LEATHER WEARING APPAREL FROM URUGUAY

Determination of the Commission in Investigation No. 701-TA-68 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Data which would disclose confidential operations of individual concerns may not be published and, therefore, have been deleted from this report.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

United States International Trade Commission
Washington, D.C.

Investigation No. 701-TA-68 (Preliminary)

LEATHER WEARING APPAREL
FROM URUGUAY

Determination

On the basis of the record 1/ developed in investigation No. 701-TA-68 (Preliminary), the Commission determines that there is a reasonable indication that an industry in the United States is threatened with material injury 2/ by reason of imports from Uruguay of leather wearing apparel, provided for in item 791.76 of the Tariff Schedules of the United States (TSUS), which are allegedly being subsidized by the Government of Uruguay.

Background

On October 15, 1980, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of domestic producers of leather wearing apparel, alleging that a bounty or grant is being bestowed on leather wearing apparel imported from Uruguay. Accordingly, on October 21, 1980, the Commission instituted preliminary countervailing duty investigation No. 701-TA-68 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, 3/ by reason of imports from Uruguay of leather wearing apparel provided for in TSUS item 791.76. The statute directs that the Commission make its determination within 45 days of receipt of the petition

1/ The record is defined in sec. 207.2(j) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(j).

2/ Vice Chairman Calhoun determined that there is a reasonable indication that an industry in the United States is being materially injured or is threatened with material injury by reason of the subject imports.

3/ Material retardation was not an issue in this investigation.

or in this case by December 1, 1980. On November 5, 1980, the Department of Commerce issued a notice announcing that it had found the petition to be properly filed within the meaning of its rules and that it was instituting an investigation. Notice to such effect was published in the Federal Register of November 12, 1980 (45 F.R. 74743). The product scope of the Commerce investigation is the same as that instituted by the Commission.

Notice of the institution of the Commission's investigation and of the public conference to be held in connection therewith was duly 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 of October 29, 1980 (45 F.R. 71690). A public conference was held in Washington, D.C., on November 12, 1980.

In arriving at its determination, the Commission has given due consideration to the information provided by the Department of Commerce, to all written submissions from interested parties, and to information adduced at the conference and obtained by the Commission's staff from questionnaires and other sources, all of which have been placed on the administrative record of this preliminary investigation.

VIEWS OF THE COMMISSION

Determination

On the basis of the record developed in investigation No. 701-TA-68 (Preliminary), we determine that there is a reasonable indication that an industry in the United States is threatened with material injury, 1/ by reason of imports from Uruguay of leather wearing apparel, allegedly subsidized by the Government of Uruguay.

Discussion

Section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) directs that, within 45 days after a petition is filed under section 702(b), the Commission--

> shall make a determination, based upon the best information available to it at the time of the determination, of whether there is a reasonable indication that--
>
> (1) an industry in the United States--
> (A) is materially injured, or
> (B) is threatened with material injury, or
> (2) the establishment of an industry in the United States is materially retarded, 2/
>
> by reason of imports of the merchandise which is the subject of the investigation by the administering authority.

1/ Vice Chairman Calhoun determined reasonable indication with regard to material injury or the threat of material injury. In preliminary cases, Vice Chairman Calhoun uses the broadest possible description of the economic health of the industry as it is not always possible to find with precision whether material injury is threatened or is present.

2/ Establishment of an industry is not an issue in this investigation and will not be further discussed.

In order to reach a decision we are required to define the domestic industry, review available information for reasonable indications of material injury or threat of material injury, and find a nexus between these reasonable indications and the subject imports.

Domestic industry

In the present case we find the like product to be leather coats and jackets for men and boys, and women and girls, and other articles of leather wearing apparel, provided for in item 791.76 of the Tariff Schedules of the United States (TSUS). These products are virtually identical to the articles being imported from Uruguay. 1/ Thus, we find the industry to consist of those firms producing leather wearing apparel in the United States. Information gathered during this and other investigations indicates that approximately 100 firms produce such articles in the United States, the majority of which are small firms which enter or leave the industry depending on market and seasonal conditions. 2/

Volume of imports

From 1975 to 1978, imports of leather wearing apparel from Uruguay increased 277 percent by quantity, 3/ and as a share of apparent U.S. consumption increased from 4.1 to 8.3 percent. 4/ Imports from Uruguay dropped suddenly and severely in 1979, following the imposition of an export tax by the Government of Uruguay and again in January-August 1980 when compared to the corresponding period of 1979. Uruguay's share of apparent

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1/ Report, pp A-9, A-11.
2/ Report, pp. A-6-7.
3/ Report, p. A-12.
4/ Report, p. A-21.

domestic consumption fell to 3.3 percent in 1979 and remained at that level through August 1980. 1/ The fact that imports from Uruguay declined in this sudden and precipitous manner suggests factors other than loss of competitiveness of Uruguayan products in the U.S. market as contributing to the decline. These factors are discussed further in the section of this opinion dealing with reasonable indication of threat of material injury. 2/

Effect of imports on prices

The Commission's preliminary comparisons of average unit values of U.S. producers' domestic shipments and imports from Uruguay show unit values of subject imports of men's leather coats and jackets to be 23 percent less than comparable domestic shipments in 1978. These fell to 30 percent less in 1980. 3/ Unit values of women's coats and jackets from Uruguay were 58 percent less than the comparable U.S.-made articles in 1978; this margin decreased to 47 percent in 1980, 4/ due to increased demand for women's leather jackets and blazers, which were less expensive apparel items than the longer coats.

Condition of the domestic industry

Data compiled from responses to Commission questionnaires from 16 major producers of leather wearing apparel accounting for 59 percent of industry shipments in 1978 show significant and ongoing deterioration of the domestic industry producing leather wearing apparel. The quantity of shipments declined 20 percent from 1975 to 1979, and fell 34 percent in January-August

1/ Report, p. A-21.
2/ It is Vice Chairman Calhoun's view that the current import penetration of about 3.3 percent of apparent U.S. consumption, given the weakened state of the domestic industry due to declining domestic consumption of these articles, raises a question as to the existence of present injury.
3/ Report, p. A-22.
4/ Report, p. A-22.

1980 from the corresponding period of 1979. 1/ Utilization of productive capacity declined in each year from 1977 to 1979, and again in January-August 1980, dropping under 50 percent in this latest period. Employment of production and related workers declined over the period 1977 to 1979, 2/ as has the amount of orders for leather apparel taken but not shipped -- an indication of declining demand by retailers for U.S. producers' products. 3/

Profit and loss data for 9 major producers of leather wearing apparel which account for 46 percent of industry shipments show that net operating profit remained stagnant at a very low level throughout the period, rising above 3 percent of net sales only in 1978. 4/

The vulnerability of the domestic industry is probably understated by the data. Because of the time limitations implicit in preliminary investigations, the Commission's staff concentrated on collecting data from the 20 largest firms in the industry, which constitute approximately 60 percent of total industry shipments. 5/ The condition of the remainder of the industry, characterized by small firms that lack the productive capacity, fixed assets, access to capital and ability to carry inventory of the larger firms, is probably worse, and therefore even less capable than the major producers of withstanding competition from subsidized imports. 6/

1/ Report, p. A-14.
2/ Report, p. A-18.
3/ Report, p. A-18-19.
4/ Report, p. A-20.
5/ Report, p. A-14.
6/ Commissioner Stern notes that for this reason the data available for only part of the industry was considered representative of the whole industry. In another preliminary investigation, Certain Public Works Castings from India (investigation No. 303-TA-13 (Preliminary), USITC Pub. No. 956, April 1980), there was also a strong inference that additional information would confirm the limited data available at that time and the Commission reached an affirmative finding. In contrast, in the recent case on Portable Electric Nibblers from Switzerland (investigation No. 731-TA-35 (Preliminary), USITC Pub. No. 1108, November 1980), in which the Commission made a negative ruling, it was clear that better profit data would not be available in a final investigation and the available data did not support an affirmative finding.

Threat of material injury

Under the statute an affirmative finding on the question of threat of material injury "must be based upon information showing that the threat is real and injury is imminent, not a mere supposition or conjecture."

Although imports of leather wearing apparel from Uruguay declined noticeably in both 1979 and January-August 1980 from the previous periods, at its apogee in 1978 Uruguay was the fourth largest source of imports of these products, 1/ accounting for 10.2 percent of total imports and 8.3 percent of apparent U.S. consumption in that year. In 1978, a countervailing duty investigation on imports of leather wearing apparel from Uruguay by the Commission resulted in an unanimous affirmative determination. 2/ Data for the period 1975 to 1978 clearly demonstrated the capability of Uruguayan producers to rapidly increase their exports of these articles to the United States at competitive prices; and the present Commission recognizes that such increased quantities may be capable of injuring the domestic industry producing these products.

As noted previously, imports from Uruguay have declined precipitously in 1979 and 1980. There are a number of reasons for this decline. Economic conditions in the United States are certainly a factor in the decline of both U.S. producers' shipments as well as imports of leather wearing apparel. While imports from all sources declined 19 percent, and domestic shipments declined 2 percent by value from 1978 to 1979, imports from Uruguay declined 64 percent over the same period. The decline in imports from Uruguay in

1/ Report, p. A-9.
2/ U.S. International Trade Commission Publication 883, Leather Wearing Apparel from Uruguay, April 1978. Chairman Alberger and Commissioners Moore and Bedell voted in the affirmative in that investigation. Vice Chairman Calhoun and Commissioner Stern were not members of the Commission at that time.

January-August 1980 also substantially exceeded declines of total imports and U.S. producers' shipments. 1/ This import trend suggests to us that another factor, in addition to the general decline in demand, explains this decline in exports to the United States from Uruguay.

Preliminary evidence indicates that the actions taken by the Government of Uruguay in response to the affirmative countervailing duty decision by the U.S. Department of the Treasury and this Commission in early 1978 were an additional factor. As part of its negotiation with Treasury to waive the countervailing duty, Uruguay agreed to phase out its chief export subsidy on leather wearing apparel. 2/ On February 16, 1979, the Government of Uruguay imposed an export tax on leather wearing apparel and other items exported to the United States, to offset subsidies found on these items by Treasury, while simultaneously doubling a subsidy provided to tanners of leather on leather products exported to third countries. 3/ This export tax was subsequently revoked on or about July 1, 1980, and the revocation made retroactive to January 1, 1980. The tanners' subsidy on exports to the United States, which was eliminated on January 10, 1979, was reinstated on May 1, 1980, and made retroactive to the date of elimination. 4/ The petitioner has stated that the tanners' subsidy to third countries has been eliminated. The U.S. Department

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1/ Report, p. A-10.

