton carded yarn imported from Brazil declined by \$0.03 from January-March to April-June 1983. 14/ Furthermore, after the large increase in the deposit rate on August 2, 1983, 15/ from 3.55 to 10.51 percent, the price of the imported cotton yarn rose only 2.5 percent from April-June to July-December 1983. 16/

Since 1980, a comparison of deposit rates in contrast to final determinations of actual subsidy amounts shows that the deposit rates have often been below the actual subsidy rates determined by Commerce. 17/ Given the disparity between Commerce's final determinations of the levels of actual subsidies and the deposit rates concurrently in effect, two observations are in order. Examination of the margins of underselling by imports 18/ fails to establish any correlation between them and either the deposit rates which are paid on imports or the final subsidy rates (which, if higher than the deposit rate, are not retroactively collected by Commerce). 19/

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14/ Report at A-36.

15/ Report at A-4.

16/ Report at A-36.

17/ Report at A-3-4. The latest final determination of actual subsidy rates issued by Commerce (49 F.R. 15250), covers calendar year 1982.

18/ Report at A-36.

19/ 19 U.S.C. section 1671.

The current deposit rate of 1.72 percent 20/ is small in contrast with the margins of underselling of Brazilian yarn during the last quarter of 1983 of 13.33 percent. 21/ Revocation of the countervailing duty order, even if the duty reduction is fully passed through to Brazilian import prices, would not significantly change the most recent documented margins of underselling of 13.33 percent.

No effect of revocation on volume  
of Brazilian imports and U.S. prices

Material injury to domestic producers based on the share of the market captured by imports from Brazil cannot be substantiated. The share of U.S. consumption of 100 percent cotton carded yarn accounted for by Brazilian yarn increased from 1981 to 1982, but declined in 1983. 22/ In contrast, import penetration by this yarn from all sources increased in 1983. 23/

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20/ Report at A-4.

21/ Report at A-36.

22/ Report at A-33.

23/ Id.

Likewise no price suppression can be attributed to Brazilian subsidies. The average unit value of imports of Brazilian yarn declined less than that from all other sources. 24/ From 1981 to 1983, the unit value for 100 percent cotton carded yarn from Brazil declined 13 cents; that for such yarn from all other sources declined 15 cents. The unit values for imports from two of the four leading sources of such yarn in 1983 were considerably below that of Brazilian yarn. 25/ In contrast to Brazil's value of \$1.11 per pound that for yarn from El Salvador and Peru was valued at \$0.98 and \$0.84, respectively. Brazilian imports are not the cause of the price and profit problems of U.S. producers 100 percent cotton carded yarn. Quota restraints under the MFA are the compelling factor limiting imports of cotton yarn from Brazil

During the entire period that the countervailing duty order on cotton yarn from Brazil has been in effect, these imports have been controlled by limits under the Multifiber Arrangement (MFA). 26/ Through the agreement year which ended on March 31, 1982, imports annually never exceeded 40 percent of the limitations. 27/ During the 1982/83 quota year, the limit was 99.1 percent filled, and for the 1983/84 quota year, despite increases in the quota level through carry-forward, the

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24/ Report at A-29.

25/ Id., at A-28.

26/ Report at A-9.

27/ Report at A-10.

quota is virtually filled. 28/ The current bilateral agreement between the United States and Brazil expires on March 31, 1985. 29/ Through that date, imports of cotton yarn from Brazil will be limited by the quota. Compatible with my conclusion that the amount of underselling by Brazilian yarn is not substantially affected by the countervailing duty 30/ is a concurrent finding that it is the effect of the quota restraints that are limiting Brazilian imports, not the countervailing duty. This conclusion is based on tangible data provided by a look at 1983 imports.

An increase in the deposit rate of 7.02 percentage points in August 1983 did not curtail imports. Until August 1, 1983, the deposit rate was 3.55 percent. From August 2 through the end of the year, the rate was raised 7 percent to 10.5 percent. 31/ Yet 48 percent of all 1983 imports took place in the last half of 1983. They did fall in the last quarter, but the explanation has nothing whatever to do with the large increase in the deposit collected. Instead, the 99 percent filling of Brazil's quota fully explains the drop in fourth quarter imports. No perceptible effect of collection of the deposits and/or duty can be demonstrated from the data. The quota, which remains in effect to March 31, 1985, is the relevant factor.

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28/ Id.

29/ Report at A-9.

30/ Supra, at 2-3.

31/ Report at A-4.

No threat from non-renewal of the bilateral agreement

Given my conclusion that the quota restraint under the MFA, and not the effect of the countervailing duty order, is the factor limiting imports of cotton yarn from Brazil, it could be argued that the Commission should consider the possible effect of unrestrained imports after the present agreement expires in 1985. Here, we clearly enter a less certain world. But such agreements with other nations are regularly renewed. Furthermore, as in the instance of the People's Republic of China (China), the United States has demonstrated the determination to act unilaterally to impose quotas where agreements are not reached. <sup>32/</sup> One cannot simply assume that Brazilian imports will be set free on April 1, 1985, based on the information on the record in this investigation. Such a conclusion would not be based on any real and imminent threat <sup>33/</sup> and would ignore the record with respect to the likelihood of renewal of the MFA with Brazil.

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<sup>32/</sup> The initial bilateral agreement between the United States and China covered the period January 1, 1980, through December 31, 1982. Negotiations to conclude a new agreement had not been completed as of January 15, 1983. Accordingly, on January 18, 1983, a notice was published in the Federal Register (48 F.R. 2164), by the Committee for the Implementation of Textile Agreements, unilaterally imposing restraints on imports of cotton, wool, or manmade fiber textile products from China. Subsequently, on August 19, 1983, the governments of the United States and China signed a bilateral agreement to cover the period January 1, 1983-December 31, 1987 (48 F.R. 37685).

<sup>33/</sup> See Alberta Gas Chemicals Inc. v. United States, 515 F. Supp. 780 (1981).



## INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On July 17, 1981, the U.S. International Trade Commission received a request 1/ from the Government of Brazil for an investigation under section 104(b)(1) of the Trade Agreements Act of 1979 (19 U.S.C. 1671 note) to determine whether an industry in the United States would be materially injured, or would be threatened with material injury, or the establishment of an industry in the United States would be materially retarded, by reason of imports of cotton yarn from Brazil if the outstanding countervailing duty order applicable to such cotton yarn were to be revoked. 2/ Accordingly, on January 18, 1984, the Commission instituted investigation No. 104-TAA-21, Cotton Yarn from Brazil.

Notice of the institution of the Commission's investigation was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on January 25, 1984 (49 F.R. 3145). 3/ The public hearing in connection with the investigation was held on April 6, 1984, in Washington, D.C. 4/ The briefing and vote was held on May 8, 1984, and the Commission notified the Department of Commerce of its determination on May 17, 1984.

The product which is the subject of the investigation is cotton yarn, provided for in items 300.60 through 302.98 of the Tariff Schedules of the United States. This includes all cotton yarn except handwork yarn and chenille yarn.

On February 2, 1984, the Commission received a letter from the American Yarn Spinners Association (AYSA). This association represents the domestic industry in this investigation and filed the original countervailing duty petition. Through this letter, the AYSA advised the Commission that it wished to withdraw part of its original petition with respect to certain types of

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1/ A copy of the letter requesting the investigation is presented in app. A.

2/ On Jan. 1, 1980, the Trade Agreements Act of 1979 (Public Law 96-39) became effective. That act provided, in sec. 104(b), that "In the case of a countervailing duty order issued under section 303 of the Tariff Act of 1930 . . . which applies to merchandise which is the product of a country under the Agreement, and which is in effect on January 1, 1980, . . . the Commission, upon the request of the government of such a country . . . submitted within 3 years after the effective date of title VII of the Tariff Act of 1930 [Jan. 1, 1980] shall . . . commence an investigation to determine whether an industry in the United States would be materially injured, or would be threatened with material injury, or the establishment of an industry in the United States would be materially retarded, by reason of the imports of the merchandise covered by the countervailing duty order if the order were to be revoked." The request from the Government of Brazil was such a request.

3/ A copy of the Commission's notice of the investigation and scheduling of the hearing is presented in app. B.

4/ A list of witnesses appearing at the hearing is presented in app. C.

cotton yarn. Specifically, the request was to withdraw from the petition combed cotton yarn, both wholly of cotton and blends in chief value of cotton, and carded cotton yarn blends. The yarn remaining in the petition would be carded cotton yarn wholly of cotton. After considering the issues raised by this request, the Commission denied the request on February 16, 1984.

### Background of the Investigation

This investigation evolved from a countervailing duty petition filed with the U.S. Department of the Treasury by the American Yarn Spinners Association, Inc. (AYSA) on behalf of its members on March 5, 1976. AYSA's member companies include U.S. producers of cotton sales yarn, which were believed to account for 90 percent of all cotton sales yarn produced in the United States at that time. The petition alleged that the Government of Brazil provided subsidies to manufacturers and/or exporters of cotton yarn which constitute bounties or grants within the meaning of section 303 of the Tariff Act of 1930 (19 U.S.C. 1303). On March 10, 1977, Treasury made an affirmative subsidy determination and ordered the suspension of liquidation of entries, and the imposition of countervailing duties, effective on or after March 15, 1977, on imports of cotton yarn from Brazil. <sup>1/</sup> Since 1977, countervailing duties have been collected in varying amounts, as detailed in the following section of the report.

### Nature and Extent of Subsidies

The initial countervailing duty determination by the Department of the Treasury was made on March 10, 1977. It concluded that the Government of Brazil was providing benefits to Brazilian manufacturers/exporters of cotton yarn in the form of tax credits for exports, income tax reductions, and preferential financing in the aggregate amount of 21.4 percent ad valorem.

On January 2, 1980, the authority for administering the countervailing duty law was transferred from Treasury to the Department of Commerce. A number of administrative reviews of the outstanding countervailing duty order have been conducted since the original determination. The most recent final determination by Commerce covering the period January 1, 1982, through December 31, 1982--was issued on April 18, 1984. <sup>2/</sup> The programs Commerce found to be countervailable and the subsidy amounts were as follows:

1. Preferential financing for exports.--Under this program, companies are declared eligible by the Department of Foreign Commerce of the Banco do Brasil to receive working capital loans at preferential rates for a duration of up to 1 year. Each firm producing cotton yarn can obtain preferential financing for up to 40 percent of the value of its previous year's exports. Commerce calculated the benefit conferred by this program for 1982 to be 5.91 percent ad valorem.

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<sup>1/</sup> 42 F.R. 14089, Mar. 15, 1977.

<sup>2/</sup> 49 F.R. 15250.

2. Income tax exemptions for export earnings.--Exporters of cotton yarn are eligible under this program for exemption from income tax on the percentage of profit attributable to export revenue. The Brazilian Government calculates the tax-exempt fraction of profit as the ratio of export revenue to total revenue. Commerce determined that the benefit from this program was 0.17 percent ad valorem for 1982.
3. IPI export credit program.--The IPI is a tax on manufactured products. The Brazilian Government provides a cash payment upon export as a rebate of this tax. Since June 26, 1981, the Brazilian Government has been collecting an export tax on exports of cotton yarn to the United States (Resolution 699), completely offsetting the benefit received under this program. Therefore, Commerce determined that no net subsidy was attributable to this program during 1982.
4. Fiscal benefits for special export programs.--Under Decree Law 1219 of May 15, 1972, any firm that produces manufactured products is eligible to receive benefits from the Commission for the Granting of Fiscal Benefits for Special Export Programs, as long as the company makes an appropriate export commitment. Under Decree No. 77,065, a company can receive a reduction of from 70 to 90 percent of the import duties and IPI tax on imports of machinery and equipment necessary to meet the approved export commitment. Commerce found the benefit provided by this program to be 1.26 percent ad valorem during 1982.
5. Preferential export financing under CIC-CREGE 14-11.--This program, operated by the Banco do Brasil, provides preferential financing to exporters, which are then required to maintain a minimum fixed level of foreign exchange contracts with the Banco do Brasil. Commerce determined that the benefit conferred by this program was 0.06 percent ad valorem.

The amounts of countervailing duties assessed on imports of cotton yarn from Brazil from the date of issuance of the countervailing duty order to the present are listed in the following tabulation:

<u>Period</u>	<u>Rate</u> <u>(percent ad valorem)</u>	<u>Authority</u>
Mar. 15, 1977-June 20, 1977-----	21.4	42 F.R. 14089
June 21, 1977-Jan. 23, 1979-----	19.6	42 F.R. 31449
Jan. 24, 1979-Mar. 30, 1979-----	17.9	45 F.R. 12413
Mar. 31, 1979-June 29, 1979-----	17.0	45 F.R. 12413
June 30, 1979-Sept. 29, 1979----	16.2	44 F.R. 38839
Sept. 30, 1979-Dec. 6, 1979-----	15.3	44 F.R. 55825
Dec. 7, 1979-Dec. 31, 1980-----	0.0	47 F.R. 15392
Jan. 1, 1981-Dec. 31, 1981-----	10.97	48 F.R. 34999
Jan. 1, 1982-Dec. 31, 1982-----	15.16	49 F.R. 15250
Jan. 1, 1983-Present-----	<u>1/</u> 2.72	49 F.R. 15250

1/ Deposit rate, pending results of annual administrative review.