2/ Federal Register, June 1, 1978 (43 F.R. 23709).

3/ Federal Register, March 22, 1979 (44 F.R. 17485).

4/ Department of State telegram to the Office of the United States Trade Representative, May 8, 1980. The telegram is labeled exhibit #6 in Petitioner's exhibit filed with the Commission at its conference in the present case. The authenticity of the telegram and the accuracy of the contents therein have been independently verified by the staff with representatives of Commerce.

of Commerce, which is investigating these subsidies, has been unable to verify these allegations.

This Commission has observed that the sharp drop in imports of leather wearing apparel from Uruguay tracked very closely with that country's imposition of a tax on exports to the United States and the instatement of incentives for exports to third countries. Likewise, the removal of the export tax and the reported reintroduction of various subsidies in mid-1980 is likely to result in a renewal of increased exports of leather wearing apparel to the United States. Although import data on a month to month basis is available only through September 1980, preliminary analysis shows the value of imports from Uruguay increasing from $253,000 in June of 1980 to $1,149,000 in July of 1980, an increase of 354 percent in just one month. Imports for the months of August and September are valued at over $700,000 in each month. These robust increases in the last three months for which import data are available coincide with the reimposition of the aforementioned subsidies by the Government of Uruguay, and point to a reasonable indication of a threat to the domestic industry that is "real and imminent."

Conclusion

On the basis of increasing imports over the period in which an import "remedy" was not in effect, declining economic trends in the industry (particularly from 1975-1978), recently increasing imports at a time of declining demand, stimulated by reimposition of subsidies by the Government of Uruguay, we conclude that there is a reasonable indication that the domestic industry producing leather wearing apparel is threatened with material injury, by reason of imports from Uruguay upon which subsidies are allegedly provided by the Government of Uruguay.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On October 15, 1980, Ralph Edwards Sportswear, Inc., on behalf of 13 domestic producers of leather wearing apparel, filed a petition with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that a bounty or grant is being paid with respect to leather wearing apparel imported from Brazil, the Republic of Korea, Taiwan, and Uruguay and entered under item 791.76 of the Tariff Schedules of the United States (TSUS). Accordingly, on October 21, 1980, the Commission instituted investigations Nos. 701-TA-65-68 under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the importation of such merchandise into the United States.

On November 6, 1980, the Commission received advice from the Department of Commerce that it was initiating an investigation solely with regard to Uruguay. Because Commerce had not initiated an investigation on Brazil, Korea, and Taiwan within the prescribed time limits and because of the request of the petitioner to withdraw that portion of its petition applying to those three countries, the Commission's investigations concerning leather wearing apparel from Brazil, Korea, and Taiwan were terminated pursuant to its authority under section 207.13 of the Commission's Rules of Practice and Procedure. Hence, the present investigation, No. 701-TA-68, concerns imports from Uruguay only.

The Commission is required by statute to make its determination within 45 days of the receipt of the petition, or in this case by December 1, 1980. Notice of the institution of the Commission's investigations and of the public conference to be held in connection therewith was duly 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 of October 29, 1980 (45 F.R. 71690). 1/ Notice of the Commission's termination of investigations Nos. 701-TA-65-67 was duly given by posting copies of the notice in the Office of the Secretary and by publishing the notice in the Federal Register of November 19, 1980 (45 F.R. 76554). A public conference was held in Washington, D.C., on November 12, 1980, at which all interested parties were afforded the opportunity to present information for consideration by the Commission. 2/ The Commission's briefing and vote on this investigation were held on November 26, 1980.

1/ A copy of the Commission's Federal Register notices is presented in app. A.

2/ A list of the witnesses appearing at the conference is presented in app. B.

Other Recent U.S. International Trade Commission Investigations Concerning Leather Wearing Apparel

The instant case is the fifth investigation the Commission has conducted with respect to leather wearing apparel. On September 14, 1976, the President requested the Commission, pursuant to section 332(g) of the Tariff Act of 1930, to conduct an investigation and report on the current employment and production conditions in the domestic leather wearing apparel industry. This request resulted from an executive branch review of the operation of the Generalized System of Preferences (GSP) in which the Trade Policy Staff Committee (TPSC) needed additional information in order to make a decision on a petition from domestic producers to remove this product from the list of articles eligible for duty-free treatment under the GSP (TPSC-GSP case No. 76-2). The data obtained from the Commission's investigation (No. 332-79-(3)) were transmitted to the President on November 10, 1976. The TPSC recommended to the President that leather wearing apparel not be removed from the list of eligible articles.

On January 24, 1978, the Commission received advice from the Secretary of the Treasury that a bounty or grant was being paid by the Government of Uruguay on leather wearing apparel exported to the United States. Treasury had made its investigation which led to this determination in response to a petition filed on behalf of the National Outerwear & Sportswear Association, a trade association representing some of the largest domestic producers of leather wearing apparel. On April 24, 1978, the Commission unanimously determined (Commissioner Italo H. Ablondi not participating) that an industry in the United States was being injured by reason of the importation of leather wearing apparel from Uruguay. 1/

On November 22, 1978, the Commission received advice from the Secretary of the Treasury that a bounty or grant was being paid by the Governments of Brazil and Colombia on certain leather wearing apparel exported to the United States. 2/ Treasury had made its investigations which led to these determinations in response to a petition filed on behalf of the Amalgamated Clothing & Textile Workers Union. On February 22, 1979, the Commission, by a 3-to-2 vote, determined that an industry in the United States was not being injured by reason of the importation of certain leather wearing apparel from Brazil and Colombia. 3/

On July 24, 1979, the Commission received a petition from the National Outerwear & Sportswear Association, Amalgamated Clothing & Textile Workers Union, the International Ladies' Garment Workers Union, United Food &

1/ See Leather Wearing Apparel From Uruguay: Determination of Injury in Investigation No. 303-TA-2 . . ., USITC Publication 883, April 1978.

2/ Certain leather wearing apparel, the subject of that investigation, included items of leather wearing apparel for men and boys and types commonly worn by both sexes, but excluded those items intended for use by women and girls exclusively.

3/ See Certain Leather Wearing Apparel From Colombia and Brazil: Determination of No Injury or Likelihood Thereof in Investigations Nos. 303-TA-6 and 303-TA-7 . . ., USITC Publication 948, February 1979.

Commercial Workers Union, and the Tanners' Council of America, Inc., for import relief under section 201(a)(1) of the Trade Act of 1974. Accordingly, on August 3, 1979, the Commission instituted an investigation under section 201(b) of the Trade Act of 1974 to determine whether leather wearing apparel, provided for in item 791.76 of the TSUS, was being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. On January 24, 1980, the Commission unanimously determined that an industry in the United States was being injured by reason of the importation of leather coats and jackets for men and boys, and women and girls, provided for in TSUSA items 791.7620 and 791.7640, respectively. 1/

To prevent or remedy the serious injury to the domestic industry, the Commission recommended an addition to the present rates of duty of 25 percent ad valorem for the first year, 20 percent for the second year, and 15 percent for the third year for those leather coats and jackets valued at not over $150 each. On March 24, 1980, the President denied import relief on the basis of national economic considerations, including the inflationary impact and ineffectiveness of import relief as a means of promoting adjustment. He further determined that expedited adjustment assistance was the most effective remedy for the injury suffered by the domestic leather wearing apparel industry. 2/

Description and Uses

The term "leather wearing apparel" as used in this report includes such apparel provided for under item 791.76 of the TSUS. It does not include items of leather wearing apparel made from reptile leather or those items which contain 50 percent or more by weight of cotton, wool, or manmade fibers, or any combination thereof. These articles are specifically provided for elsewhere in the TSUS. 3/ Wearing apparel of sheepskin or lambskin with the wool on the inside of the garment is considered to be leather wearing apparel for customs purposes and is classifiable in item 791.76, whereas when the wool is on the outside, the garment is classified as wearing apparel of fur on the skin and would not be within the scope of the investigation. The great bulk of the apparel which is the subject of this investigation consists of leather coats and jackets for men and boys and women and girls. Other articles include vests, pants, and shorts.

1/ Leather Wearing Apparel: Report to the President on Investigation No. TA-201-40 . . ., USITC Publication 1030, January 1980. The Commission further determined that no injury or threat thereof was being suffered by a domestic industry from imports of other items of leather wearing apparel provided for in TSUS item 791.7660.

2/ The President's determination was published in the Federal Register of Mar. 26, 1980 (45 F.R. 19543).

3/ Leather wearing apparel does not include hats, belts, watch straps, gloves, or footwear in chief value of leather, or wearing apparel in chief value of fur. These articles are also specifically provided for elsewhere in the TSUS.

Leather wearing apparel is made from a variety of leathers, of which cowhide leather (smooth grain and split suede) is the most common. Lamb, calf, sheep, and pig leathers are also used. Raw hides are first tanned to impart suppleness, color, finish, or other qualities specific to their end use. Tanneries sell the processed hides to garment manufacturers, which employ cutters to hand-cut, shape, and style the leather. Trimmings (pockets, belts, zippers, and buttons) are then added and linings of textile material are usually sewn into the garment, which is then finished, pressed, and prepared for shipment to retail clothing outlets. The entire process, from cutting the hides through fashioning and sewing the garment, is accomplished by individual operators working with simple machines, usually on a piece-rate basis. The industry is thus extremely labor intensive.

U.S. Tariff Treatment

The articles of leather wearing apparel which are the subject of this investigation are classified for tariff purposes under item 791.76 of the TSUS. The column 1 (most-favored-nation) rate of duty applicable to merchandise entered under this item is 6 percent ad valorem. The column 2 rate (applicable to imports from certain Communist-dominated countries) is 35 percent ad valorem. These rates have been in effect since January 1, 1972. The implementation of the Geneva Protocol (1979) to the General Agreement on Tariffs and Trade does not affect the rates of duty on these items.

Before March 1, 1977, these articles were provided for under TSUS item 791.75. Effective on that date, TSUS item 791.75 was deleted and new TSUS items 791.74 and 791.76 were established. TSUS item 791.74 covers leather wearing apparel in chief weight of cotton, wool, or manmade fibers, or any combination thereof. Such articles are subject to the quota provisions of the Multifiber Arrangement, whereas leather wearing apparel articles entered under TSUS item 791.76 are not. The applicable tariff rates did not change when this further differentiation was made.

Leather wearing apparel was on the list of articles entitled to duty-free treatment under GSP from January 1, 1976, to March 1, 1979.

Nature and Extent of the Bounties or Grants Being Paid or Bestowed

The instant case involves export incentives granted by the Government of Uruguay to Uruguayan manufacturers/exporters of leather wearing apparel, which were investigated by the Treasury Department in 1977 and 1978. 1/ In that investigation, the Treasury Department 2/ determined that the Government of Uruguay granted to manufacturers/exporters of these articles three types of export incentives.

1/ A copy of Treasury's Federal Register notices is presented in app. C.
2/ Prior to Jan. 1, 1980, the Treasury Department had responsibility for administering the countervailing duty law. See Reorganization Plan No. 3 of 1979, 44 F.R. 69273, with respect to the transfer of authority for the administration of the countervailing duty law to the Department of Commerce.

(1) Income tax exemptions on certain export-related income.--The Uruguayan Government allowed a portion of export profits corresponding to the value added by the firms producing the export item to be exempt from the corporate income tax. * * *.

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(2) Preferential financing for exports.--* * *

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(3) The granting of tax certificates known as "reintegros", to manufacturers of leather wearing apparel, upon the exportation of the goods.--* * *

The Treasury Department decided that the effect of the export subsidy was offset by certain indirect taxes that were directly related to the exported leather wearing apparel. These taxes were not rebated on export, and under section 303 of the Tariff Act of 1930 would be eligible for rebate and thus act to reduce the effective export benefit. These taxes included (1) export taxes charged on the value of the leather wearing apparel plus a tax on the value of the export rebate certificates; (2) value-added taxes that are charged to manufacturers of the leather wearing apparel (the Government of Uruguay generally rebated 75 percent of the value-added taxes paid by manufacturers of leather wearing apparel); (3) taxes on agricultural transactions, which in this case involved a 4-percent tax on the value of the hide purchased by the tanner, and (4) import taxes and other special taxes which were assessed on the nonleather items of the leather apparel. The net effect of these taxes was to reduce the total amount of the bounties or grants on leather wearing apparel to approximately 12 percent of the f.o.b. price for export to the United States.

After receiving advice from the Treasury Department on January 24, 1978, that a bounty or grant was being paid with respect to leather wearing apparel imported from Uruguay, the U.S. International Trade Commission initiated a countervailing duty investigation. On April 24, 1978, the Commission unanimously determined that an industry in the United States was being injured by reason of the importation of leather wearing apparel from Uruguay. On March 22, 1979 (44 F.R. 17485), the Treasury Department revoked its affirmative determination in the previous investigation, on the basis of the promise of elimination of a tanners' subsidy and a social security tax deferral and enactment of an export tax in an amount equal to the remaining subsidy.

The petition in the instant case alleges that the Government of Uruguay has not eliminated the tanners' subsidy and has revoked the export tax, 1/ and that consequently, the Government of Uruguay currently provides subsidies in the form of a reintegro or export rebate based on the f.o.b. value of export shipments of leather wearing apparel. According to the petitioner, the offset of indirect taxes permitted by the Treasury Department in the earlier investigation is inconsistent with the Administrative Guidelines (19 CFR 355; 45 F.R. 4949) published by the Department of Commerce. In addition, the petition alleges that critical circumstances exist within the meaning of section 703(e) of the Tariff Act (19 U.S.C. 1671b(e)) by reason of massive imports over a relatively short period of time.

On November 6, 1980, the U.S. Department of Commerce issued a notice instituting an investigation to determine whether or not the Government of Uruguay provides subsidies on the production, manufacture, or export of leather wearing apparel. Notice of the investigation was published in the Federal Register of November 12, 1980 (45 F.R. 74743). 2/ Commerce's notice also stated that there is evidence that circumstances regarding Uruguayan export incentives have changed subsequent to revocation of the previous affirmative determination, and therefore the Department will include in the present investigation all export programs previously investigated and any new export programs which may have become effective since the previous investigation.

U.S. Producers

The number of firms producing the articles of leather wearing apparel which are the subject of this investigation is believed to have declined from the estimated 100 firms which produced these articles in 1979. 3/ Geographically, facilities are scattered throughout the country, although there is a concentration of facilities in the Northeastern United States, particularly in the New York City metropolitan area. Approximately 50 percent of all leather wearing apparel produced in the United States is produced in this area.

1/ Exhibit, app. 6, of petitioner at the conference.
2/ A copy of Commerce's Federal Register notices is presented in app D.
3/ That the number of producers is only an approximation should be emphasized. Because of the highly competitive nature of the industry, the relatively low startup costs and few barriers to entry, the extensive use of contractors, and the fluidity associated with an industry which must keep abreast of constantly changing consumer preferences in materials and styling, it is difficult to gauge the number of firms producing leather wearing apparel at any point in time or the number of firms entering or leaving the industry from season to season.

The domestic producers of leather wearing apparel range from large apparel manufacturing firms, employing several hundred people, to small firms employing less than 10 people. Facilities used in the production of men's and boys' leather wearing apparel can be readily adapted to produce such apparel for women and girls although differences in the marketing of the two groups of items militate against such shifts. 1/ Although producers usually concentrate on the production of either men's and boys' or women's apparel, there are approximately 10 major producers manufacturing both types. The two representatives of the industry at the Commission conference in the instant case, both of whom produce both men's and women's apparel, stressed the ability of firms in the industry to produce either men's or women's apparel, depending on market conditions. 2/

Rigidities associated with the machinery employed in the industry also make it difficult for leather wearing apparel producers to shift to the manufacture of cloth garments or other leather goods such as belts or handbags. The manufacture of leather wearing apparel requires more powerful sewing machines with stronger sewing needles than the machines used to manufacture cloth garments. Hence, cloth-sewing machines cannot be used to manufacture leather apparel, and although most leather apparel machines can be used to manufacture cloth appparel, they are much slower in operation and therefore less efficient. However, industry sources have advised the Commission that sewing machines for leather garments can also sew heavy cloth garments, such as outerwear of corduroy or wool, with little loss of efficiency. The production of leather belts, handbags, or other personal items requires additional trimming, punching, and snap machines, as well as different marketing and distribution channels.

Of the approximately 100 domestic producers, the staff and industry sources estimate that the largest 10 firms account for about 50 percent of total production. The remainder is accounted for by the smaller firms, which exhibit great variety in types, styles, and quantity of goods produced from season to season.

Information gathered by the staff confirmed that six firms, the majority of which produced women's leather wearing apparel, ceased production of these

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1/ As a rule, the women's segment of the leather wearing apparel industry is more fashion oriented than the men's segment, which sometimes results in differences in firm size and marketing of the product. Firms which concentrate on producing women's leather apparel are typically smaller than the firms producing men's apparel. Many produce to order only, and consequently maintain little or no production facilities and permanent production workers themselves. These firms are referred to as jobbers. Upon securing orders for their garments, jobbers contract out the actual production to contractors. In such an arrangement, the jobber provides the leather and designs for the apparel manufacture and markets the finished garments, and the contractor provides the labor and machinery. The contractor-jobber arrangement is characteristic of production of both men's and women's high-fashion garments.

2/ See transcript of the conference, p. 34. On the fluidity of the industry's two segments, see also pp. 48-53.

articles or went out of business completely in the period July 1979-August 1980. One of the two former producers of these products which the staff succeeded in contacting mentioned imports of leather wearing apparel from Uruguay as contributing to the firm's decision to cease manufacture of these products. In addition, each of two major producers of men's leather wearing apparel closed one of their facilities for producing these articles. Both producers cited imports of leather wearing apparel from Uruguay as contributing to their decisions to close their facilities. 1/

U.S. Market and Channels of Distribution

Before the 1950's leather wearing apparel was confined to work-type or protective clothing, and leather garments were almost exclusively intended for masculine use. Because of technological advances in the tanning industry, which resulted in the greater use of cowhide and the ability to color and make supple tanned leather, production of both men's and women's leather wearing apparel increased substantially in the 1960's. This trend continued in the 1970's, as consumer preferences turned to the "natural look" in apparel. These developments along with refinement in styling resulted in a broadening of the market for leather wearing apparel.

Mail-order chains, mass merchandisers, and department stores have been joined by an increasing number of small specialty stores as the principal buyers and retailers of both domestic and imported leather wearing apparel. In recent years, some domestic producers ceased production in the United States and began importing leather wearing apparel to be sold under their labels. The desired styles and patterns are transmitted to foreign producers and the resulting garments are imported, some in the form of "shells" which are finished in the United States. Such finishing operations could include the sewing of buttonholes and buttons on the garment, and the sewing of manufacturers' labels into the garment.

It has been relatively simple for domestic producers to switch from producing to importing because they do not have significant amounts of fixed assets tied up in production facilities. The manufacture of leather wearing apparel is primarily a cutting and sewing operation performed by individual operators. On the other hand, these developments have adversely affected employment of production and related workers in this labor-intensive industry.

Retailers are also shifting buying habits. Rather than buying from domestic producers or importers, many major mail-order chains and department stores have begun to import leather wearing apparel directly. These large retailers send buyers directly to foreign producers, who specify styles and patterns for the leather garments to be produced and then shipped to their stores and warehouses in the United States.

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U.S. Imports

The estimated value of U.S. imports of leather wearing apparel, 1/ men's and boys' leather coats and jackets, women's and girls' leather coats and jackets, and other articles of leather wearing apparel increased 143 percent from 1975 to 1978 and then decreased 19 percent, from $318 million in 1978 to $258 million in 1979 (table 1). The value of imports declined further in January-August 1980, dropping 34 percent from the corresponding period of 1979. The decline in imports from 1978 to 1979 is largely attributable to a decrease in imports of women's leather coats and jackets, whereas the continued decline in January-August 1980 is largely the result of reduced consumer demand for all leather coats and jackets.