Duty deposit rates for 1980 to the present for cotton yarn from Brazil are shown in the following tabulation:

<u>Period</u>	<u>Deposit rate</u> (in percent)
Jan. 1, 1980-Apr. 8, 1982-----	2.5
Apr. 9, 1982-Aug. 1, 1983-----	3.55
Aug. 2, 1983-Apr. 17, 1984-----	10.51
Apr. 18, 1984-present-----	2.72

### The Product

#### Description

Cotton yarn encompasses a vast array of types of yarn distinguishable by fiber content, variations in processing during the initial yarn forming stages, and processing after spinning. Cotton yarn may be either wholly of cotton or blends of cotton and other fibers. <sup>1/</sup> Fibers frequently blended with cotton include polyester, rayon, nylon, acrylic, wool, and silk. Of the possible combinations, cotton and polyester is, by far, the most prevalent blend. Varying the proportions of the different fibers produces a still greater variety of characteristics, even in yarns using only two types of fiber.

Both yarn wholly of cotton and blended yarn in chief value of cotton (hereinafter blends) are further classified as either carded or combed. These terms distinguish yarn which has been combed—an intermediate step in processing fibers for yarn production—from that which has been merely carded. Combed yarn is more even and generally finer than carded yarn; combed yarn and fabrics made therefrom are often of higher quality and price than carded yarn and fabric.

After being spun, cotton yarn may be subjected to one or more additional steps before it is used. Two or more single strands of yarn may be twisted together to form plied yarn. Plied yarn is stronger than a singles yarn of the same size and is more expensive. Very strong cabled yarn is made by twisting 2 or more plied yarns together.

Also affecting strength is the amount of twist given to the yarn at the time it is being spun. A low strength yarn may have as few as 10 turns per inch; stronger yarns may have 25-30 turns per inch. Knitting yarns usually have 10-15 turns per inch; weaving yarns usually have 20-25 turns per inch.

Another important characteristic distinguishing types of cotton yarn is thickness or diameter, referred to as yarn number or yarn count. The United States uses a system called the cotton count to designate the thickness of

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<sup>1/</sup> For classification as cotton yarn in the Tariff Schedules of the United States, the value of the cotton must be greater than that of any other fiber. For purposes of determining such value, all manmade fibers are to be considered together.

cotton yarn. The cotton count is the number of 840-yard hanks of yarn in 1 pound--the higher the number, the finer the yarn. If 20 hanks of a single strand of yarn weigh 1 pound, it is a 20s yarn. Plied yarn is numbered according to the size of the individual singles yarns from which it is made.

Cotton yarn is usually spun in the grey (unbleached and undyed) state. It can then be bleached, dyed, mercerized 1/, or otherwise treated, depending on its subsequent use.

### Manufacturing process

As a result of technological developments and the need to drastically reduce cotton dust in mills to meet Occupational Safety and Health Administration requirements, modern cotton spinning mills are very efficient and highly automated. Many of the tasks done manually in older mills have been eliminated. In these modern mills, bales of cotton (and of other fibers if a blended yarn is to be made) are opened by machines which remove tufts from several bales and dump them into a hopper or weighing pan. The fibers then travel through a series of machines which break up the tufts, remove impurities, and further mix the fibers. The fibers are pneumatically fed into a carding machine. This machine removes fibers that are too short to be spun, further removes impurities, and begins to align the fibers into some parallel order. The carding is performed by fine wire teeth attached to revolving cylinders. The fibers emerge from the card as a wide, thin web which is gathered into a soft strand about the size of a broomstick, known as card sliver, and then is coiled into a storage can. If combed yarn is being produced, the card sliver is put through the combing process. In this process, the fibers pass through rollers, blades, and metal teeth which further remove short fibers and any remaining foreign matter and further orient the fibers in a parallel manner. After combing, the fibers are again formed into sliver and coiled into a can.

After carding or combing, the sliver is drawn. In this process, six or eight slivers are combined and then drawn through a series of rollers, reducing them to the approximate diameter of one of the initial slivers. This process is repeated two or three times to further blend the fibers, impart uniformity to the product, and make the fibers more parallel. From the drawing frame, the sliver is transferred to the roving frame, where it is further drawn to the approximate size of a wood pencil. It is then given a slight twist and wound onto a bobbin.

The actual spinning process, which is the next step in the production of ring-spun yarn, stretches the roving into a fine yarn, twists it to give it strength, and then winds the yarn onto a pirn--a long, thin cylindrical tube. After spinning, the yarn may be rewound into a package appropriate for the next step in which it will be processed or twisted into plied or cabled yarn and then wound.

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1/ Treatment with a caustic soda solution which ultimately increases its luster and dyeability.

Until recently, virtually all cotton yarn was produced by ring spinning. In recent years, other methods of spinning cotton yarn have been developed. Open-end or rotor spinning, the most prevalent of these, was introduced in the late 1960's. To produce yarn by this method, sliver from the drawing frame is fed into the spinning machine. It is transformed into yarn by a rotating, toothed disk, air jets, and a rotating turbine. Open-end yarn has certain advantages and disadvantages when compared with ring spun yarn. Open-end yarn is frequently less costly to produce because one or more of the steps needed to prepare cotton for ring spinning are eliminated in the open-end process. In addition, open-end production speeds 5 to 7 times faster than those for ring spinning are not uncommon. However, open-end yarn has different characteristics than ring spun yarn, including being more elastic and, in some cases, having less strength. In addition, most open-end yarn produced today is of 28s count or coarser for reasons of production efficiency. In the next 10 years, advances in technology are likely to expand the capability of this method to economically produce a greater range of yarn counts and yarn with characteristics needed for a greater variety of end uses. Other yarn-forming methods in limited use include air-jet spinning, friction spinning, wrap spinning, and "twistless spinning", in which the fibers are held together by an adhesive.

### Uses

Cotton yarn is primarily used to produce many types of woven and knit fabrics for apparel, home furnishings, and industrial uses. Some of it is knit directly into the form of the finished item such as hosiery or sweaters. A minor share of total production is used to produce carpets, rugs, and cordage. It is also made for specific purposes such as handwork, thread, or the production of tufted fabrics. The majority of cotton sales yarn is used to produce knit fabrics and knit apparel.

### U.S. tariff treatment

Cotton yarn, both carded and combed, is classified under items 300.6020 through 302.9828 of the Tariff Schedules of the United States Annotated (TSUSA). The current column 1 or most-favored-nation (MFN) rate of duty for blended cotton yarn, which is provided for in TSUS item 300.60, is 12.7 percent ad valorem. Yarn which is wholly of cotton and not bleached, not mercerized, not colored, not combed, and not plied, which is provided for in TSUS items 301.00-301.98, has column 1 rates of duty which range from 3.3 percent ad valorem for yarn number 1 to 11.2 percent ad valorem for yarn number 59; yarn numbers 60 through 200 or higher have a compound rate of 3.1 cents per pound plus 11.5 percent ad valorem. Yarn which is wholly of cotton and is bleached, mercerized, colored, combed, or plied, which is provided for in TSUS items 302.00-302.98, is assessed duty at a base rate equal to that for the same yarn number as yarn, wholly of cotton, not bleached, not mercerized, not colored, not combed, and not plied, plus an additional 2.7 percent ad valorem. The current MFN rates reflect the third annual staged reduction resulting from concessions granted in the Tokyo round of the Multilateral Trade Negotiations, conducted under the auspices of the General Agreement on Tariffs and Trade (GATT) during 1973-79. The remaining scheduled reductions for cotton yarn and their effective dates are shown in table 1.

Table 1. Cotton yarn: U.S. rates of duty, by TSUS items

TSUS item No.	Description	(Cents per pound; percent ad valorem)				Col. 2 rate of duty	
		Pre-RTAA col. 1 rate of duty 1/	Staged col. 1 rate of duty 1/	1984	1985		
300.60	Yarns of cotton: In chief value, but not wholly, of cotton.	14.5%	12.7%	12%	11.4%	10.8%	40%
301.00 2/	Wholly of cotton:						
	Not bleached, not mercerized, not colored, not combed, and not plied:						
	Of numbers 1-9-----	3.4% to 4.6%	3.3% to 4.4%	3.2% to 4.3%	3.2% to 4.2%	3.1% to 4.1%	5.3% to 7.7%
	Of numbers 10-19-----	4.8% to 6.2%	4.5% to 5.8%	4.4% to 5.6%	4.3% to 5.5%	4.2% to 5.4%	8.0% to 10.7%
	Of numbers 20-29-----	7.8% to 8.0%	7.2% to 7.3%	7% to 7% to 8.2%	6.8% to 7.9%	6.5% to 7.6%	11% to 13.7%
	Of numbers 30-39-----	9.48% to 11.08%	8.6% to 9.9%	8.3% to 9.5%	7.9% to 9.1%	7.6% to 8.7%	14% to 16.7%
	Of numbers 40-49-----	11.24% to 12.68%	10% to 11.2%	9.5% to 10.7%	9.1% to 10.2%	8.7% to 9.7%	17% to 20%
	Of numbers 50-59-----	3.6% + 13%	3.1% + 11.5%	3% + 10.9%	2.8% + 10.4%	2.7% + 9.9%	20% to 22.7%
	Of numbers 60-69-----	3.6% + 13%	3.1% + 11.5%	3% + 10.9%	2.8% + 10.4%	2.7% + 9.9%	10% + 32%
	Of numbers 70-79-----	3.6% + 13%	3.1% + 11.5%	3% + 10.9%	2.8% + 10.4%	2.7% + 9.9%	10% + 32%
	Of numbers 80-89-----	3.6% + 13%	3.1% + 11.5%	3% + 10.9%	2.8% + 10.4%	2.7% + 9.9%	10% + 32%
	Of numbers 90-99-----	3.6% + 13%	3.1% + 11.5%	3% + 10.9%	2.8% + 10.4%	2.7% + 9.9%	10% + 32%
	Of numbers 100-109-----	3.6% + 13%	3.1% + 11.5%	3% + 10.9%	2.8% + 10.4%	2.7% + 9.9%	10% + 32%
	Of numbers 110-119-----	3.6% + 13%	3.1% + 11.5%	3% + 10.9%	2.8% + 10.4%	2.7% + 9.9%	10% + 32%
	Of numbers 120-139-----	3.6% + 13%	3.1% + 11.5%	3% + 10.9%	2.8% + 10.4%	2.7% + 9.9%	10% + 32%
	Of numbers 140-159-----	3.6% + 13%	3.1% + 11.5%	3% + 10.9%	2.8% + 10.4%	2.7% + 9.9%	10% + 32%

See footnotes at end of table.

Table 1. Cotton yarns: U.S. rates of duty, by ISUS items--Continued

TSUS item No.	Description	(Cents per pound, percent ad valorem)				Col. 2 rate of duty
		Pre-FTN col. 1 rate of duty 1/	1984	1985	1986	
		: Staged col. 1 rates of duty effective with respect : to articles entered on or after Jan. 1--				
301.94	Yarns of cotton--Continued Wholly of cotton--Continued Not bleached, not mercerized, and not plied--Continued Of numbers 160-179	3.6¢ + 13%	3.1¢ + 11.5%	3¢ + 10.9%	2.8¢ + 10.4%	2.7¢ + 9.9%
301.96	Of numbers 180-199	3.9¢ + 13%	3.1¢ + 11.5%	3¢ + 10.9%	2.8¢ + 10.4%	2.7¢ + 9.9%
301.98	Of number 200 or higher number.	3.6¢ + 13%	3.1¢ + 11.5%	3¢ + 10.9%	2.8¢ + 10.4%	2.7¢ + 9.9%
302.-- 2/	Bleached, mercerized, colored, combed, or plied.	Base rate + 3.75%	Base rate + 2.7%	Base rate + 2.5%	Base rate + 2.3%	Base rate + 2.1%

1/ Rate effective before Jan. 1, 1982.

2/ Items 301.00-301.50 shown here represent grouping of actual ISUS numbers reported in Census Bureau statistics; i.e., 301.00 represents ISUS items 301.01-301.09; 301.10 represents 301.10-301.19; 301.20 represents 301.20-301.29; 301.30 represents 301.30-301.39; 301.40 represents 301.40-301.49; 301.50 represents 301.50-301.59.

3/ Each of the rates of duty provided for yarns, wholly of cotton, not bleached, not mercerized, not colored, not combed, and not plied (items 301.01-301.98) is also the "base rate" for yarns of the same number covered by item 302.--. For citation purposes, the two blanks on the end of the latter item number shall be filled with the last 2 digits of the number for the applicable base rate. Thus, "item 302.20" would be the citation for bleached, mercerized, colored, combed, or plied yarns, wholly of cotton, of numbers 20-29.



Cotton yarn is subject to controls under the Multifiber Arrangement (MFA), <sup>1/</sup> which provides the international legal framework within which importing countries can negotiate agreements with exporting countries to limit their shipments of textiles and apparel. Trade in textiles and apparel is monitored according to 3 digit category numbers which denote their fiber content (cotton, wool, or manmade fibers), fabric construction (knit or not knit), and product group (yarn, fabric, apparel, or home furnishings). Imports of cotton yarn are classified in category 300 (carded cotton yarn) and category 301 (combed cotton yarn).

During the period 1977-81, imports of cotton yarn from Brazil were controlled by specific limits <sup>2/</sup>, which were allowed to increase 7 percent annually. <sup>3/</sup> The current bilateral agreement with Brazil--effective from April 1, 1982, through March 31, 1985--initially provided for a designated consultation level (DCL) <sup>4/</sup> of 7,173,913 pounds. However, during the 1982/83 agreement year, the DCL was increased to 7,608,696 pounds. During this agreement year, Brazil's shipments amounted to 99.1 percent of the DCL.

During the 1983/84 agreement year, the DCL was reset at 7,173,913 pounds. Effective February 28, 1984, the agreement was amended and a specific limit of 7,391,304 pounds was established for the 1983/84 agreement year. As of March 30, 1984, this quota was 98.4 percent filled.

At the request of the Brazilian Government, the quota for 1983/84 was increased to 7,834,782 pounds through the carryforward provision of the agreement, which permits borrowing up to 6 percent from the succeeding year's quota. Furthermore, on March 20, 1984, Brazil requested the quota be increased an additional 10 percent to 8,618,260 pounds under the swing provision of the agreement. This allows for increasing a specific limit for a given category by not more than 10 percent as long as doing so will not cause imports to exceed an aggregate group limit. For this purpose, cotton yarn and cotton fabric are combined in Group I. Commerce has not yet granted this request.

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<sup>1/</sup> Sanctioned under the GATT and formally known as the Arrangement Regarding International Trade in Textiles, the MFA was implemented in Jan. 1974 for 4 years, was extended twice, and now runs through July 1986.

<sup>2/</sup> A specific limit is a limit set on the amount of imports which may enter the United States in a specific category in a designated 12-month period. This limit is subject to change according to the flexibility provisions in the bilateral agreement.

<sup>3/</sup> Prior to the 1978/79 agreement year, imports of cotton yarn were monitored according to Group I which included category 1 (cotton yarn, carded singles), category 2 (cotton yarn, carded plied), category 3 (cotton yarn, combed singles), and category 4 (cotton yarn, combed plied) and category 64 (other cotton textile items (cotton blend yarn)). Imports of cotton blend yarns in category 64 were not subject to limitation; however, such imports were nil.

<sup>4/</sup> A DCL is a more flexible import control than specific quotas. DCL's are usually somewhat above existing levels of trade. Once reached they cannot be exceeded unless the United States agrees to further shipments. They normally apply to categories in which trade is not as great as in those for which specific quotas are set and are determined annually through the consultation procedure with each bilateral country with which they exist.

The limit for 1984/85 is 7,465,218 pounds. This amount includes the 7 percent annual increase provided for in the agreement less the 6 percent carryforward borrowed in 1983/84. Because the agreement expires at the end of the 1984/85 year, carryforward is not available; however, if allowable, the swing provision may be used.

The following tabulation shows the specific limit or consultation level for category 300/301 annually, beginning April 1, for 1977-84, as well as the level of imports from Brazil and percent of quota filled.

<u>Year beginning April 1--</u>	<u>Limit</u> ---(pounds)---	<u>Imports</u>	<u>Percent filled</u>
1977-----	9,304,348	2,032,247	21.8
1978-----	9,955,652	384,105	3.9
1979-----	10,652,548	27,391	0.3
1980-----	11,398,226	132,291	1.2
1981-----	12,196,102	4,851,607	39.8
1982-----	7,608,696	7,540,218	99.1
1983-----	7,391,304	1/	-
1984-----	7,465,218	1/	-

1/ Not available.

#### U. S. Producers

The Commission staff has identified 31 producers of cotton sales yarn, with mills located in Alabama, Georgia, North Carolina, South Carolina, and Tennessee. In recent years, sales yarn has accounted for 25 percent of total cotton yarn production. Of the 28 firms which responded to the Commission's questionnaire, 14 produce only 1 type of cotton yarn; the others produce 2 or more types, as shown in table 2.

A spokesman for the yarn spinners stated that it is extremely difficult to shift production from combed to carded yarn or vice versa. The reasons given are (1) that combed and carded yarn are often used by different customers; consequently additional marketing and distribution efforts would have to be made, and (2) to switch from carded to combed yarn would necessitate changing the mill layout, acquiring additional floor space, and purchasing machines known as combers, which cost \$75,000 or more. It was further stated that combed and carded yarn is never made in the same facility and that firms that produce both types of yarn have two or more facilities for such production. As a historical note, prior to the formation of the AYSA in 1967, combed yarn producers and carded yarn producers had separate trade associations.

The producers of cotton sales yarn make up a small share of the total of approximately 380 establishments in the United States which produce cotton yarn. Most of these establishments are a part of large, integrated textile companies such as Burlington, J.P. Stevens, WestPoint Pepperell, and Dan River, which consume their production of cotton yarn internally. These integrated firms virtually never purchase sales yarn and only rarely sell

Table 2.--Cotton sales yarn: U.S. production,  
by firms and by types, 1983

(In thousands of pounds)

Firm	Carded		Combed		Total
	Of 100	Blends	Of 100	Blends	
	percent cotton		percent cotton		
Adelaide Mills-----	***	***	***	***	***
Avondale Mills-----	***	***	***	***	***
Belmont-Heritage-----	***	***	***	***	***
Borden Manufacturing Company----	***	***	***	***	***
Bowling Green Spinning Company--	***	***	***	***	***
Cross Cotton Mills-----	***	***	***	***	***
Dixie Yarns-----	***	***	***	***	***
Eagle Yarn Mills-----	***	***	***	***	***
Edenton Cotton Mills-----	***	***	***	***	***
Elk Yarn Mills-----	***	***	***	***	***
Hadley-Peoples Manufacturing Company-----	***	***	***	***	***
Harriet & Henderson Yarns-----	***	***	***	***	***
Highland Yarn Mills-----	***	***	***	***	***
Paola Yarns-----	***	***	***	***	***
Parkdale Mills-----	***	***	***	***	***
Peck Manufacturing Company-----	***	***	***	***	***
Pickett Cotton Mills-----	***	***	***	***	***
Rocky Mount Mills-----	***	***	***	***	***
Sadie Mills-----	***	***	***	***	***
Spray Cotton Mills-----	***	***	***	***	***
Standard-Coosa-Thatcher-----	***	***	***	***	***
R.L. Stowe Mills-----	***	***	***	***	***
Swift Spinning Mills-----	***	***	***	***	***
TNS Mills-----	***	***	***	***	***
Thomaston Mills-----	***	***	***	***	***
Tultex Yarns-----	***	***	***	***	***
Valdese Manufacturing Company--	***	***	***	***	***
Wehadkee Yarn Mills-----	***	***	***	***	***
Total-----	199,412	78,892	91,848	113,879	484,031

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

excess production. The exception to this is a few firms which have separate sales yarn divisions; data from these establishments are included in this report. Most producers of cotton sales yarn are members of the American Yarn Spinners Association, which submitted the initial countervailing duty petition. None of the integrated mill operations or the American Textile Manufacturers Institute, the trade association which represents most integrated mills, have participated in this investigation.

## U.S. Importers

Importers of cotton yarn from Brazil include large trading firms for which this item constitutes a small portion of their total business, firms which specialize in selling both domestically produced and imported yarn, and mills which import directly for their own use. Over half of the 24 importers identified by the Commission staff are located in New York City; others are concentrated in North Carolina and Florida.

## The U.S. Market

Most sales of cotton yarn are made directly to the consuming mill by the yarn mill. Consuming mills are predominantly knitting mills producing socks, sweaters, underwear, and fabrics for golf shirts and sportswear. Weaving mills which purchase sales yarn make fabrics primarily for bedspreads, upholstery, and draperies. Approximately 15 to 20 percent of sales yarn is purchased by yarn dealers which, in turn, sell to mills.

Much of the imported yarn is sold to consuming mills by agents of the Brazilian mills or by trading firms acting on their behalf. The remainder is sold to yarn dealers. Most imported cotton yarn is carded yarn, which made up between 73 and 89 percent of total cotton yarn imports during 1981-83. Imports from Brazil during that period were over 90 percent carded yarn of 100 percent cotton. In contrast, U.S. production is more evenly divided, with carded yarn accounting for between 57 and 59 percent of total U.S. production. Market competition among the different types of cotton yarn is, to some extent, limited by the end use. At the hearing, representatives for the petitioners stated that terry cloth and velour used for sportswear and beach coverups must be predominantly cotton because of its wicking action. 1/ They additionally stated that because combed yarn is more expensive than carded yarn, one would not use combed yarn when carded yarn would "do the job." 2/ The market is further delineated by yarn size because knitting machines require the specific size yarn which fits the eyes or hooks of their needles. 3/ Additionally, some customers require plied yarn with certain specifications, and some want dyed, bleached or mercerized yarn.

## Condition of the U.S. Industry

U.S. production

The 28 producers of cotton sales yarn which responded to the Commission's questionnaires are believed to account for at least 90 percent of U.S. production of this yarn. Production by these firms increased from 393 million pounds in 1981 to 484 million pounds in 1983 (table 3). Carded yarn of 100 percent cotton accounted for approximately 40 percent of total production

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1/ Wicking is the dispersing of moisture from one area to a larger area. Transcript of the hearing, p. 55-6.

2/ Ibid, p. 57.

3/ Ibid, p. 58-9.

Table 3.--Cotton sales yarn: U.S. production,  
by types, 1981-83

(In thousands of pounds)				
Item	1981	1982	1983	
Carded:				
Of 100 percent cotton-----	161,934	167,205	199,412	
Blends-----	63,642	70,565	78,892	
Combed:				
Of 100 percent cotton-----	75,059	76,159	91,848	
Blends-----	92,191	86,945	113,879	
Total-----	392,826	400,874	484,031	

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

annually. Of carded yarn of 100 percent cotton, in 1983, yarn of counts 29s and coarser amounted to 181 million pounds, or 91 percent, of total production of this type of yarn.

#### U.S. capacity and capacity utilization

Production capacity for cotton sales yarn rose 15 percent from 486 million pounds in 1981 to 560 million pounds in 1983, an increase of 74 million pounds (table 4). Capacity to produce carded blends showed the greatest increase, of 29 million pounds or 33 percent. During the period, production capacity for carded yarn of 100 percent cotton increased 20 million pounds, or by 9 percent.

Table 4.--Cotton sales yarn: U.S. producers'  
capacity, by types, 1981-83

(In thousands of pounds)				
Item	1981	1982	1983	
Carded:				
Of 100 percent cotton-----	208,625	213,821	228,049	
Blends-----	86,969	89,788	115,652	
Combed:				
Of 100 percent cotton-----	87,801	89,785	101,277	
Blends-----	102,826	103,031	115,003	
Total-----	486,221	496,425	559,981	

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--\* \* \*.

Capacity utilization was 76.1 percent in 1981; it then increased to 82.9 percent in 1983 (table 5). Capacity utilization for both types of carded yarn increased in 1982 while that for both types of combed yarn declined. In 1983, capacity utilization for carded blends declined and that for the other types increased.

Table 5.--Cotton sales yarn: U.S. producers' capacity utilization, by types, 1981-83

(In percent)			
Item	1981	1982	1983
Carded:			
Of 100 percent cotton-----	77.6	78.2	87.4
Blends-----	68.8	77.7	66.7
Combed:			
Of 100 percent cotton-----	75.9	75.8	83.5
Blends-----	79.3	76.3	89.5
Total-----	76.1	77.3	82.9

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--\* \* \*.

#### U.S. producers' domestic shipments

The quantity of U.S. producers' domestic shipments of cotton sales yarn steadily increased by 24 percent from 400 to 497 million pounds during 1981-83 (table 6). The value of these shipments rose 18 percent from \$748 to \$880 million over the period. In terms of quantity, combed blends showed the greatest percentage increase, of 26.3 percent. Yarn of 100 percent cotton, both carded and combed, each increased 23.6 percent, and carded blends increased 24.7 percent. During this period, intracompany and intercompany transfers accounted for between 4.8 and 5.7 percent of domestic shipments.

\* \* \*.

The unit value of total shipments declined from \$1.87 per pound in 1981 to \$1.74 per pound in 1982 and increased to \$1.77 in 1983. The unit value for each type of yarn also declined from 1981 to 1982. Unit values for carded yarn of 100 percent cotton and combed blends were the same in 1982 and 1983. Combed yarn of 100 percent cotton showed the only increase in 1983--of 18 cents per pound.