Uruguay was the third largest supplier of leather wearing apparel in 1977 and the fourth largest supplier in 1978, accounting for approximately 11 percent of total imports in both years. By 1979, Uruguay was the seventh largest supplier, accounting for 5 percent of total imports. The value of U.S. imports from Uruguay more than tripled from 1975 to 1978, increasing from $8.5 million to $34.2 million, but then decreased 64 percent, to $12.3 million, in 1979. There was a further decrease of 51 percent in January-August 1980 from the corresponding period of 1979.

Imports of leather wearing apparel from the Far East (Korea, Taiwan, and Hong Kong) noticeably increased their share of total imports from 1977 to January-August 1980, while the shares of Argentina, Uruguay, and Brazil declined. Three factors contributed to the decline in exports from these South American producers. First, severe inflation in the price of skins and hides affected South American producers more than producers in the Far East, as the former purchase their leathers in their own domestic markets on a spot basis, whereas the latter purchase leather 6 to 12 months ahead by forward contracts, primarily from U.S. suppliers. Second, recent countervailing duty investigations with respect to imports of leather wearing apparel from Argentina, Uruguay, Brazil, and Colombia and an investigation by the United States Trade Representative concerning export restrictions on hides from Argentina may have affected exports of leather wearing apparel from these countries. Finally, a slackening of demand for women's leather wearing apparel in 1979, and for all leather wearing apparel during January-August 1980, resulted in declines in U.S. producers' shipments and imports of these articles. As Uruguay and Argentina are primarily exporters of women's leather apparel, these countries have been hard hit by the downturn in demand for these articles in the U.S. market.

1/ Import data prior to Jan. 1, 1978, have been adjusted to exclude those articles of leather wearing apparel with a chief weight of textile fabric. The data were adjusted by combining import data for TSUS items 791.74 and 791.76 for July-December 1977, calculating the percentage of the combined total accounted for by the two items (TSUS item 791.74--15 percent; 791.76--85 percent), and applying those percentages to the imports entered under TSUS item 791.75 in previous years. Unless otherwise specified, all import data in this report have been adjusted in this manner.

Table 1.--Leather wearing apparel: U.S. imports for consumption, by principal sources, 1975-79, January-August 1979, and January-August 1980

Source	1975	1976	1977	1978	1979	January-August-- 1979	January-August-- 1980
	Value (1,000 dollars)						
Korea	25,276	65,858	79,075	114,263	104,601	67,960	47,093
Taiwan	22,482	29,850	27,649	37,896	35,621	23,146	17,171
Mexico	9,763	11,821	13,195	20,877	21,031	12,646	9,815
Argentina	2,903	9,689	18,307	43,825	20,228	14,881	6,625
Hong Kong	11,344	11,675	12,562	14,678	15,178	10,414	7,415
Canada	14,871	13,108	10,998	11,243	13,719	10,649	5,163
Uruguay	8,461	17,778	24,241	34,226	12,263	9,423	4,649
Brazil	4,715	4,939	4,732	8,935	5,429	3,182	1,160
Spain	9,621	10,855	5,972	7,803	4,004	2,724	1,240
All other	21,687	25,526	21,928	24,522	25,881	13,186	10,292
Total	131,123	201,099	218,659	318,268	257,955	168,211	110,623
	Percent of total value						
Korea	19.3	32.8	36.2	35.9	40.6	40.4	42.6
Taiwan	17.2	14.8	12.6	11.9	13.8	13.8	15.5
Mexico	7.5	5.9	6.0	6.6	8.2	7.5	8.9
Argentina	2.2	4.8	8.4	13.8	7.8	8.9	6.0
Hong Kong	8.7	5.8	5.7	4.6	5.9	6.2	6.7
Canada	11.3	6.5	5.0	3.5	5.3	6.3	4.7
Uruguay	6.5	8.8	11.1	10.8	4.8	5.6	4.2
Brazil	3.6	2.5	2.2	2.8	2.1	1.9	1.0
Spain	7.3	5.4	2.7	2.5	1.6	1.6	1.1
All other	16.5	12.7	10.0	7.7	10.0	7.8	9.3
Total 1/	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ Because of rounding, figures may not add to the totals shown.

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

Data on the quantity of imports 1/ show imports of leather coats and jackets increasing 146 percent from 1975 to 1978 and then decreasing 31 percent in 1979 (table 2). The quantity of imports from Uruguay declined by 71 percent from 1978 to 1979, more than for other major suppliers, and declined further, by 50 percent, in January-August 1980.

From 1975 to 1978, the value of imports of women's leather coats and jackets exceeded the value of men's leather coats and jackets. In 1978, women's leather coats and jackets accounted for 52 percent of the total value, and men's leather coats and jackets accounted for 41 percent. This trend reversed in 1979, and by January-August 1980, men's and boys' leather coats and jackets accounted for 57 percent of the total, and women's and girls' leather coats and jackets accounted for only 36 percent. Other leather wearing apparel accounted for approximately 8 percent of total imports from 1975 to 1979. These items also increased in value from 1975 to 1978, and declined in 1979 and January-August 1980. The estimated value of imports of leather wearing apparel, by types, is given in table 3.

Women's leather coats and jackets accounted for the majority of imports of leather wearing apparel from Uruguay. From January 1975 to August 1980, imports of these articles accounted for 75 percent of total imports of leather wearing apparel from Uruguay. In 1977, Uruguay was the second largest supplier of women's leather coats and jackets, accounting for 16 percent of total imports of these articles. By 1979, Uruguay accounted for only 10 percent of such imports, and was the fourth largest supplier.

1/ As the official import statistics of leather wearing apparel compiled by the U.S. Department of Commerce are kept on a value basis only, the staff utilized data developed for the Commission's escape-clause case concerning imports of leather wearing apparel (No. TA-201-40). These data were derived by examining approximately 3,500 commercial invoices of import entries of leather wearing apparel for 1975-78 and January-August 1979. These invoices accounted for approximately 6 percent of all entries of leather wearing apparel in each of the years examined. The unit value of imports of leather coats and jackets was derived from the sample analysis. By dividing these unit values into the value of imports of leather coats and jackets reported in the official statistics, the data on the quantity of imports was developed. Quantity data for 1979 and January-August 1980 were derived by examining a 1-percent sample of entries for the period.

Table 2.--Leather coats and jackets: Estimated U.S. imports for consumption, 1975-79, January-August 1979, and January-August 1980

(In thousands of units)

Source	1975	1976	1977	1978	1979	January-August--	
						1979	1980
Korea	924	2,449	3,011	4,672	3,425	2,199	1,314
Taiwan	804	1,059	850	1,258	907	578	319
Argentina	102	329	583	1,370	557	422	247
Hong Kong	504	292	320	376	396	330	160
Uruguay	264	507	702	995	289	227	113
Brazil	152	141	121	229	113	61	26
All other	1,222	1,242	845	884	1,033	521	545
Total	3,972	6,019	6,432	9,784	6,720	4,338	2,724

Source: Derived from a 6-percent sample of commercial invoices of U.S. imports of leather wearing apparel for each year 1975-78 and January-August 1979. Data for the full year 1979 and January-August 1980 were derived from a 1-percent sample of commercial invoices of U.S. imports of leather coats and jackets for the period.

Table 3.--Leather wearing apparel: U.S. imports, 1/ by types and by principal sources, 1975-79, January-August 1979, and January-August 1980

(In thousands of dollars)

Source	1975	1976	1977	1978	1979	January-August-- 1979	January-August-- 1980
	Men's and boys' leather coats and jackets						
Korea	11,450	29,834	35,821	51,768	69,510	45,328	32,108
Taiwan	10,724	14,238	13,189	18,070	23,313	15,504	11,575
Hong Kong	5,783	5,952	6,404	7,632	8,596	5,462	4,034
Argentina	612	2,044	3,863	9,266	8,350	6,216	3,148
Mexico	4,247	5,142	5,740	9,088	8,207	4,871	2,761
Canada	5,993	5,283	4,432	4,531	4,488	2,695	1,894
Brazil	2,636	2,949	2,825	5,337	4,034	2,474	728
Spain	6,694	7,434	4,091	5,336	2,846	1,992	1,075
Uruguay	1,616	3,396	4,630	6,543	2,662	1,732	254
All other	8,599	10,002	8,622	11,515	14,153	8,484	6,295
Total	58,354	86,274	89,617	129,086	146,159	94,758	63,872
	Women's and girls' leather coats and jackets						
Korea	12,259	31,941	38,351	55,417	30,243	19,748	11,911
Argentina	2,189	7,306	13,803	33,058	10,872	8,168	2,941
Taiwan	10,072	13,373	12,386	16,982	10,355	6,659	4,979
Uruguay	6,346	13,333	18,181	25,640	8,966	7,410	4,019
Canada	7,852	6,922	5,807	5,942	8,742	5,914	3,043
Mexico	4,305	5,213	5,819	9,208	7,857	5,538	4,026
Hong Kong	3,704	3,812	4,101	4,884	4,564	3,443	2,214
Brazil	1,563	1,748	1,675	3,166	1,243	573	430
Spain	2,834	3,148	1,732	2,263	1,107	678	138
All other	10,255	12,095	10,098	8,202	8,399	4,223	2,210
Total	61,379	98,891	111,953	164,762	92,258	62,354	35,911
	Other leather wearing apparel						
Mexico	1,211	1,466	1,636	2,581	4,967	2,237	3,028
Korea	1,567	4,083	4,903	7,078	4,848	2,884	3,074
Hong Kong	1,857	1,911	2,057	2,162	2,018	1,509	1,167
Taiwan	1,686	2,239	2,074	2,844	1,953	983	617
Argentina	102	339	641	1,501	1,006	497	536
Uruguay	499	1,049	1,430	2,043	635	281	376
Brazil	216	242	232	432	152	135	2
All other	4,252	4,605	4,116	5,779	3,959	2,573	2,040
Total	11,390	15,934	17,089	24,420	19,538	11,099	10,840

1/ Import data for 1975-77 were adjusted to separate imports of leather coats and jackets intended for masculine or feminine use, as well as other items of leather wearing apparel. It was estimated that the same share of the total imports for each source entered under TSUSA item 791.7620 (men's and boys' leather coats and jackets) in 1978 entered in 1975-77. The same methodology was followed to separate women's and girls' leather coats and jackets (TSUSA item 791.7640) and other articles of leather wearing apparel (TSUSA item 791.7660) from total imports for 1975-77.

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

The Question of Material Injury or Threat Thereof

U.S. producers' shipments

The Commission received usable shipments data from 16 major producers of men's and women's leather wearing apparel, which accounted for 59 percent of the total quantity of industry shipments from 1975 to 1978. The quantity of shipments of all leather wearing apparel increased slightly from 1975 to 1976, but then declined through January-August 1980 (table 4). Total shipments by respondents for 1979 were 1.2 million units, representing a 20 percent decline from 1975. Such shipments of all leather wearing apparel fell sharply in January-August 1980, declining 34 percent from the corresponding period of 1979. Because of increasing raw-material costs, primarily for tanned leather, unit values of leather wearing apparel increased steadily throughout 1975-79 resulting in irregular but modest increases in the value of total shipments throughout the period.

The quantity of shipments of men's and boys' leather wearing apparel increased 5 percent from 1975 to 1976, but then declined in each following year to 1.05 million units in 1979, or by 11 percent from 1975. This decline accelerated in January-August 1980, with such shipments falling 33 percent in this period compared with those in January-August 1979.

The decline in the quantity of shipments of women's and girls' leather wearing apparel during the period was much more severe than that reported for the men's and boys' segment of the industry. Such shipments declined each year, to 170,000 units in 1979, which represents a 51-percent decline from those shipments reported in 1975. Shipments of women's and girls' leather apparel declined an additional 39 percent between January-August 1979 and January-August 1980. The noticeable decline in the unit value of women's apparel is explained by industry sources as a result of increased demand for women's leather jackets and blazers, which are less expensive apparel items than the longer coats.

Table 4.--Leather wearing apparel: Shipments of 16 major U.S. producers, by types, 1975-79, January-August 1979, and January-August 1980

Type	1975	1976	1977	1978	1979	January-August-- 1979	January-August-- 1980
	Quantity (units)						
Men's and boys'	1,172,386	1,231,798	1,099,076	1,072,772	1,047,210	741,494	498,351
Women's and girls'	345,837	298,423	225,774	203,406	169,895	109,878	66,984
Total	1,518,223	1,530,221	1,324,850	1,276,178	1,217,105	851,372	565,335
	Value (1,000 dollars)						
Men's and boys'	59,341	67,931	62,123	66,699	68,392	47,326	34,827
Women's and girls'	22,363	22,859	19,369	18,469	15,548	10,781	5,671
Total	81,704	90,790	81,492	85,168	83,940	58,107	40,498
	Unit value						
Men's and boys'	$50.62	$55.15	$56.52	$62.17	$65.31	$63.83	$69.88
Women's and girls'	64.66	76.60	85.79	90.80	91.52	98.12	84.66
Average	53.82	59.33	61.51	66.73	68.97	68.25	71.64

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

U.S. exports

Exports of leather wearing apparel accounted for 3 percent of the estimated value of domestic shipments from 1977 to 1979. Nonetheless, the value of exports of leather wearing apparel increased from $2.8 million in 1977 to $7.1 million in 1979, or by 152 percent. Exports continued to increase in January-August 1980, to $7.3 million, compared with $5.3 million in the corresponding period of 1979. Japan and Canada were the principal customers for U.S. export sales from January 1977 to August 1980. The value of U.S. exports of leather wearing apparel, compiled from official statistics of the U.S. Department of Commerce, was as follows:

	U.S. exports (1,000 dollars)
1977	2,820
1978	5,357
1979	7,113
January-August--	
1979	5,290
1980	7,270

Capacity utilization

As part of its consideration of injury to the domestic industry, the Commission asked U.S. producers of leather wearing apparel to report their capacity to produce such items in their domestic facilities (table 5). Capacity was defined as the maximum sustainable production at one 8-hour shift a day, 5 days a week, 50 weeks a year. Capacity in the leather wearing apparel industry is primarily determined by the available labor supply and the number and type of sewing machines in the producers' facilities.

Table 5.--Leather wearing apparel: U.S. production, capacity, and capacity utilization, 1977-79, January-August 1979, and January-August 1980

Item	1977	1978	1979	January-August--	
				1979	1980
Production---units--	1,173,032	1,072,868	1,180,065	690,865	548,999
Capacity------do----	1,629,763	1,665,103	2,084,684	1,210,769	1,178,902
Capacity utilization: percent--	72.0	64.4	56.6	57.1	46.6

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

Questionnaire data show the rate of capacity utilization for respondents declining steadily from 1977 to 1979 and in the period January-August 1980 compared with the rate in the corresponding period of 1979.

The decline in production of leather wearing apparel from 1977 to January-August 1980 was an industrywide phenomenon, rather than the experience of a few firms, as shown in the following tablulation:

	1977 to 1978	1978 to 1979	January-August 1979 to January-August 1980
Firms reporting increases in production	5	4	1
Firms reporting decreases in production	6	6	11
Firms in which production remained the same	1	2	0
Total firms responding	12	12	12

The failure of capacity to closely track production is typical in the apparel industry, where demand for particular products from season to season is dependent on shifting fashion and fluctuating raw material costs. The idling of machinery in a downturn in this industry does not represent as high a fixed cost for maintenance or disruption of production runs as it would in more highly technological, capital-intensive industries. Furthermore, the heavy-duty sewing machines used to sew leather garments can be adapted in most cases, with some loss of efficiency, for sewing other leather articles and cloth garments. This is the usual practice in smaller, "loft" operations producing limited quantities of leather garments on an order basis.

Employment

Data from 13 respondents showing the number of production and related workers and hours worked in the leather wearing apparel industry are given in table 6.

Table 6.--Average number of production and related workers and hours worked by them in facilities producing leather wearing apparel, 1977-79, January-August 1979, and January-August 1980

Item	1977	1978	1979	January-August-- 1979	January-August-- 1980
Average number of production and related workers	1,743	1,685	1,655	1,687	1,512
Hours worked by production and related workers----thousands--	3,191	3,078	2,804	2,338	1,454
Average weekly hours per worker	36.6	36.5	33.9	1/ 43.3	30.1

1/ * * *.

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

Employment of production and related workers in the leather wearing apparel industry declined 5 percent from 1977 to 1979 and 10.4 percent between January-August 1980 and the corresponding period in 1979. The average hours worked each week by production and related workers declined from 36.6 hours a week in 1977 to 33.9 in 1979 and then declined further to 30.1 hours in January-August 1980, suggesting underemployment in the industry.

A representative of the Amalgamated Clothing & Textile Workers Union in the previous countervailing duty investigation involving Brazil and Colombia, characterized the bulk of the labor force producing leather wearing apparel as unskilled and having a lower level of education and income than most other manufacturing workers in the United States. From April 1975 to August 1980, 77 petitions, involving 3,646 workers in the leather wearing apparel industry, had been certified as eligible for trade adjustment assistance by the U.S. Department of Labor. As of March 1980, 11 petitions, involving 412 workers, had been denied trade adjustment assistance.

Unshipped orders

The Commission requested data pertaining to domestic producers' unshipped orders for leather wearing apparel as of August 31 of 1978-80. These data measure bona fide orders received but not shipped on these dates. An increase in unshipped orders from season to season indicates increasing demand for leather apparel products of domestic producers; a decrease indicates decreasing demand. Unshipped orders of 15 major producers of men's and women's leather wearing apparel on these specific dates were as follows:

Item	Aug. 31, 1978	Aug. 31, 1979	Percentage decrease	Aug. 31, 1980	Percentage increase or decrease (-)
Quantity--------units--:	226,639	158,671	30.0	153,287	-3.4
Value---1,000 dollars--:	11,231	9,081	25.8	9,799	7.9

Producers' unshipped orders decreased significantly from August 31, 1978, to August 31, 1979, declining 30 percent by quantity and 26 percent by value, and continued to decline in quantity in 1980. The increase in the value of unshipped orders for leather wearing apparel from 1979 to 1980 is attributable to increased prices for unshipped orders.

Profit-and-loss experience

The Commission received profit-and-loss data from 9 major producers of leather wearing apparel, accounting for 46 percent of total shipments (table 7).

Table 7.--Leather wearing apparel: Profit-and-loss experience of U.S. producers on their leather wearing apparel manufacturing operations, accounting years 1977-79, January-June 1979, and January-June 1980

Item	1977	1978	1979	January-June--	
				1979	1980
Net sales----1,000 dollars--	64,631	71,158	83,195	37,950	29,957
Cost of goods sold----do----	53,273	58,520	67,323	30,317	24,181
Gross profit----------do----	11,358	12,638	15,871	7,633	5,773
General, selling, and administrative expenses 1,000 dollars--	9,507	10,461	13,926	7,089	6,488
Net operating profit or (loss)-----1,000 dollars--	1,851	2,176	1,944	544	(714)
Ratio of net operating profit or (loss) to net sales percent--	2.9	3.1	2.3	1.4	(2.4)
Number of firms reporting net operating losses------	2	2	1	3	6
Range of individual firms' sales:					
High-------1,000 dollars--	***	***	***	***	***
Low-----------------do----	***	***	***	***	***
Range of individual firms' net operating profit or (loss):					
High-------1,000 dollars--	***	***	***	***	***
Low-----------------do----	***	***	***	***	***

Note.--Because of rounding, figures may not add to totals shown.

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

Net sales of respondents rose from $64.6 million in 1977 to $83.2 million in 1979, or by 29 percent, but declined 21 percent from January-June 1979 to January-June 1980. Net operating profit and the ratio of net operating profit to net sales followed a somewhat different trend, increasing modestly from 1977 to 1978 and then declining slightly in 1979 to levels just above those in 1977. Respondents' financial position deteriorated greatly in January-June 1980, however, with a net operating loss of $714,000 representing a decrease of more than 200 percent from the $544,000 net operating profit reported in the corresponding period of 1979.