Table 6.--Cotton sales yarn: U.S. producers' domestic shipments, by types, 1981-83

Item	1981	1982	1983
Quantity (1,000 pounds)			
Carded:			
Of 100 percent cotton-----	163,460	167,446	201,971
Blends-----	62,998	72,118	78,583
Combed:			
Of 100 percent cotton-----	79,450	95,997	98,211
Blends-----	93,735	92,163	118,367
Total-----	399,643	427,724	497,132
Value (1,000 dollars)			
Carded:			
Of 100 percent cotton-----	270,144	264,655	319,183
Blends-----	113,839	123,752	134,552
Combed:			
Of 100 percent cotton-----	179,249	181,393	202,984
Blends-----	184,966	173,572	223,085
Total-----	748,198	743,372	879,804
Unit value (per pound)			
Carded:			
Of 100 percent cotton-----	\$1.65	\$1.58	\$1.58
Blends-----	1.81	1.72	1.71
Combed:			
Of 100 percent cotton-----	2.26	1.89	2.07
Blends-----	1.97	1.88	1.88
Average-----	1.87	1.74	1.77

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

#### U.S. exports

Exports of cotton yarn from the United States declined from 14.1 million pounds in 1981 to 12.1 million pounds in 1982 and increased to 12.6 million pounds in 1983 (table 7). The value of U.S. exports of cotton yarn declined from \$34.6 to \$28.4 million during 1981-83. Exports consisted predominately of combed yarn of 100 percent cotton, which accounted for 59 percent of the total in 1981 and 1982 and 73 percent in 1983.

Table 7.--Cotton yarn: U.S. exports,  
by types, 1981-83

Item	1981	1982	1983
Quantity (1,000 pounds)			
Carded:			
Of 100 percent cotton-----	1,697	811	929
Blends-----	2,099	2,508	898
Combed:			
Of 100 percent cotton-----	8,330	7,090	9,218
Blends-----	1,929	1,658	1,546
Total-----	14,055	12,067	12,591
Value (1,000 dollars)			
Carded:			
Of 100 percent cotton-----	3,546	1,768	1,970
Blends-----	3,186	4,234	2,341
Combed:			
Of 100 percent cotton-----	22,873	19,224	19,823
Blends-----	4,996	4,233	4,229
Total-----	34,601	29,459	28,363

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

Canada is the leading export market for U.S. cotton yarn; its share of the total was 48 percent in 1981, 47 percent in 1982, and 75 percent in 1983. Other leading export markets for U.S. cotton yarn were Australia, the United Kingdom, New Zealand, Hong Kong, and Venezuela.

#### U.S. producers' inventories

U.S. producers' inventories of cotton sales yarn declined from 18 million pounds in 1981 to 16 million pounds in 1983 (table 8). Except for carded blends, inventories for each type of yarn were lower in 1983 than in 1981. During 1981-83, the ratio of inventories to domestic shipments for producers of cotton sales yarn declined from 4.5 to 3.3 percent.



Table 8.--Cotton sales yarn: U.S. producers' inventories,  
by types, 1981-83

(In thousands of pounds)

Item	1981	1982	1983
Carded:			
Of 100 percent cotton-----	5,530	5,729	5,361
Blends-----	1,820	1,726	2,584
Combed:			
Of 100 percent cotton-----	6,471	6,286	4,343
Blends-----	4,226	3,875	3,960
Total-----	18,047	17,616	16,248

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

#### U.S. employment and wages

Data on employment and wages for workers producing cotton sales yarn in the United States are presented in table 9. The number of such workers declined from 1981 to 1982 but rose in 1983 to 1.3 percent above the 1981 level. Hours worked also declined from 1981 to 1982 and rose in 1983 to 7.5 percent above the 1981 level. Wages and total compensation paid to these workers likewise declined in 1982 and rose in 1983.

Hourly wages for workers in this industry averaged \$5.73 in 1981, \$6.06 in 1982, and \$6.28 in 1983. Employees of four of the firms were represented by the Amalgamated Clothing and Textiles Workers Union; those of the other 24 firms were not unionized.

Table 9.--Cotton sales yarn: Production and related workers employed in U.S. establishments producing cotton sales yarn, hours worked by such workers, and wages and total compensation paid to these workers, by types, 1981-83

Item	1981	1982	1983
<b>Production and related workers producing--</b>			
<b>Carded yarn:</b>			
Of 100 percent cotton-----	4,891	5,005	5,298
Blends-----	1,899	1,593	1,685
<b>Combed yarn:</b>			
Of 100 percent cotton-----	2,614	2,489	2,590
Blends-----	2,478	2,177	2,465
<b>Total-----</b>	<b>11,882</b>	<b>11,264</b>	<b>12,038</b>
<b>Hours worked by workers producing--</b>			
<b>Carded yarn:</b>			
Of 100 percent cotton-----1,000 hours	9,078	8,870	10,168
Blends-----do	3,845	3,036	3,607
<b>Combed yarn:</b>			
Of 100 percent cotton-----do	4,676	4,719	5,230
Blends-----do	5,045	4,613	5,341
<b>Total-----do</b>	<b>22,644</b>	<b>21,238</b>	<b>24,346</b>
<b>Wages paid to workers producing--</b>			
<b>Carded yarn:</b>			
Of 100 percent cotton---1,000 dollars	52,389	54,776	65,294
Blends-----do	21,255	18,925	22,225
<b>Combed yarn:</b>			
Of 100 percent cotton-----do	26,906	28,119	32,283
Blends-----do	29,097	26,806	33,205
<b>Total-----do</b>	<b>129,647</b>	<b>128,626</b>	<b>153,007</b>
<b>Total compensation paid to workers producing--</b>			
<b>Carded yarn:</b>			
Of 100 percent cotton---1,000 dollars	58,456	60,984	72,041
Blends-----do	25,560	23,319	27,101
<b>Combed yarn:</b>			
Of 100 percent cotton-----do	30,066	31,640	36,365
Blends-----do	33,700	31,809	39,326
<b>Total-----do</b>	<b>147,782</b>	<b>147,752</b>	<b>174,833</b>

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--\* \* \*

Financial experience of U.S. producers

The Commission requested income-and-loss data from U.S. producers on their operations producing cotton yarn: (1) carded, of 100 percent cotton, (2) carded blends, (3) combed, of 100 percent cotton, and (4) combed blends. Usable income-and-loss data, on an establishment basis, were received from 27 U.S. producers, which accounted for over 98 percent of total production in 1983. Ten of the 12 responding firms which produced more than one type of cotton yarn were either unable to breakout income-and-loss data by type of yarn or seemed to have allocation problems in their separate breakout data by type. However, the bulk of production of these firms was either carded or combed cotton yarn of both 100 percent cotton and blends. Firms producing carded and combed yarn were able to provide data on these two general types of yarn. Hence income-and-loss data for U.S. producers' operations on total carded cotton yarn and total combed cotton yarn are available and are presented in tables 10 and 11, respectively. Income-and-loss data are reported separately in these tables for those firms which produced only 100 percent cotton yarn or were able to provide usable breakout data for 100 percent cotton and for blends.

Carded cotton yarn.--Income-and-loss data for 19 U.S. producers for their operations producing carded cotton yarn are presented in table 10. These firms accounted for 88 percent of the reported production of such yarn in 1983. Of the 19 firms, 12 provided usable data for carded 100 percent cotton yarn. These firms accounted for 60 percent of the reported production of such yarn in 1983. Of these 12 firms, 10 produced only carded 100 percent cotton yarn in their establishments. Total net sales of carded cotton yarn increased by 19 percent from \$338.4 million in 1981 to \$402.6 million in 1983. The majority of the increase in net sales occurred from 1982 to 1983. Net sales of carded 100 percent cotton yarn of the 12 firms increased by 12 percent from \$173.4 million in 1981 to \$194.3 million in 1983 after having declined to \$168.1 million in 1982.

Aggregate operating income on carded cotton yarn operations increased by 13 percent from \$19.8 million, or 5.9 percent of net sales, in 1981, to \$22.5 million, or 6.4 percent of net sales, in 1982. In 1983, despite increasing sales, operating income declined by 11 percent from the level of 1982 to \$20.1 million, equivalent to 5.0 percent of net sales due to the increase in general selling and administrative expenses of \$7 million. The gross profit margins and pretax net income margins followed a trend similar to that of operating income margins.

The 12 firms' aggregate operating income on their operations of carded 100 percent cotton yarn increased by 21 percent from \$8.9 million in 1981 to \$10.8 million in 1982. During the same period, operating income margins increased from 5.1 percent, which was lower than the aggregate margins of the other seven firms which provided data for 100 percent cotton and blended yarn together on their total carded cotton yarn operations (6.6 percent), to 6.4 percent, the same as the margins for total carded cotton yarn. In 1983, operating income of the 12 firms on their carded 100 percent cotton yarn dropped much faster than total carded cotton yarn, by 58 percent from the level of 1982 and by 49 percent from the level of 1981 to \$4.6 million. The

Table 10.--Income-and-loss experience of 19 U.S. producers on their operations producing carded cotton yarn, by types, accounting years 1981-83

Item	1,000 dollars										Ratio to net sales--			
	Net sales	Cost of goods sold	Gross profit	General, selling, and administrative expenses	Operating income	Interest expense	Other income or (expense)	Net income before taxes	Cash flow from operations 1/	Gross profit	Operating income	Pre-tax net income	Cost of goods sold	General, selling, and administrative expenses
1981:														
Of 100 percent cotton 2/	173,363	153,911	19,452	10,554	8,898	1,959	781	7,720	13,235	11.2	5.1	4.5	88.8	6.1
Both 100 percent cotton & blends 3/	165,042	142,855	22,187	11,242	10,945	1,301	(534)	9,110	14,186	13.4	6.6	5.5	86.5	6.8
Total or average	338,405	296,766	41,639	21,796	19,843	3,260	247	16,830	27,421	12.3	5.9	5.0	87.7	6.4
1982:														
Of 100 percent cotton 2/	168,072	146,242	21,830	11,057	10,773	2,107	1,211	9,877	16,289	13.0	6.4	5.9	87.0	6.6
Both 100 percent cotton & blends 3/	182,150	156,910	25,240	13,513	11,727	1,185	(249)	10,893	16,043	13.9	6.4	5.7	86.1	7.4
Total or average	350,222	303,152	47,070	24,570	22,500	3,292	962	20,170	32,332	13.4	6.4	5.8	86.6	7.0
1983:														
Of 100 percent cotton 2/	194,339	176,071	18,268	13,699	4,569	2,069	1,362	3,862	11,370	9.4	2.4	2.0	90.6	7.0
Both 100 percent cotton & blends 3/	208,310	177,852	30,458	14,963	15,495	1,145	(142)	14,336	20,733	14.6	7.4	6.9	85.4	7.2
Total or average	402,649	353,923	48,726	28,662	20,064	3,214	1,848	18,198	32,103	12.1	5.0	4.5	87.9	7.1

1/ Cash flow from operations is defined as net income or (loss) before income taxes plus depreciation and amortization expense.

2/ Twelve firms provided usable data for carded 100 percent cotton yarn. Ten of these 12 firms produced only carded 100 percent cotton yarn in their establishments.

3/ Seven firms provided usable data for combined production of carded yarn of both 100 percent cotton and blends.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

ratio of operating income to net sales fell to its lowest level of 2.4 percent, compared with the other seven firms' such ratio of 7.4 percent on total carded cotton yarn in 1983. The ratio of gross profit and pretax income to net sales closely tracked the ratio of operating income to net sales.

Cash flow generated from operations producing carded cotton yarn increased from \$27.4 million in 1981 to \$32.3 million in 1982 and then slightly declined to \$32.1 million in 1983. The cash flow of 12 firms from their carded 100 percent cotton yarn operations increased from \$13.2 million in 1981 to \$16.3 million in 1982 and then dropped to \$11.4 million in 1983. Of the 19 firms, 5 in 1983 and 4 in 1981 reported operating losses compared with 1 firm in 1982. Of the 12 firms, 3 sustained operating losses on their carded 100 percent cotton yarn in 1983, compared with 2 firms in 1981 and 1 firm in 1982.

Combed cotton yarn.--Of the 27 reporting firms, 12 produce combed cotton yarn (table 11). The 12 firms accounted for 97 percent of reported production of this product in 1983. Total net sales of combed cotton yarn increased by 10 percent from \$407.2 million in 1981 to \$446.8 million in 1983, after declining to \$373.1 million in 1982. Aggregate net sales of combed 100 percent cotton yarn for those firms producing only combed 100 percent cotton yarn increased each year from \$61.9 million in 1981 to \$78.8 million in 1983, or by 27 percent.

Aggregate operating income on total combed cotton yarn operations increased by 20 percent from \$33.4 million in 1981 to \$40.0 million in 1983. However, the ratio of operating income to net sales increased from 8.2 percent in 1981 to 9.4 percent in 1982, but then declined to 9.0 percent in 1983, despite increasing sales. The gross profit margins and pre-tax net income margins followed a trend similar to operating income margins. Cash flow from total combed cotton yarn operations increased from \$45.6 million in 1981 to \$55.8 million in 1983.

Operations of cotton yarn producers.--The 27 firms which provided usable data on their cotton sales yarn operations accounted for 98 percent of reported production of all cotton sales yarn in 1983. Carded yarn sales accounted for an average of 47 percent and combed yarn sales accounted for an average of 53 percent of total cotton yarn sales during 1981-83. As shown in table 12, total net sales of cotton yarn declined by 3 percent from \$745.6 million in 1981 to \$723.4 million in 1982 and then increased to \$849.5 million in 1983, an increase of 14 percent from the level in 1981.

Aggregate operating income on cotton yarn operations increased by 13 percent from \$53.2 million in 1981 to \$60.1 million in 1983. However, operating income margins increased from 7.1 percent in 1981 to 8.0 percent in 1982, but then declined back to 7.1 percent in 1983, despite increasing sales. Pre-tax income margins followed a trend similar to that of operating income margins. Cash flow from operations increased to \$87.9 million in 1983 from \$73.1 million in 1981. Six firms reported operating losses in 1983, compared with three firms in 1981 and two firms in 1982.

Overall establishment operations.--The income-and-loss data for U.S. producers' establishments in which cotton yarn is produced are shown in table 13. Cotton yarn sales annually accounted for over 77 percent of

Table 11.--Income-and-loss experience of 12 U.S. producers on their operations producing combed cotton yarn, by types, accounting years 1981-83

Item	Net sales	Cost of goods sold	Gross profit	General selling and administrative expenses	Operating income	Interest expense	Other income or (expense)	Net income before taxes	Cash flow operations <sup>1/</sup>	Ratio to net sales--				
										Gross profit	Operating income	Pre-tax net income	Cost of goods sold	
1,000 dollars														
1981:														
Of 100 percent cotton 2/	61,886	56,322	5,564	2,961	2,603	128	921	3,396	6,202	9.0	4.2	5.5	91.0	4.8
Both 100 percent cotton & blends 3/	345,275	301,401	43,874	13,110	30,764	3,676	1,101	28,189	39,430	12.7	8.9	8.2	87.3	3.8
Total or average	407,161	357,723	49,438	16,071	33,367	3,804	2,022	31,585	45,632	12.1	8.2	7.8	87.9	3.9
1982:														
Of 100 percent cotton 2/	64,467	57,373	7,094	3,154	3,940	612	970	4,298	7,906	11.0	6.1	6.7	89.0	4.9
Both 100 percent cotton & blends 3/	308,672	263,627	45,045	13,836	31,209	2,461	452	28,200	41,311	14.6	10.1	9.5	85.4	4.5
Total or average	373,139	321,000	52,139	16,990	35,149	3,073	1,422	33,498	49,217	14.0	9.4	9.0	86.0	4.6
1983:														
Of 100 percent cotton 2/	78,776	72,833	5,943	3,853	2,090	555	1,374	2,909	8,169	7.5	2.7	3.7	92.5	4.9
Both 100 percent cotton & blends 3/	368,030	315,004	53,026	15,082	37,944	3,138	355	35,161	47,584	14.4	10.3	9.6	85.6	4.1
Total or average	446,806	387,837	58,969	18,935	40,034	3,693	1,729	38,070	55,753	13.2	9.0	8.5	86.8	4.2

<sup>1/</sup> Cash flow from operations is defined as net income or (loss) before income taxes plus depreciation and amortization expense.

<sup>2/</sup> Five firms provided usable data for combed 100 percent cotton yarn. Three of these firms produced only combed 100 percent cotton yarn in their establishments.

<sup>3/</sup> Seven firms provided usable data for combined production of combed yarn of both 100 percent cotton and blends.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 12.--Income and loss experience of 27 U.S. producers on their operations producing cotton yarn, accounting years 1981-83

Item	1981	1982	1983
Net sales-----1,000 dollars--:	745,566	723,361	849,455
Cost of goods sold-----do-----:	654,489	624,152	741,760
Gross profit-----do-----:	91,077	99,209	107,695
General, selling, and administra-			
tive expenses-----1,000 dollars--:	37,867	41,560	47,597
Operating income-----do-----:	53,210	57,649	60,098
Interest expense-----do-----:	7,064	6,365	6,907
Other income-----do-----:	2,269	2,384	3,077
Net income before income taxes			
1,000 dollars--:	48,415	53,668	56,268
Depreciation and amortization			
included above-----1,000 dollars--:	24,638	27,881	31,588
Cash flow from operations-----do-----:	73,053	81,549	87,856
Ratio to net sales:			
Gross profit-----percent--:	12.2	13.7	12.7
Operating income-----percent--:	7.1	8.0	7.1
Net income before income taxes			
percent--:	6.5	7.4	6.6
Cost of goods sold-----do-----:	87.8	86.3	87.3
General, selling, and administra-			
tive expenses-----percent--:	5.1	5.7	5.6
Number of firms reporting operating			
losses-----do-----:	3	2	6
Number of firms reporting net			
losses-----do-----:	3	2	7
Ratio of total cotton yarn sales:			
Carded-----percent--:	45.4	48.4	47.4
Combed-----do-----:	54.6	51.6	52.6

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

establishment sales during 1981-83. The trend for overall establishment net sales is similar to that for cotton yarn operations during 1981-83. Operating income margins and pre-tax income margins on overall establishment operations showed a declining trend in 1983 compared with such margins in 1981, while for cotton yarn operations, such margins remained almost the same during the period.

Table 13.--Income-and-loss experience of 27 U.S. producers on the overall operations of their establishments within which cotton yarn is produced, accounting years 1981-83

Item	1981	1982	1983
Net sales-----1,000 dollars--:	957,576	908,903	1,023,554
Cost of goods sold-----do-----:	840,398	786,792	899,088
Gross profit-----do-----:	117,178	122,111	124,466
General, selling, and administra-			
tive expenses-----1,000 dollars--:	53,034	55,785	59,480
Operating income-----do-----:	64,144	66,326	64,986
Interest expense-----do-----:	8,749	8,477	8,711
Other income-----do-----:	4,424	5,807	5,949
Net income before income taxes			
1,000 dollars--:	59,819	63,656	62,224
Depreciation and amortization			
included above-----1,000 dollars--:	31,389	35,372	39,530
Cash flow from operations-----do-----:	91,208	99,028	101,754
Ratio to net sales:			
Gross profit-----percent--:	12.2	13.4	12.2
Operating income-----percent--:	6.7	7.3	6.3
Net income before income taxes			
percent--:	6.2	7.0	6.1
Cost of goods sold-----do-----:	87.8	86.6	87.8
General, selling, and administra-			
tive expenses-----percent--:	5.5	6.1	5.8
Number of firms reporting operating			
losses-----:	2	1	4
Number of firms reporting net			
losses-----:	2	2	5
Ratio of cotton yarn sales to total			
establishment sales-----percent--:	77.9	79.6	83.0

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.



Capital expenditures and research and development.--Twenty-seven firms furnished data relative to their capital expenditures for land and land improvements, buildings, and machinery and equipment used in the manufacture of all products of the reporting establishments and such expenditures related to the manufacture of cotton sales yarn, by types. Of the 27 firms, 11 incurred research and development expenses. U.S. producers' capital expenditures and research and development expenses (in thousands of dollars) are presented in the following tabulation:

Item and year	: Carded : cotton yarn	: Combed : cotton yarn:	: Total cotton : yarn	: All products of : establishment
Capital expenditures:	:	:	:	:
1981-----:	16,161	18,345	34,506	67,018
1982-----:	17,161	20,905	38,066	71,626
1983-----:	22,082	19,136	41,218	70,861
Research and devel- opment expenses :	:	:	:	:
1981-----:	322	309	631	1/
1982-----:	490	331	821	1/
1983-----:	660	781	1,441	1/

1/ Not available.

Impact of imports on U.S. producers' growth, investment, and ability to raise capital.--The Commission requested information on the negative effects of imports of cotton yarn from Brazil on producers' growth, investment, and ability to raise capital. The responding firms generally asserted that imports created an oversupply of cotton yarn and suppressed the market selling price, causing a decline in their existing market share and taking away the growth potential from the market. Imported prices are 15 to 20 percent below domestic prices and, because of Brazilian export credits, allegedly below the Brazilian cost of production, thus creating extreme pressure on U.S. prices. Domestic producers cannot meet the imported prices without severely reducing their profitability or suffering losses. Reduced profitability does not allow U.S. producers to meet their debts. Some producers mentioned that to stay in business they have to spend substantial amounts primarily to meet OSHA standards for cotton dust problems. They contend that these are non-productive capital expenditures, which increased their cost of production, making them less competitive and drastically limiting their ability to replace other machinery and equipment for modernization to remain competitive. Some of the producers asserted that being small manufacturers, they can raise capital from internally generated sources, through banks, or sometimes by giving personal guarantees, but have no real access to capital markets. Lost sales to imports make it difficult to maintain adequate production levels which results in reduced profitability and unsatisfactory return on investment. Inturn, this situation creates negative attitudes toward additional investment and affects the ability to raise capital. The strengthening of the U.S. dollar made imports more attractive while reducing exports.

**Consideration of Material Injury or the Threat of Material Injury to an  
Industry in the United States Should the Countervailing  
Duty Order be Revoked**

**The Brazilian industry**

**Production.**--As the world's sixth largest producer of cotton, Brazil has an abundance of raw material to produce cotton yarn. Brazil's production of cotton for crop years beginning August 1, 1980, through the current year, in millions of pounds, are shown in the following tabulation:

<u>Crop year</u>	<u>Production</u>
1980/81-----	1,371
1981/82-----	1,500
1982/83-----	1,426
1983/84-----	<u>1/</u> 1,268

1/ Estimated by the International Cotton Advisory Committee.

Approximately 200 firms comprise Brazil's cotton yarn industry. 1/ Of these firms, about 30 produce sales yarn. 2/ Production of cotton yarn in Brazil, as reported by the International Cotton Advisory Committee, for 1976-1982, in millions of pounds, was as follows:

<u>Year</u>	<u>Production</u>
1976-----	836
1977-----	858
1978-----	1,012
1979-----	1,100
1980-----	1,122
1981-----	1,112
1982-----	1,134

Though official data are not available, it is believed that carded yarn accounts for the bulk of production, as most Brazilian cotton is too short to produce combed yarns. The posthearing brief on behalf of the AYSA stated that only 3 percent of Brazilian cotton production is of the lengths from which combed yarn is produced.

**Brazilian exporters.**--Brazil's leading exporter of cotton yarn is Fracão e Tecelagem Kanebo do Brasil S.A., whose parent company is the Japanese firm Kanebo. 3/ This firm produces nearly 30 million pounds of cotton yarn annually; 80 percent of production is carded yarn. Kanebo exports approximately 22 million pounds of yarn annually. Its leading markets are the United States and Canada. The company's exports are handled by its offices in New York and London and by independent trading firms.

1/ Brazil Trade and Industry, "Quality and Quantity in Cotton Yarns", August 1983, p. 10.

2/ Telegram from American Consul, Sao Paulo, March 28, 1984.

3/ "Quality and Quantity . . .," p. 10.

The Companhia Brasileira de Fiação (CBF) annually produces approximately 5 million pounds of combed 100% cotton yarn; exports account for 60 percent of total production. 1/ Though initially the United States was the prime market for its exports, since the 1970's eastern European nations have become important markets and now take 60 percent of CBF's exports.

Cotonifco Guilherme Giorgi concentrates its production in carded yarn for knitting and blended yarn for weaving. Though the European Community (EC) is currently its leading market, it has expressed interest in expanding its exports to Scandinavian countries and the United States. 2/

União Industrial Têxtil S.A. exports 30s carded cotton yarn primarily to European countries. Its exports tripled from the 1981 level to 383,000 pounds in 1982, and, in the first 5 months of 1983, were nearly equal to those during all of the previous year. 3/

Textile União Franco Brasileira S.A., which began cotton yarn production in May 1982, exported 308,000 pounds, primarily to the EC, during the remainder of that year. By the end of 1983, the company anticipated expanding its worldwide exports 12-fold. 4/

Exports of cotton yarn from Brazil.---Exports of cotton yarn from Brazil, as reported by the Foreign Trade Department of the Banco do Brasil, to the United States and to other leading markets, in thousands of pounds, are shown in the following tabulation:

Market	1980	1981	1982	1983 <u>1/</u>
United States-----	55	4,312	8,059	9,671
West Germany-----	22,284	27,944	23,870	21,102
Hungary-----	3,714	10,498	10,479	11,779
Hong Kong-----	2,321	21,377	8,936	8,886
Japan-----	2,968	8,985	7,982	8,107
All other-----	76,077	84,147	63,489	88,249
Total-----	107,419	157,263	122,815	147,794

1/ Data for 1983 are through November.