The Question of the Causal Relationship Between Imports and the Alleged Material Injury

Market penetration of imports from Uruguay

The quantity of imports of leather coats and jackets from Uruguay as a share of apparent U.S. consumption rose from 4.1 percent in 1975 to 8.3 percent in 1978 before falling drastically, to 3.3 percent, in 1979 (table 8). Data for January-August 1980 show imports from Uruguay decreasing slightly, to 3.3 percent, compared with 4.1 percent in January-August 1979.

Table 8.--Leather wearing apparel: U.S. producers' shipments, exports, 1/ imports, 2/ total and from Uruguay, and apparent consumption, 1975-79, January-August 1979, and January-August 1980.

Period	U.S. producers' shipments	Exports	Imports: Total	Imports: From Uruguay	Apparent consumption	Ratio of imports to consumption: Total	Ratio of imports to consumption: From Uruguay
	1,000 units					percent	
1975----------	2,523	40	4,318	280	6,801	63.5	4.1
1976----------	2,580	73	6,495	537	9,002	72.2	6.0
1977----------	2,299	43	6,934	743	9,190	75.5	8.1
1978----------	2,212	77	10,537	1,055	12,672	83.2	8.3
1979----------	3/ 2,110	103	7,231	304	9,238	78.3	3.3
January-August--							
1979------	1,223	71	4,624	234	5,776	80.1	4.1
1980------	3/ 812	101	2,991	122	3,702	80.8	3.3

1/ Data on exports were estimated by dividing the value of exports for each period reported by the U.S. Department of Commerce by unit values of U.S. producers' shipments derived from data submitted in response to questionnaires of the U. S. International Trade Commission.

2/ Data on quantity of imports were derived from a 6-percent sample of commercial invoices of U.S. imports of leather wearing apparel, for each year 1975-1979. Data for January-August 1980 were derived by examining a 1-percent sample of entries for the period.

3/ Estimated from trends prevalent in questionnaire data of 16 major U.S. producers, accounting for 59 percent of total U.S. shipments from 1975 to 1978.

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

Prices

The Commission did not receive adequate responses to its questionnaires from U.S. producers and importers of apparel from Uruguay concerning prices of men's and women's leather wearing apparel. Thus, the staff compared average unit values of U.S. producers' shipments with those of imports of these articles from Uruguay. The average unit values of imports were increased by 25 percent, a figure which industry sources said represented a typical importers' markup (table 9).

Table 9.--Leather coats and jackets: Average unit values of U.S. producers' shipments and imports from Uruguay, by types, 1978-79, and January-August 1980

Type and period	U.S. producers' shipments	Imports from Uruguay 1/	Margin of underselling by imports from Uruguay
			Percent
Men's leather coats and jackets:			
1978	$62.17	$48.04	22.7
1979	65.31	53.75	17.7
January-August-- 1980	69.88	49.24	29.5
Woman's leather coats and jackets:			
1978	90.80	38.46	57.6
1979	91.52	49.45	46.0
January-August-- 1980	84.66	45.30	46.5

1/ Estimated by adding on an importers' markup of 25 percent to unit values derived from customs values of imports.

Source: U.S. producers' shipments compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports compiled from table 14, p. A-35, of USITC Publication 1030, and official statistics of the U.S. Department of Commerce.

Average unit values of domestically produced men's leather wearing apparel increased each year from 1978 to January-August 1980. In contrast, unit values of imports of these products increased from 1978 to 1979 but fell back in January-August 1980. The resultant margin of underselling by men's leather coats and jackets from Uruguay decreased from 22.7 percent in 1978 to 17.7 percent in 1979, but then increased to 29.5 percent in January-August 1980.

The average unit values of women's leather coats and jackets produced domestically and imported from Uruguay increased from 1978 to 1979, but dropped noticeably in January-August 1980. The margin of underselling by coats and jackets from Uruguay declined by 20 percent from 1978 to 1979, from 57.6 percent to 46.0 percent, and remained at about that level in January-August 1980.

Loss of sales

Domestic producers were requested to supply evidence of sales lost to imports from Brazil, Korea, Taiwan, and Uruguay. 1/ Three domestic producers cited 29 former customers believed to have switched from domestically produced leather wearing apparel to imports from those countries, but the producers did not specify which of the four countries to which they had allegedly lost sales.

Fourteen of the firms mentioned as lost accounts were contacted. Twelve of these firms stated they did not purchase imported leather apparel from Uruguay. * * *.

Hide prices and restrictive export practices

The cost of tanned leather, the principal raw material required in making a leather garment, is more than 50 percent of the cost of production. Thus the price and supply of this vital input are the key factors in determining the competitiveness of the domestic producer vis-a-vis imports in the U.S. market.

The supply of hides and skins is determined by the economic factors that determine meat supply, making hides an unusual commodity in that respect. Being a byproduct of cyclical cattle and calf slaughter, the hide supply is not affected by current or past hide prices. A recent Department of Agriculture study stated that the demand for hides was very inelastic, so that even a large change in price would cause only a relatively small change in the quantity of hides demanded. 2/

World production of selected hides and skins declined from 5.5 million metric tons in 1977 to 5.4 million metric tons in 1979 (table 10).

1/ The questionnaires were mailed prior to the termination of the investigations concerning imports from Brazil, Korea, and Taiwan.
2/ U.S. Department of Agriculture, The Structure, Pricing Characteristics, and Trade Policy of the Hides, Skins, Leather, and Leather Products Industry, 1979, p. 18.

Table 10.--World production of cattle and calf hides and sheep and lamb skins, 1977-79

Year	Cattle and calf hides	Sheep and lamb skins	Total
	Quantity (1,000 metric tons)		
1977	5,239.7	314.8	5,554.5
1978	5,243.3	326.9	5,570.2
1979 1/	5,049.0	320.0	5,369.0
	Quantity (million pieces)		
1977	286.0	103.3	389.3
1978	287.0	113.8	400.8
1979 1/	278.8	118.4	397.2

1/ Estimated.

Source: U.S. Department of Agriculture, Consumer Products Division.

The United States is a major producer of hides and skins. As stated above, the production of hides parallels the cyclical trends in cattle slaughter. The drop in cattle slaughter in the United States during 1979, estimated at 12 to 14 percent from the levels of 1977 and 1978, respectively, has resulted in a substantial reduction in U.S. production of hides and skins (table 11). The fluctuating supply has, of course, a disruptive effect on the prices of hides and skins. The low level of production in 1979 is expected to continue through 1981.

Table 11.--U.S. production of cattle and calf hides and sheep and lamb skins, 1977-79, January-August 1979, and January-August 1980

(In millions of pieces)

Period	Cattle and calf hides	Sheep and lamb skins	Total
1977	47.4	6.4	53.8
1978	43.8	5.2	49.0
1979	36.5	5.0	41.5
January-August--			
1979	24.5	3.3	27.8
1980	23.6	3.6	27.2

Source: U.S. Department of Agriculture, Economics, Statistics, and Cooperative Service.

The world demand for hides in recent years has been high, creating upward pressure on world prices. As a result of the high prices abroad, 60 percent of U.S. hides were exported in 1978 and 71 percent were exported in 1979. The slowdown in cattle slaughter brought about by the decision to increase cattle herds resulted in a tightening of hide supplies. The combination of increased exports and decreased supply of hides caused the rise in U.S. wholesale prices for hides and skins in 1978 and 1979 (table 12).

Table 12.--U.S. wholesale price indexes for all hides and skins and tanned leather, 1967-79 and January-September 1980

Period	All hides and skins		Tanned leather	
	Index (1967=100)	Percentage change from previous year	Index (1967=100)	Percentage change from previous year
1967	100.0	-	100.0	-
1968	105.7	5.7	102.1	2.1
1969	124.1	17.4	108.7	6.5
1970	104.3	-16.0	107.7	-0.9
1971	115.1	10.4	112.5	4.5
1972	213.7	85.7	140.4	24.8
1973	253.9	18.8	160.1	14.0
1974	195.9	-22.8	154.3	-3.6
1975	174.5	-10.9	151.5	-1.8
1976	258.4	48.1	188.1	24.2
1977	286.8	11.0	201.0	6.9
1978	360.5	26.0	238.6	18.7
1979	535.4	49.0	356.7	49.5
1980 (January-September)	363.0	-	308.7	-

Source: U.S. Department of Commerce, Consumer Goods Division.

The table shows an irregular increase in hide prices since 1967, with the highest rise occurring between 1971 and 1972. Another substantial increase occurred between 1978 and 1979, when prices increased by almost 50 percent. The total increase in the wholesale price index for all hides and skins from 1967 to 1979 amounted to more than 400 percent. The sharp drop in January-September 1980 prices reflects the worldwide decline in demand for leather.

Table 13 presents prices for U.S. light native cow hides during January 1978-September 1980. The price for hides began a steady increase in 1978 and continued rising until April 1979, reaching $1.12 per pound. The subsequent decline continued through September 1980, with the price falling irregularly to a low of 38 cents per pound in May, rising to 51 cents in August, and then declining again to 47 cents in September 1980. The average price for January-September 1980, 53 cents per pound, was lower than the average 1978 price of 55 cents per pound. The lower prices are expected to continue into 1981. According to the Department of Agriculture, reasons for the price decline in the presence of the lower supply of hides include the general worldwide decrease in demand for leather, a sharp drop in the use of leather in autos, increased substitution of manmade materials for leather, and a recent drop during January-August 1980 in U.S. exports of leather and hides.

Table 13.—Selected prices of U.S. light native cow hides, by month, January 1978-September 1980

(In cents per pound)

Period	1978	1979	1980
January	48	76	80
February	48	88	70
March	46	110	56
April	48	112	48
May	47	108	38
June	49	91	39
July	53	81	46
August	58	80	51
September	61	75	47
October	64	74	-
November	69	72	-
December	69	78	-
Average	55	87	53

Source: Tanners' Council of America.