Total exports in 1983 were 38 percent greater than in 1980. In 1980, exports to the United States were 0.05 percent of the total; in 1983, this share was 6.5 percent of the total. None of the other major markets showed such an increase. Exports to West Germany, the largest market throughout the period, declined from 1981 to 1983. The Association of the Spinning and Weaving Industry of the State of Sao Paulo reported to the American Consul in Sao Paulo that the reason for the rise in exports to the U.S. market was "that

1/ Ibid., p. 12.

2/ Ibid.

3/ Ibid., p. 13.

4/ Ibid.

Brazilian yarn has become much more price competitive in the American market during the past 3 years." 1/

### U.S. imports

U.S. imports of cotton yarn increased steadily from 20 million pounds, valued at \$29 million, in 1981 to 36 million pounds, valued at \$47 million, in 1983 (table 14). Imports from Brazil increased sharply from 2.6 million pounds in 1981 to 7.7 million pounds in 1982 and increased to 9.0 million pounds in 1983. The value of cotton yarn imports from Brazil rose from \$3.3 million in 1981 to \$10.1 million in 1983. Brazil's share of cotton yarn imports was 13.0 percent in 1981, 32.1 percent in 1982, and 25.0 percent in 1983.

Imports of cotton yarn, from Brazil and from all sources, are primarily carded yarn of 100 percent cotton. This type of cotton yarn accounted for 89 percent of total imports in 1981, 81 percent in 1982, and 73 percent in 1983. Imports of carded yarn of 100 percent cotton from Brazil, as a share of total cotton yarn imports from Brazil, were 97 percent in 1981, 95 percent in 1982, and 92 percent in 1983. The decline in these ratios of imports from Brazil is the result of increased imports of blends (primarily combed blends), which rose from 23,000 pounds in 1981 to 676,000 pounds in 1983.

During 1981-83, the average unit value of imports of cotton yarn from Brazil declined from \$1.27 per pound to \$1.13 per pound, or by 11 percent; the average unit value for imports from all other sources declined from \$1.45 to \$1.37 per pound, or by 6 percent. The quantity and average unit values for imports of carded yarn of 100 percent cotton from Brazil and from the three other principal sources for 1981-83 are presented in the following tabulation:

Source	1981	1982	1983
Quantity (1,000 pounds)			
Brazil	2,537	7,277	8,252
Egypt	8,677	1,475	7,278
El Salvador	831	880	2,163
Peru	2,691	4,499	1,757
Unit value (per pound)			
Brazil	\$1.24	\$1.19	\$1.11
Egypt	1.22	1.28	1.17
El Salvador	1.53	1.25	0.98
Peru	1.43	1.29	0.84

1/ Telegram from American Consul, Sao Paulo.

Table 14.--Cotton yarn: U.S. imports for consumption, by types, 1981-83

Item/ source	1981	1982	1983	1981	1982	1983
	Quantity (1,000 pounds)			Value (1,000 dollars)		
Carded:						
100% cotton:						
Brazil-----	2,537	7,277	8,252	3,156	8,649	9,142
All other--	15,439	12,253	17,797	20,271	15,245	20,646
Total-----	17,976	19,530	26,049	23,426	23,894	29,788
Blends:						
Brazil-----	22	161	159	29	206	204
All other--	390	328	1,187	506	903	1,886
Total-----	412	489	1,346	534	1,109	2,090
Combed:						
100% cotton:						
Brazil-----	68	73	48	149	134	101
All other--	1,672	3,529	5,217	4,389	7,019	10,231
Total-----	1,740	3,602	5,265	4,538	7,153	10,332
Blends:						
Brazil-----	1	180	517	2	246	666
All other--	157	177	2,714	451	388	4,097
Total-----	158	357	3,231	453	634	4,763
Total:						
Brazil-----	2,629	7,691	8,976	3,337	9,236	10,112
All other--	17,658	16,288	26,915	25,616	23,555	36,861
Total-----	20,287	23,979	35,891	28,953	32,791	46,973
	Unit value (per pound)			Percent of total quantity		
Carded:						
100% cotton:						
Brazil-----	\$1.24	\$1.19	\$1.11	14.1	37.3	31.7
All other--	1.31	1.24	1.16	85.9	62.7	68.3
Average--	1.30	1.22	1.14	100.0	100.0	100.0
Blends:						
Brazil-----	1.30	1.28	1.28	5.4	32.9	11.8
All other--	1.30	2.75	1.59	94.6	67.1	88.2
Average--	1.30	2.27	1.55	100.0	100.0	100.0
Combed:						
100% cotton:						
Brazil-----	2.20	1.84	2.11	3.9	2.0	0.9
All other--	2.62	1.99	1.96	96.1	98.0	99.1
Average--	2.61	1.99	1.96	100.0	100.0	100.0
Blends:						
Brazil-----	1.86	1.36	1.29	0.8	50.4	16.0
All other--	2.87	2.19	1.51	99.2	49.6	84.0
Average--	2.86	1.77	1.47	100.0	100.0	100.0
Total:						
Brazil-----	1.27	1.20	1.13	13.0	32.1	25.0
All other--	1.45	1.45	1.37	87.0	67.9	75.0
Average--	1.43	1.37	1.31	100.0	100.0	100.0

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

For each country in each year, the level of imports rose or fell inversely to the change in unit value. The one exception is in imports from Peru in 1983. In that year, both the quantity of imports and their average unit value declined. This is attributed to the effect of an outstanding countervailing duty order on cotton yarn from Peru. 1/

Imports of cotton yarn, by type, from Brazil and from all sources, during 1976-83 are presented in table 15. Counsel for the U.S. industry attributed the decline in imports from Brazil during 1976-80 to the effectiveness of the countervailing duty order. Counsel attributed the subsequent rise in these imports since 1981 to what it alleges to be Brazil's failure to fully comply with agreements to offset and phase out countervailable subsidies. Counsel for the Brazilians attributes the decline in Brazil's exports of cotton yarn to the United States to rapidly increasing personal income in Brazil during the late 1970's. This, in turn, counsel stated, led to strong demand for apparel and higher internal prices for cotton yarn than Brazil's producers could get in the U.S. market. 2/

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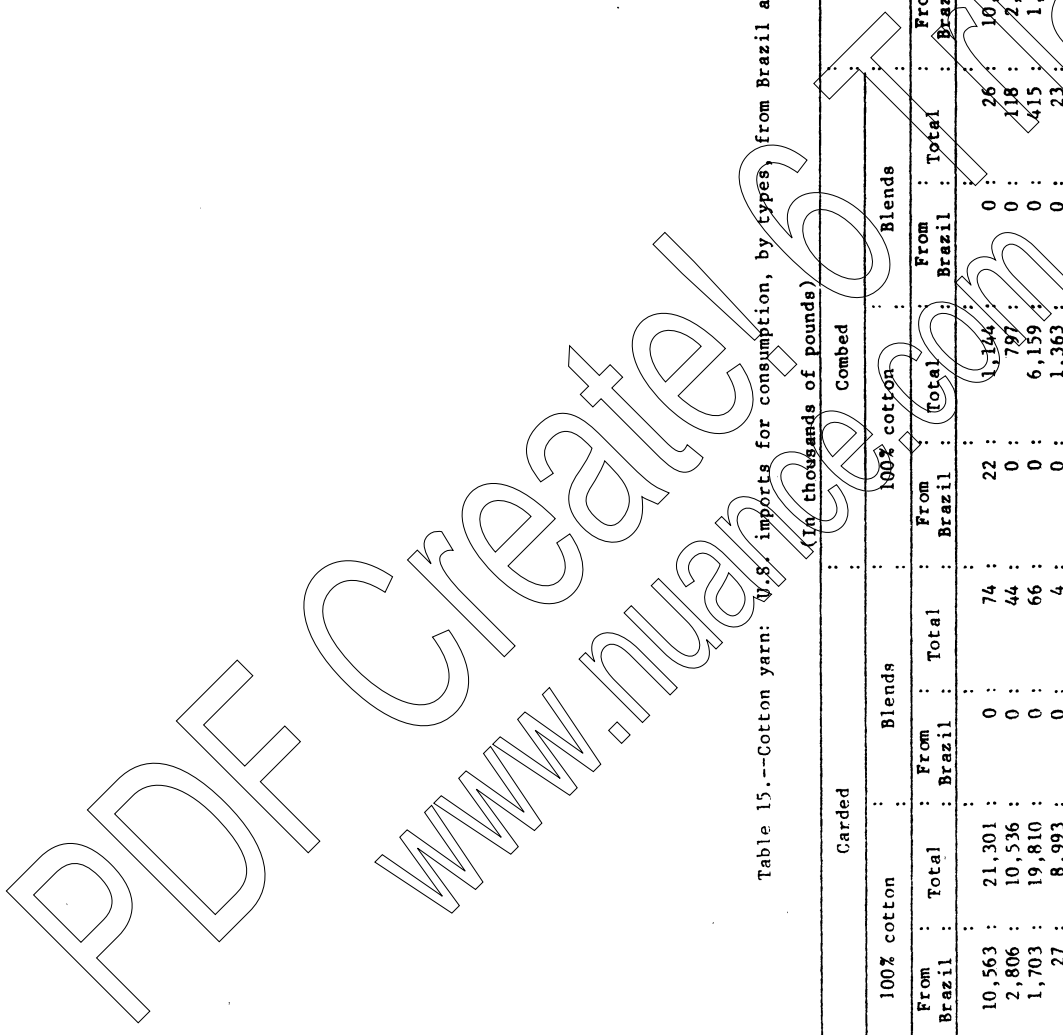
1/ This order is the result of a petition to the Department of Commerce by the American Yarn Spinners Association on June 15, 1982, alleging that manufacturers, producers, or exporters of cotton yarn in Peru receive benefits which constitute subsidies within the meaning of the countervailing duty law. On February 1, 1983, Commerce issued its final affirmative countervailing duty determination and determined the estimated net bounty or grant to be 37.956 percent. Because Peru is not a "country under the Agreement" within the meaning of section 701(b) of the Tariff Act of 1930, the domestic industry is not required to allege that, and the ITC is not required to determine whether, imports of this product cause or threaten injury to the U.S. industry in question. On April 6, 1984, Commerce published notice of the preliminary results of its first annual review of this order. This review covers calendar year 1982. As a result of the review, Commerce preliminarily determined the amount of the bounty or grant to be 34.99 percent. The notice further stated that the Government of Peru had eliminated certain of the countervailable subsidies beginning in September 1983 and that Commerce intended to instruct the U.S. Customs Service to collect a cash deposit of 11.09 percent of the entered value on all shipments of cotton yarn from Peru entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final results of this review.

2/ Transcript of the Commission's hearing, p. 145-6.

Table 15.--Cotton yarn: U.S. imports for consumption, by types, from Brazil and total, 1976-83  
(In thousands of pounds)

	Carded						Combed						Total
	100% cotton		Blends		100% cotton		Blends		100% cotton		Blends		
	From Brazil	Total	From Brazil	Total	From Brazil	Total	From Brazil	Total	From Brazil	Total	From Brazil	Total	
1976	10,563	21,301	0	74	22	1,144	26	10,585	22,545	2,806	11,495	26,450	
1977	2,806	10,536	0	44	0	797	118	2,806	11,495	1,703	10,383	16,284	
1978	1,703	19,810	0	66	0	6,159	415	1,703	20,287	7,691	35,231	35,891	
1979	27	8,993	0	4	0	1,363	23	27	16,284	0	0	0	
1980	0	15,116	0	344	0	751	73	0	16,284	0	0	0	
1981	2,537	17,976	22	412	68	1,740	158	2,628	20,287	180	357	23,979	
1982	7,277	19,530	161	489	73	3,602	357	7,691	23,979	517	3,231	35,891	
1983	8,252	26,049	159	1,346	48	5,265	48	8,976	35,891				

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



Apparent U.S. consumption

U.S. consumption of cotton sales yarn increased from 420 million pounds in 1981 to 452 million pounds in 1982 and to 533 million pounds in 1983 (table 16). In contrast to the increasing trend of consumption for all types of cotton sales yarn, consumption of combed cotton blend yarn declined from 94 million pounds in 1981 to 93 million pounds in 1982 but rose to 122 million pounds in 1983. Consumption of carded yarn of 100 percent cotton was 43 percent of the total in 1981 and 1983 and was 41 percent of the total in 1982.

Table 16.--Cotton sales yarn: U.S. consumption,  
by types, 1981-83

(In thousands of pounds)

Item	1981	1982	1983
Carded:			
Of 100 percent cotton-----	179,739	186,165	227,091
Blends-----	61,311	70,099	79,031
Combed:			
Of 100 percent cotton-----	72,860	92,509	94,258
Blends-----	91,964	90,862	120,052
Total-----	405,875	439,635	520,432

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and official statistics of the U.S. Department of Commerce.

Market penetration by imports

The ratio of import penetration of cotton yarn from all sources to U.S. consumption of cotton sales yarn varied erratically between 1976 and 1979; beginning in 1979, the level of import penetration of cotton yarn increased steadily from 1.7 percent of U.S. consumption to 5.7 percent in 1983 (table 17). After the imposition of the countervailing duty order in 1976, imports of cotton yarn from Brazil declined from 1.6 percent of consumption of sales yarn in 1976 to zero in 1980. Since that year, imports of cotton yarn from Brazil increased to 1.4 percent of U.S. consumption of sales yarn in 1982 and 1983.

Imports from Brazil as a share of total U.S. cotton yarn consumption,  
including captive consumption

Total U.S. consumption of cotton yarn, including sales yarn and captive consumption, imports from Brazil, and the share of this consumption accounted for by imports from Brazil, for 1981-83, are shown in the following tabulation:



Table 17.--Cotton sales yarn: U.S. consumption and share of consumption accounted for by imports from Brazil and by imports from all sources, by types, 1976-83

(Consumption in thousands of pounds; import penetration in percent)				
	: 100% cotton : carded	: 100% cotton : combed	: Blends	: Total
1976:				
Consumption-----:	380,676	196,246	71,239	648,161
Imports from Brazil-----:	2.8	<u>1/</u>	<u>2/</u>	1.6
Imports from all sources:	5.6	0.6	0.1	3.5
1977:				
Consumption-----:	353,864	176,834	93,584	624,282
Imports from Brazil-----:	0.8	<u>2/</u>	<u>2/</u>	0.4
Imports from all sources:	3.0	0.5	0.2	1.8
1978:				
Consumption-----:	385,528	177,365	95,843	658,736
Imports from Brazil-----:	0.4	<u>2/</u>	<u>2/</u>	0.3
Imports from all sources:	5.1	3.5	0.5	4.0
1979:				
Consumption-----:	333,449	176,724	103,720	613,893
Imports from Brazil-----:	<u>1/</u>	<u>2/</u>	<u>2/</u>	<u>1/</u>
Imports from all sources:	2.7	0.8	<u>1/</u>	1.7
1980:				
Consumption-----:	318,117	184,103	118,919	621,139
Imports from Brazil-----:	<u>2/</u>	<u>2/</u>	<u>2/</u>	-
Imports from all sources:	4.8	0.4	0.4	2.6
1981:				
Consumption-----:	276,542	137,871	118,456	532,869
Imports from Brazil-----:	0.9	<u>1/</u>	<u>1/</u>	0.5
Imports from all sources:	6.5	1.3	0.5	3.8
1982:				
Consumption-----:	279,419	136,071	119,604	535,094
Imports from Brazil-----:	2.6	0.1	0.3	1.4
Imports from all sources:	7.0	2.6	0.7	4.5
1983:				
Consumption-----:	325,120	157,047	143,133	625,300
Imports from Brazil-----:	2.5	<u>1/</u>	0.5	1.4
Imports from all sources:	8.0	3.4	3.2	5.7

1/ Less than 0.05.

2/ Imports of this type of yarn were zero.

Source: Compiled from official statistics of the U.S. Department of Commerce. Data by type of yarn for 1976 and 1977 are derived from allocation of exports by the staff of the U.S. International Trade Commission. Data for 1983 are derived from production estimated by the staff of the U.S. International Trade Commission.

Note.--Consumption data in this table for 1981-83 differ from that of table 16 as this table is compiled from production data published by the U.S. Department of Commerce and table 16 is compiled from data submitted in response to questionnaires of the Commission. The Commerce data are overstated as they include some production of products other than cotton sales yarn such as cordage, thread, and handwork yarn; double counting of mills taken over by other firms; and imputed data for firms which have actually gone out of business. The trends of consumption and import penetration shown in the above table are, however, accurate.

<u>Year</u>	<u>U.S.</u> <u>consumption</u> (1,000 pounds)	<u>Imports</u> <u>from Brazil</u> (1,000 pounds)	<u>Import</u> <u>penetration</u> (percent)
1981-----	2,183,024	2,629	0.1
1982-----	2,010,715	7,691	0.4
1983-----	2,321,900	8,976	0.4

### Importers' inventories

Only one importer reported inventories of cotton yarn from Brazil at the end of 1983. These inventories of \* \* \* pounds amounted to \* \* \* percent of this firm's total imports of cotton yarn from Brazil and \* \* \* percent of all imports from Brazil in 1983. Carded yarn of 100 percent cotton accounted for \* \* \* percent of this inventory and combed blends for the balance.

### Prices

U.S. producers and importers sell a range of cotton yarn that varies widely in terms of ply, count, and finish. U.S. producers generally produce a broader range of counts of yarn than is provided by importers. Yarn prices are higher as the count and ply increase and vary according to the finish. Prices of yarn are also heavily influenced by the price of cotton.

The analysis of prices of domestically produced cotton yarn and cotton yarn imported from Brazil that follows is based on data obtained from responses to the Commission's questionnaires. Domestic producers and importers of cotton yarn from Brazil were asked to report, for each quarter from January 1981 through December 1983, their average f.o.b. prices per pound for each of the following three types of cotton yarn:

- 1.--30s count cotton yarn, wholly cotton, not bleached, not mercerized, not colored, not combed, and not plied.
- 2.--26s count cotton yarn, wholly cotton, not bleached, not mercerized, not colored, not combed, and not plied.
- 3.--30s count cotton yarn, 50 percent cotton and 50 percent polyester by weight, combed, not mercerized, not colored, and not plied.

Fourteen domestic producers and eight importers provided the Commission with usable price data on the first type of yarn. Price data provided by domestic producers on the second and third types of yarn covered every quarter of the period investigated, but price data provided by importers on the second and third types are not sufficient for establishing any discernible trend. Importers provided price data for only two quarters for the second type and for only three quarters for the third type.

Price trends.--As shown in table 18, weighted average prices for both domestic producers and importers trended downward from January 1981 to March 1983, and then rebounded until the end of the period investigated. Domestic producers' prices declined from \$1.99 per pound in January-March 1981 to \$1.73 per pound in January-March 1983, a decline of 26 cents per pound (13.1 percent). Domestic prices then climbed, reaching \$1.87 per pound in October-December 1983, an increase of 14 cents per pound (8.1 percent). Importers' prices followed a similar trend. Prices declined from \$1.77 per pound in January-March 1981 to \$1.54 per pound in January-March 1983, a decline of 23 cents per pound (13.0 percent). Prices then rebounded, reaching \$1.62 per pound in October-December 1983, an increase of 8 cents per pound (5.2 percent).

Imports from Brazil undersold the domestic product in every quarter of the period under investigation. Margins of underselling ranged from 14 to 25 cents per pound (8.2 to 13.3 percent), with the highest margin of underselling occurring in October-December 1983.

Domestic producers' prices for the second type of yarn were generally 6 to 20 cents per pound lower than prices of the first type. Domestic prices trended downward irregularly from \$1.90 per pound in January-March 1981 to \$1.68 per pound in October-December 1983, a decline of 22 cents per pound (11.6 percent).

Importers' prices for the second type of yarn were provided for two quarters only (April-June 1981 and January-March 1983). In April-June 1981, the average price of imports was \$1.59 per pound, while the average domestic price was \$1.87 per pound. In January-March 1983, the average price of imports was \$1.46 per pound, while the average domestic price was \$1.59 per pound. In the two periods for which importers' prices were provided, margins of underselling were 13 and 28 cents per pound (8.2 and 15.0 percent).

Domestic producers' prices of the third type of yarn were generally higher than prices of the other two types. Domestic producers' prices of the third type declined irregularly from \$1.94 per pound in January-March 1981 to \$1.87 per pound in October-December 1983, a decline of 7 cents per pound (3.6 percent). Importers' prices were reported for three quarters only (October-December 1982, July-September 1983, and October-December 1983). Import prices declined from \$1.83 in October-December 1982 to \$1.60 per pound in October-December 1983, a decline of 23 cents per pound (12.6 percent). Import prices were equal to producers' prices in one period (October-December 1982), but lower than domestic prices in the remaining periods by margins of 22 and 27 cents per pound (11.9 and 14.4 percent).

Exchange rates.--The nominal exchange rates of the Brazilian cruzeiro declined steadily relative to the U.S. dollar from 1981 through 1983. During that period, the cruzeiro depreciated over 1,100 percent in the exchange markets (table 19). The exchange rates of the cruzeiro in real terms, however, did not depreciate as much because of the higher Brazilian inflation rate relative to that in the United States. The real value of the cruzeiro depreciated by about 28 percent between January-March 1981 and October-December 1983.

Table 18.--Cotton sales yarn: 1/ Domestic producers' and importers' weighted average f.o.b. prices and margins of underselling, by quarters, January 1981-December 1983

Period	Domestic price	Importers' price	Margins of underselling	
			Dollars	Percent
1981:				
January-March-----	\$1.99	\$1.77	\$0.22	11.24
April-June-----	1.96	1.72	.24	12.28
July-September-----	1.91	1.72	.19	9.93
October-December-----	1.85	1.66	.19	10.09
1982:				
January-March-----	1.75	1.61	.14	8.22
April-June-----	1.76	1.57	.19	11.04
July-September-----	1.76	1.57	.19	10.81
October-December-----	1.73	1.55	.18	10.21
1983:				
January-March-----	1.73	1.54	.18	10.66
April-June-----	1.75	1.58	.18	10.09
July-September-----	1.81	1.62	.19	10.56
October-December-----	1.87	1.62	.25	13.33

1/ 30s count, wholly of cotton, not bleached, not mercerized, not colored, not combed, and not plied.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 19 .--Indexes of the nominal and real value rates of the Brazilian cruzeiro relative to the U.S. dollar, by quarters, January 1981-December 1983

(January-March 1981=100)

Period	Nominal value	Real value <u>1/</u>
1981:		
January-March-----:	100	100
April-June-----:	118	101
July-September-----:	141	105
October-December-----:	167	107
1982:		
January-March-----:	198	107
April-June-----:	226	104
July-September-----:	268	105
October-December-----:	326	110
1983:		
January-March-----:	461	125
April-June-----:	674	137
July-September-----:	903	133
October-December-----:	1227	128

1/ Real exchange rates reflect nominal market value of the cruzeiro adjusted by relative wholesale price indexes of Brazil and the United States.

Source: Compiled from statistics of the International Monetary Fund.

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APPENDIX A

LETTER FROM GOVERNMENT OF BRAZIL



BRAZILIAN EMBASSY  
3006 Massachusetts Ave. N.W.  
WASHINGTON, D.C. 20008

RECEIVED

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OFFICE OF THE SECRETARY  
U.S. INTERNATIONAL TRADE COMMISSION

July 15, 1981

The Honorable Kenneth R. Mason  
Secretary  
U.S. International Trade Commission  
701 E Street, N.W., Room 160  
Washington, D.C. 20436

Re: Request for Commission Injury Investigation  
of Certain Cotton Yarn From Brazil

Dear Mr. Secretary:

Pursuant to section 104(b) of the Trade Agreements Act of 1979, 19 U.S.C. §1671(B) and section 207.30(d) of the Commissions rules, the Government of Brazil hereby requests the International Trade Commission to commence an investigation of whether there would be injury by reason of imports of certain cotton yarn from Brazil subject to a countervailing duty order if that order were revoked, and to revoke said order. The merchandise in question is subject to a countervailing duty order issued on March 15, 1977 (T.D. 77-87, 42 F.R. 14089) and is, therefore, eligible for an injury review. Furthermore, Brazil is a "country under the Agreement" pursuant to the requirements of section 104(1)(B) of the Trade Agreements Act.

Respectfully submitted,

  
LUIZ FELIPE P. LAMPREIA  
Chargé d'Affaires a. i.



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**APPENDIX B**  
**FEDERAL REGISTER NOTICES**

[Investigation No. 104-TAA-21]

**Cotton Yarn From Brazil****AGENCY:** United States International Trade Commission.**ACTION:** Institution of a countervailing duty investigation and scheduling of a hearing to be held in connection with the investigation.**EFFECTIVE DATE:** January 18, 1984.

**SUMMARY:** Pursuant to section 104(b)(2) of the Trade Agreements Act of 1979 (19 U.S.C. 1671 note), the U.S. International Trade Commission is instituting this countervailing duty investigation to determine whether an industry in the United States would be materially injured, or would be threatened with material injury, or the establishment of an industry in the United States would be materially retarded, by reason of imports of cotton yarn from Brazil which are covered by an outstanding countervailing duty order if that order were to be revoked. The investigation covers imports of yarns of cotton provided for in items 300.60 through 302.98, inclusive, of the Tariffs Schedules of the United States.

**FOR FURTHER INFORMATION CONTACT:** Mary Elizabeth Sweet, Commodity Analyst, U.S. International Trade Commission, 701 E Street NW., Washington, D.C. 20436, telephone 202-523-0394.