In the early 1970's many South American hide suppliers introduced export restriction measures to provide their leather industries with less expensive raw materials and make their products more competitive abroad. Among the countries with such export restrictions were Brazil, Uruguay, Argentina, and Mexico. The measures created a two-tiered market for hides which kept domestic prices as much as 75 percent below world market prices and created an important price advantage for the leather goods producers in those countries. 1/ Seeking to liberalize the trade in hides, the U.S. Government has held negotiations with Argentina, Brazil, and Uruguay, seeking to reduce their export restrictions. These negotiations resulted in an agreement between the United States and Argentina, signed on August 10, 1978, which replaces Argentine export controls with a 20-percent export tax to be phased out by October 1, 1981. 2/

Although U.S. policy has generally attempted to encourage exports of hides and leather, there were brief periods in 1966 and 1972 when U.S. exports of these products were restricted. A further attempt to restrict exports of hides was made by Congress in 1979 when an amendment was attached to the Export Administration Act bill; however, the amendment was defeated in the House of Representatives on September 18, 1979.

1/ U.S. Department of Agriculture, op. cit., p. 4.
2/ Leather Wearing Apparel . . ., USITC Publication 1030.

APPENDIX A

U.S. INTERNATIONAL TRADE COMMISSION NOTICES OF INVESTIGATIONS, PUBLIC CONFERENCE, AND TERMINATION OF INVESTIGATIONS

[701-TA-65, 66, 67, and 68 (Preliminary)]

Leather Wearing Apparel From Brazil, Korea, Taiwan and U.,uguay; Institution of Preliminary Countervailing Duty Investigations and Scheduling of Conference

AGENCY: United States International Trade Commission.

ACTION: Institution of preliminary countervailing duty investigations to determine whether there is a resonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of allegedly subsidized imports from Brazil, Korea, Taiwan, and Uruguay of leather wearing apparel, provided for in item 791.76 of the Tariff Schedules of the United States (TSUS).

EFFECTIVE DATE: October 15, 1980.

FOR FURTHER INFORMATION CONTACT: Vera Libeau, Senior Investigator (202-523-0368).

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted following receipt of a petition on October 15, 1980, filed by Ralph Edwards Sportswear, Inc., on behalf of domestic producers of leather wearing apparel. The petition requested the imposition of additional duties in an amount equal to the net amounts of the alleged bounties or grants.

Authority

Section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) requires the Commission to make a determination of whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the alleged subsidized imports. Such a determination must be made within 45 days after the date on which a petition if filed under section 702(b) or on which notice is received from the Department of Commerce of an investigation commenced under section 702(a). Accordingly, the Commission, on October 21, 1980, instituted preliminary countervailing duty investigations Nos. 701-TA-65, 66, 67, and 68. These investigations will be subject to the provisions of part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 F.R. 76457) and particularly, subpart B thereof.

Written Submissions

Any person may submit to the Commission on or before November 17, 1980, a written statement of information pertinent to the subject matter of these investigations. A signed original and nineteen copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conference

The Director of Operations of the Commission has scheduled a conference in connection with these investigations for 10 a.m., e.s.t., on November 12, 1980, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. Parties wishing to participate in the conference should contact the senior investigator for these investigations, Ms. Vera Libeau (202-523-0368). It is anticipated that parties in support of the petition for countervailing duties and parties opposed to such petition will each be collectively allocated one hour within which to make an oral presentation at the conference. Further details concerning the conduct of the conference will be provided by the senior investigator.

Inspection of Petition

The petition filed in these cases is available for public inspection at the Office of the Secretary, U.S. International Trade Commission.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 80-33703 Filed 10-28-80; 8:45 am]

BILLING CODE 7020-02-M

Federal Register, Ocotber 29, 1980
(45 F.R. 71690)

[Termination of Investigations Nos. 701-TA-65, 66, and 67 (Preliminary)]

Leather Wearing Apparel from Brazil, Korea, and Taiwan

AGENCY: U.S. International Trade Commission.

ACTION: Termination of preliminary countervailing duty investigations.

EFFECTIVE DATE: November 6, 1980.

FOR FURTHER INFORMATION CONTACT: Vera Libeau, Office of Investigations, (202) 523-0368.

SUPPLEMENTARY INFORMATION: On October 15, 1980, following receipt of a petition filed by Ralph Edwards Sportswear, Inc., the Commission instituted preliminary countervailing duty investigations Nos. 701-TA-65, 66, 67, and 68, Leather Wearing Apparel from Brazil, Korea, Taiwan, and Uruguay. The purpose of the investigations was to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of allegedly subsidized imports from Brazil, Korea, Taiwan, and Uruguay of leather wearing appeal, provided for in item 791.76 of the Tariff Schedules of the United States. On November 6, 1980, the Commission received advice from the Department of Commerce that it was initiating an investigation solely with regard to Uruguay. Because Commerce had not initiated an investigation on Brazil, Korea, and Taiwan within the prescribed time limits and because of the request of the petitioner to withdraw that portion of its petition applying to those three countries, the Commission's investigations concerning leather wearing apparel from Brazil, Korea, and Taiwan are hereby terminated pursuant to its authority under section 207.13 of the Commission's Rules of Practice and Procedure.

Issued: November 10, 1980.

Kenneth R. Mason,

Secretary.

[FR Doc. 80-36104 Filed 11-18-80; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

LIST OF WITNESSES APPEARING AT THE COMMISSION'S PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

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

Subject: Leather wearing apparel from Uruguay

Inv. No.: 701-TA-68 (Preliminary)

Date and time: November 12, 1980 - 10 a.m., e.s.t.

Conference was held at the U.S. International Trade Commission Building, 701 E Street, N.W., Washington, D.C. 20436.

In support of the petition:

Ralph L. Edwards, Chairman
Ralph Edwards Sportswear, Inc.
Cape Girardeau, Missouri

Joseph J. Russell, Esq., Secretary
Ralph Edwards Sportswear, Inc.
Cape Girardeau, Missouri

Morton Cooper, President
Cooper Sportswear Manufacturing Company
Newark, New Jersey

APPENDIX C

TREASURY DEPARTMENT'S NOTICES CONCERNING ITS COUNTERVAILING DUTY INVESTIGATION IN 1977 AND 1978

LEATHER WEARING APPAREL FROM URUGUAY

Receipt of Countervailing Duty Petition and Initiation of Investigation

AGENCY: United States Customs Service, Treasury Department.

ACTION: Initiation of Countervailing Duty Investigation.

SUMMARY: This notice is to advise the public that a satisfactory petition has been received and that a countervailing duty investigation has been started for the purpose of determining whether or not benefits are paid by the Government of Uruguay to manufacturers/exporters of leather wearing apparel which constitute the payment of a bounty or grant within the meaning of the U.S. countervailing duty law. A preliminary determination will be made not later than July 21, 1977, and a final determination no later than January 21, 1978.

EFFECTIVE DATE: On January 21, 1977, this investigation was initiated.

FOR FURTHER INFORMATION CONTACT:

Vincent P. Kane, Duty Assessment Division, Office of Operations, U.S. Customs Service, Washington, D.C. 20220, 202-566-5492.

SUPPLEMENTARY INFORMATION: A petition in satisfactory form was received on January 21, 1977, alleging that benefits conferred by the Government of Uruguay upon the manufacture, production or exportation of leather wearing apparel from Uruguay constitute the payment or bestowal of a bounty or grant within the meaning of section 303, Tariff Act of 1930, as amended (19 U.S.C. 1303).

The leather wearing apparel specified in the petition is classifiable under item 791.7600 of the Tariff Schedules of the United States Annotated (TSUSA). Leather wearing apparel from Uruguay is eligible for duty free entry under the Generalized System of Preferences. In the event that it becomes necessary to refer this matter to the United States International Trade Commission pursuant to section 303(a)(2), Tariff Act of 1930, as amended, (19 U.S.C. 1301(a)(2)), there is evidence on record concerning injury to, or likelihood of injury to, or prevention of the establishment of an industry in the United States.

Pursuant to section 303(a)(4), Tariff Act of 1930, as amended (19 U.S.C. 1303 (a)(4)), the Secretary of the Treasury is required to issue a preliminary determination as to whether or not any bounty or grant is being paid or bestowed within the meaning of that statute within 6 months of receipt, in satisfactory form, of a petition alleging the payment or bestowal of a bounty or grant. A final determination must be issued within 12 months of the receipt of such petition. Therefore, a preliminary determination on this petition will be made no later than July 21, 1977, as to whether or not the alleged payments or bestowals conferred by the Government of Uruguay upon the manufacturer, production, or exportation of the merchandise described above constitute a bounty or grant within the meaning of section 303, Tariff Act of 1930, as amended. A final determination will be issued no later than January 21, 1978.

This notice is published pursuant to section 303(a)(3) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(a)(3)), and § 159.47(c), Customs Regulations (19 CFR 159.47(c)).

G. R. DICKERSON,
Acting Commissioner of Customs.

Approved: April 19, 1977.

JOHN H. HARPER,
Acting Secretary of the Treasury.

[FR Doc.77-12046 Filed 4-26-77;8:45 am]

Federal Register, April 27, 1977
(42 F.R. 21531)

LEATHER WEARING APPAREL FROM URUGUAY

Preliminary Countervailing Duty Determination

AGENCY: U.S. Customs Service, Treasury Department.

ACTION: Preliminary countervailing duty determination.

SUMMARY: This notice is to inform the public that a countervailing duty investigation has resulted in a preliminary determination that the Government of Uruguay has given benefits which are considered to be bounties or grants on the manufacture or exportation of leather wearing apparel. A final determination will be made by January 21, 1978. Interested persons are invited to comment on this action.

EFFECTIVE DATE: July 27, 1977.

FOR FURTHER INFORMATION CONTACT:

Vincent P. Kane, Duty Assessment Division, Office of Operations, U.S. Customs Service, Washington, D.C. 20229 (202-566-5492).

SUPPLEMENTARY INFORMATION: On April 27, 1977, a "Notice of Receipt of Countervailing Duty Petition and Initiation of Investigation" was published in the FEDERAL REGISTER (42 FR 21531). The notice stated that a petition had been received alleging that payments or bestowals conferred by the Government of Uruguay upon the manufacture, production, or exportation of leather wearing apparel constitute the payment or bestowal of a bounty or grant, directly or indirectly, within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303) (referred to in this notice as "the Act").