**SUPPLEMENTARY INFORMATION:****Background**

On March 15, 1977, the Department of the Treasury issued a countervailing duty order under section 303 of the Tariff Act of 1930 (19 U.S.C. 1303) on cotton yarn imported from Brazil (T.D. 77-87, 42 FR 14089). On January 1, 1980, the Trade Agreements Act of 1979 (Pub. L. 96-39) became effective. That act provided in section 104(b) that "in the case of a countervailing duty order issued under section 303 of the Tariff Act of 1930 . . . which applies to merchandise which is the product of a country under the Agreement, and which is in effect on January 1, 1980 . . . the Commission, upon the request of the government of such a country . . . submitted within 3 years after the effective date of title VII of the Tariff Act of 1930 (January 1, 1980) shall . . . commence an investigation to determine whether an industry in the United States would be materially injured, or would be threatened with material injury, or the establishment of an industry in the United States would be materially retarded, by reason of imports of the merchandise covered by the countervailing duty order if the order were to be revoked." On July 17, 1981, the Commission received such a request from the Government of Brazil.

**Participation in the Investigation**

Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11), not later than 21 days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)). Each document filed by a party to this investigation must be served on all other parties to the investigation (as identified by the service list) and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR 201.16(c), as amended by 47 FR 33682, Aug. 4, 1982).

**Staff Report**

A public version of the staff report containing preliminary findings of fact in this investigation will be placed in the public record on March 20, 1984, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

**Hearing**

The Commission will hold a hearing in connection with this investigation beginning at 11:00 a.m., on April 6, 1984, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on March 23, 1984. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on March 28, 1984, in room 117 of the U.S. International Trade Commission Building.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23, as amended by 47 FR 33682, Aug. 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and

factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 (19 CFR 207.22, as amended by 47 FR 33682, Aug. 4, 1982), and must be submitted not later than the close of business on March 30, 1984. Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on April 13, 1984.

**Written Submissions**

As mentioned, parties to this investigation may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before April 13, 1984. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential

submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A, C, and D (19 CFR Part 207, as amended by 47 FR 33682, Aug. 4, 1982) and part 201, subparts A through E (19 CFR Part 201, as amended by 47 FR 33682, Aug. 4, 1982).

This notice is published pursuant to § 207.30 of the Commission's rules (19 CFR 207.30).

Issued January 20, 1984.

By order of the Commission.

Kenneth R. Mason,  
Secretary.

[FR Doc. 84-2034 Filed 1-24-84 8:45 am]  
BILLING CODE 7020-02-M

[C-351-037]

## Cotton Yarn From Brazil; Final Results of Administrative Review of Countervailing Duty Order

**AGENCY:** International Trade Administration, Commerce.

**ACTION:** Notice of final results of administrative review of countervailing duty order.

**SUMMARY:** On November 2, 1983, the Department of Commerce published the preliminary results of its administrative review of the countervailing duty order on cotton yarn from Brazil. The review covers the period January 1, 1982 through December 31, 1982.

We gave interested parties an opportunity to comment on the preliminary results. After review of all timely comments received, the Department has determined the net subsidy during the period of review to be 15.16 percent.

**EFFECTIVE DATE:** April 18, 1984.

**FOR FURTHER INFORMATION CONTACT:** Lorenza Olivas or Brian Kelly, Office of Compliance, International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230; telephone: (202) 377-2786.

### SUPPLEMENTARY INFORMATION:

#### Background

On November 2, 1983, the Department of Commerce ("the Department") published in the *Federal Register* (48 FR 50592) the preliminary results of its administrative review of the countervailing duty order on cotton yarn from Brazil (42 FR 14089, March 15, 1977). The Department has now completed that administrative review, in accordance with section 751 of the Tariff Act of 1930 ("the Tariff Act").

#### Scope of the Review

Imports covered by the review are shipments of Brazilian cotton yarn. Such merchandise is currently classifiable under items 300.8000 through 302.9800 of the Tariff Schedules of the United States Annotated.

The review covers the period January 1, 1982 through December 31, 1982 and five programs that we previously found countervailable: (1) Preferential financing for exports; (2) income tax exemptions for export earnings; (3) the export credit premium for the Industrial Products Tax ("IPI"); (4) fiscal benefits for special export programs; and (5) preferential export financing under CIC-CREGE 14-11. The review also covers twelve additional programs that the petitioner alleged confer subsidies on exports of Brazilian cotton yarn.

In this review, we have followed the calculation methods used in the notice of preliminary results of this review. At the same time, the Department recognizes that there may be other reasonable methods of measuring benefits for our use in this and other cases. Specifically, in the preliminary affirmative countervailing duty determination on certain carbon steel products from Brazil (49 FR 5157, February 10, 1984), we adopted several new methods. The Department has asked for comments on that proposed methodology.

The preliminary results in this review of the order on cotton yarn were published and comments received prior to the Department's publication of the preliminary determination on certain carbon steel products. We believe it is inappropriate to apply the new methodology in this section 751 review until the methodology is adopted, possibly in the final determination in the pending steel case. Further, future acceptance of the methodology does not indicate that the existing methodology is not also a reasonable way to calculate the benefits. (See also notice of final results of administrative review on float glass from Belgium, 47 FR 32467, July 27, 1982.)

#### Analysis of Comments Received

We gave interested parties an opportunity to comment on the preliminary results. We received timely comments from the petitioner, the American Yarn Spinners Association, Inc.

**Comment 1:** The petitioner contends that, for purposes of calculating the cash deposit of estimated countervailing duties attributable to the preferential financing program, the Department used noncontemporaneous interest rates to measure the differential between the commercial and the preferential rates. The Department compared a commercial rate in effect on January 3, 1983 with a preferential rate in effect on June 10, 1983.

**Department's Position:** We used the latest information available in determining the cash deposit rate. In the recent section 738(c) review of the antidumping case in carbon steel wire rod from Brazil, the respondents submitted information that the interest rate charged in June 1983 by the Banco do Brasil for discounting accounts receivable was slightly lower than the rate charged in January. (See Post-hearing Brief of Companhia Siderurgica Belgo-Mineira and Companhia Siderurgica da Guanabara-Cosigua, February 13, 1984, at 7.) The difference does not affect the weighted-average margin.

**Comment 2:** The petitioner contends that exporters of cotton yarn do not pay the export tax to offset the IPI credit premium until well after receipt of the credit. Such a lag constitutes an interest free loan to the exporters, i.e., a countervailable benefit. Moreover, because of the high rate of inflation, the delayed payment of the tax is worth far less in real terms than the amount of IPI credit premium exporters receive.

**Department's Position:** We agree in part. In our notice of preliminary results we stated that the IPI credit premium has been offset by an export tax since June 28, 1981. We have since discovered that, while this tax has been imposed since June, 1981, it was not collected until December 1982.

We consider that lag in collection to have conferred a benefit to the producers equivalent to an interest free loan, in the amount of the tax owed, rolled over monthly until the tax was actually paid. Under current practice, the offset tax is to be paid 45 days after the end of the month in which the shipment earning the premium occurred. For purposes of calculating the benefit, we consider the interest free loan to begin on the date the tax was due, 45 days after the end of the month of shipment.

As a commercial benchmark we have used the monthly Banco do Brasil rate for discounts of accounts receivable. The monthly rate in 1982 was 4.97 percent. We calculated the *ad valorem* benefit to be 7.76 percent. For purposes of the cash deposit of estimated countervailing duties, we believe the tax is now collected within the 45 days and the potential benefit under this program therefore is zero.

**Comment 3:** The petitioner argues that the Department can only really answer the issues in Comment 2 through verification.

**Department's Position:** The Department maintains that neither section 751 of the Tariff Act nor the Commerce Regulations requires verification of information submitted in the course of an administrative review. We have long held that verification in section 751 administrative reviews is discretionary. See, e.g., "Final Results of Administrative Review of Countervailing Duty Order" on bicycle tires and tubes from Korea (48 FR 32205, July 14, 1983). The Department has appealed the decision of the Court of International Trade requiring the Department to verify in every review (*A1 Tech Specialty Steel v. United States*, Slip Ops. 83-119 and 83-120 (November 21, 1983)).

**Committee 4:** The petitioner contends that the offset tax on exports of cotton yarn to the United States, even if immediately paid, would not eliminate the subsidy benefit conferred by the IPI program, since exporters of cotton yarn continue to receive cash payments for exports to other countries.

**Department's Position:** The petitioner's contention assumes that the money received from subsidies on exports of cotton yarn goes into a common fund from which companies can draw to continue subsidizing exports of cotton yarn to the United States. The petitioner's argument maintains that an export subsidy on particular shipments of a particular product, exported to a particular country, benefits the sales of other shipments of that product or other products to other countries. We disagree. An export subsidy provides an incentive encouraging sales to the particular export market. To neutralize the incentive, the Department assesses a countervailing duty equal to the subsidy. If one ignores the incentive effect and accepts that the money received from the export subsidy goes into a common fund, then the export product or market to which the subsidy is actually tied receives no more benefit from the subsidy than any other product or market. We would have to allocate the benefit attributable to all types of subsidies on all products to all countries (including the domestic market) over total sales of all products to all countries (including to domestic market) when determining countervailing duties.

The Department believes it is more logical to assume that subsidies are designed to benefit the market to which they are tied and that a rational business will use those benefits accordingly. Thus, by collecting an offset tax to exports of cotton yarn to the United States, the Government of Brazil has eliminated a subsidy benefit on exports to the United States and removed any unfair incentive to export to the United States.

**Comment 5:** The petitioner argues that, for purposes of determining the cash deposit of estimated countervailing duties, the Department must consider the effect that alleged new subsidies provided after the review period will have on exporters of cotton yarn. By ignoring this possible effect, the Department has applied a double standard, since the Department took into account reported changes in the preferential financing program after the review period that lowered the estimated countervailing duty deposit rate and is unwilling to do the same for changes that increase the deposit rate.

**Department's Position:** In determining the potential benefit attributable to the preferential financing program, we had firm information with which to calculate a rate for estimated duty deposit purposes, while we did not have sufficient information for the alleged new programs. Furthermore, we have no knowledge that exporters of cotton yarn

received benefits from these programs established in 1983. The Department will consider in the next administrative review any possible subsidies to exporters of cotton yarn resulting from these new programs.

#### Final Results of the Review

Based on our analysis of the timely comments, we determine the aggregate net subsidy to be 15.16 percent for the period January 1, 1982 through December 31, 1982. On August 3, 1981, the International Trade Commission ("the ITC") notified the Department that the Government of Brazil had requested an injury determination for this order under section 104(b) of the Trade Agreements Act of 1979. Should the ITC find that there would be material injury or threat of material injury to an industry in the United States if the order were revoked, the Department will instruct the Customs Service to assess countervailing duties in the amount of estimated duties required to be deposited on all unliquidated entries of Brazilian cotton yarn entered, or withdrawn from warehouse, for consumption on or after August 3, 1981 and through the date of the ITC's notification to the Department of its determination.

Further, as provided by section 751(a)(1) of the Tariff Act, the Department will instruct the Customs Service to collect a cash deposit of estimated countervailing duties of 2.72 percent of the entered value on all shipments of cotton yarn entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice. This deposit requirement shall remain in effect until publication of the final results of the next administrative review. The Department intends to begin immediately the next administrative review.

The Department encourages interested parties to review the public record and submit applications for protective orders, if desired, as early as possible after the Department's receipt of the information in the next administrative review.

This administrative review and notice are in accordance with section 751(a)(1) of the Tariff Act (19 U.S.C. 1675(a)(1)) and § 355.41 of the Commerce Regulations (19 CFR 355.41).

Dated: April 12, 1984.

Alan F. Holmer,  
Deputy Assistant Secretary for Import  
Administration.

[FR Doc. 84-10363 Filed 4-17-84; 8:45 am]

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**APPENDIX C**  
**LIST OF WITNESSES**  
**APPEARING AT THE COMMISSION'S**  
**PUBLIC HEARING**

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Cotton Yarn from Brazil  
Inv. No. : 104-TAA-21  
Date and time: April 6, 1984 - 11:00 a.m.

Sessions were held in connection with this investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

IN OPPOSITION TO THE REVOCATION OF THE OUTSTANDING  
COUNTERVAILING DUTY ORDER:

Economic Consulting Services, Inc., Washington, D.C.  
on behalf of

The American Yarn Spinners Association, Inc. (AYSA)

David R. LaFar, III, Chairman of the Board, LaFar Industries, Inc., Gastonia, North Carolina

Douglas Durrett, Sales Manager, Harriet & Henderson Yarns, Inc., Henderson, North Carolina

Jim H. Conner, Executive Vice President, American Yarn Spinners Association, Inc., Gastonia, North Carolina

Stanley Nehmer, President

Mark W. Love, Vice President

Wald, Harkrader & Ross--Counsel  
Washington, D.C.  
on behalf of

The Conselho Nacional Da Industria Textil and the Ministry of Finance, Government of Brazil

Royal Daniel, III--OF COUNSEL

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