On the basis of an investigation conducted pursuant to § 159.47(c) of the Customs Regulations (19 CFR 159.47 (c)), it tentatively has been determined that benefits have been received by the Uruguayan manufacturers/exporters of leather wearing apparel which may constitute bounties or grants within the meaning of the Act. These benefits include the granting to maufacturers and exporters tax certificates upon export, income tax reductions on certain export related income. and preferential financing for export.

Programs tentatively determined not to be bounties or grants within the meaning of the Act include the exemption from the value added tax upon exportation, and the rebate of import duties paid on raw materials used in the production of leather wearing apparel to be exported.

Programs found not to be applicable to the leather wearing apparel manufacturers and exporters include government sponsored export credit insurance, a tax holiday for new industries, and benefits for locating within certain free ports and zones.

Before a final determination is made, consideration will be given to any relevant data, views or arguments submitted in writing with respect to this preliminary determination. Submission should be addressed to the Commissioner of Customs, 1301 Constitution Avenue NW., Washington, D.C. 20229, in time to be received by his office not later than August 26, 1977.

This preliminary determination is published pursuant to section 303(a) of the Tariff Act of 1930, as amended (19 U.S.C 1303(a)).

G. R. DICKERSON,
Acting Commissioner of Customs.

Approved: July 21, 1977.
HENRY C. STOCKELL, Jr.,
Acting General Counsel.

[FR Doc.77-21531 Filed 7-26-77;8:45 am]

Federal Register, July 27, 1977
(42 F.R. 38251)

[4810-22]

Customs Service

LEATHER WEARING APPAREL FROM URUGUAY

Final Countervailing Duty Determination

AGENCY: Customs Service, U.S. Treasury Department.

ACTION: Final Countervailing Duty Determination.

SUMMARY: This notice is to advise the public that an investigation has resulted in a determination that the Government of Uruguay has given benefits considered to be bounties or grants within the countervailing duty law to manufacturers who export leather wearing apparel to the United States. Since this merchandise is duty-free, the case is being referred to the U.S. International Trade Commission for an injury determination. However, should the Commission's determination be affirmative, the Treasury would consider it appropriate to waive countervailing duties, based upon the criteria established by the Trade Act of 1974, including the actions taken and to be taken by the Government of Uruguay to reduce significantly the bounty or grant.

EFFECTIVE DATE: January 30, 1978.

FOR FURTHER INFORMATION CONTACT:

Vincent P. Kane, Operations Officer, Duty Assessment Division, United States Customs Service, 1301 Constitution Avenue NW., Washington, D.C. 20229, 202-566-5492.

SUPPLEMENTARY INFORMATION: On July 27, 1977, a "Preliminary Countervailing Duty Determination" was published in the FEDERAL REGISTER (42 FR 38251). The notice stated that it preliminarily had been determined that benefits had been received by the Uruguayan manufacturers/exporters of leather wearing apparel which may constitute bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303) (referred to in this notice as "the Act"). The benefits preliminarily determined to be bounties or grants were:

(1) Income tax exemptions on certain export-related income;

(2) Preferential financing for exports; and

(3) The granting of tax certificates, known as "reintegros," to manufacturers of leather wearing apparel, upon the exportation of the goods.

The rebate of value-added taxes upon export of goods and a rebate of import duties paid on raw materials used in the production of leather wearing apparel for export has been determined not to constitute a bounty or grant within the meaning of the Act.

Programs found not to have been utilized by the leather wearing apparel industry included government-sponsored export insurance, a tax holiday for new industries, and benefits for locating within certain free ports and zones.

The notice offered interested parties an opportunity to submit any relevant data, views or arguments in writing with respect to the preliminary determination in time to be received not later than August 26, 1977.

Subsequent investigation lead to the conclusion that the subsidy granted to the tanners upon the exportation of the finished leather wearing apparel constitute a bounty or grant within the meaning of the Act. Based on present information available, however, the tanners' subsidy serves to make Uruguayan tannery prices equal with neighboring country competition, which is readily available to leather wearing apparel manufacturers in Uruquay. Thus the net effect of the bounty or grant is zero since the cost of producing leather wearing apparel absent the subsidy would not be increased due to lower prices available from neighboring countries.

In addition, the effect of the export subsidy is offset by certain fiscal charges which are indirect taxes that are directly related to the exported leather wearing apparel. These taxes are not rebated on export, and under the Act would be eligible for rebate and thus act to reduce the effective export benefit. Such taxes include:

(1) Export taxes charged on the value of the leather wearing apparel plus a tax on the value of the export rebate certificates;

(2) Value-added taxes that are charged in manufacturing the leather wearing apparel (the Government of Uruguay generally rebates 75 percent of value-added taxes paid);

(3) Taxes on agricultural transactions which in this case involve a 4-percent tax on the value of the hide purchased by the tanner; and

(4) Import taxes and other special taxes which are assessed on the non-leather items of the leather apparel.

Finally, the export benefit is reduced due to a regular devalution of the peso to the dollar since the certificate tendering the benefit is not received before 90 days after application has been made for it.

After consideration of all information received, it is hereby determined that leather wearing apparel from Uruguay is subject to bounties or grants within the meaning of section 303 of the Act. The bounties or grants are in the form of the payments referred to in the preliminary determination, taking into account the offsets described in this notice. The net amount of the bounty or grant has been estimated and determined to be

Federal Register, January 30, 1978
(43 F.R. 3974)

approximately 12 percent of the f.o.b. price for export to the United States of leather wearing apparel from Uruguay.

Further, the leather wearing apparel subject to this determination is classified under item 791.7600 of the Tariff Schedules of the United States, Annotated (TSUSA), and is entered duty-free pursuant to the U.S. Generalized System of Preferences, authorized by Title V of the Trade Act of 1974 (19 U.S.C. 2461-2465, 88 Stat. 2066-2071).

In accordance with sec. 303(a)(2) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(a)(2), countervailing duties may not be imposed upon any article of merchandise which is free of duty in the absence of a determination by the U.S. International Trade Commission that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such article or merchandise into the United States.

Accordingly, the U.S. International Trade Commission is being advised of this determination and the liquidation of entries, or withdrawals from warehouse, for consumption of the duty-free leather wearing apparel in question will be suspended pending the determination of the Commission.

Should the determination of the Commission be affirmative, the Treasury would consider it appropriate to waive countervailing duties under section 303(d) of the Act. The Government of Uruguay is committed to the total removal of the net bounty derived from the tax rebate certificate program (reintegro) for all leather products, except tanned leather, between January 1, 1978 and January 1, 1979. A 50-percent reduction in the effective bounty was accomplished December 29, 1977. A 50-percent reduction in the remaining effective export subsidy will be made on or before July 1, 1978, with total elimination accomplished on or before January 1, 1979. These actions will have the effect of removing almost completely the effective bounty or grant, thus satisfying the first waiver criteria under section 303(d) of the Act. Based on the very active role of the developing countries in the Multilateral Trade Negotiations in Geneva, combined with progress that is being made to negotiate agreements eliminating non-tariff barriers to trade, the remaining criteria governing the waiver provision would appear to be satisfied.

Effective on or after January 30, 1978, and until further notice, upon the entry for consumption of withdrawal from warehouse for consumption of such duty-free leather wearing apparel, liquidation will be suspended pending the determination of the U.S. International Trade Commission.

Pursuant to Regoranization Plan No. 26 of 1950 and Treasury Department Order 190 Revision 14, July 1, 1977, the provisions of Treasury Department Order No. 165, Revised November 2, 1954, and section 159.47(d) of the Customs Regulations (19 CFR 159.47(d)), insofar as they pertain to the issuance of a countervailing duty order by the Commissioner of Customs, are hereby waived.

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

JANUARY 24, 1978.

[FR Doc. 78-2468 Filed 1-27-78; 8:45 am]

[4810-22]

[T.D. 78-155]

PART 159—LIQUIDATION OF DUTIES

Waiver of Countervailing Duties—Leather Wearing Apparel from Uruguay

AGENCY: Department of the Treasury, Customs Service.

ACTION: Waiver of countervailing duties.

SUMMARY: This notice is to inform the public that a determination has been made to waive countervailing duties that would otherwise be required by section 303 of the Tariff Act of 1930 on imports of leather wearing apparel from Uruguay. The waiver is being issued based on actions by the Government of Uruguay to phase out the effective export subsidy on these items. The waiver will expire on January 4, 1979, unless revoked earlier.

EFFECTIVE DATE: June 1, 1978.

FOR FURTHER INFORMATION CONTACT:

Richard B. Self, Office of Tariff Affairs, U.S. Treasury Department, 15th and Pennsylvania Avenue NW., Washington, D.C., 202-566-8535.

SUPPLEMENTARY INFORMATION: In a "Final Countervailing Duty Determination" published in the FEDERAL REGISTER on January 30 1978, (43 FR 3974) it was determined that bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303), are being paid or bestowed directly or indirectly upon the manufacture, production, or exportation of leather wearing apparel from Uruguay.

Since leather wearing apparel from Uruguay is free of duty under the Generalized System of Preferences (GSP) the case was referred to the International Trade Commission in accordance with section 303(a)(2) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(a)(2)), for a determination as to whether an industry in the United States is being, or is likely to be injured, or prevented from being established, by reason of the importation of such article or merchandise into the United States. On April 24, 1978, the U.S. International Trade Commission did find that an industry in the United States is being injured by reason of the importation of Uruguayan leather wearing apparel into the United States. Pursuant to section 303(b)(3) of the Tariff Act of 1930 (19 U.S.C. 1303(b)(3)), T.D. 78-154 is being issued concurrently with this determination directing the assessment and collection of countervailing duties and suspending liquidation of entries.

In its final countervailing duty determination, the Treasury indicated that in the event of an affirmative determination by the Commission, it would waive the imposition of countervailing duties based upon certain actions taken by the Uruguayans at that time. Section 303(d) of the Tariff Act of 1930, as amended by the Trade Act of 1974 (Pub. L. 93-618, January 3, 1975), authorizes the Secretary of the Treasury to waive the imposition of countervailing duties during the four-year period beginning on the date of enactment of the Trade Act of 1974 if he determines that:

(1) Adequate steps have been taken to reduce substantially or eliminate during such period the adverse effect of a bounty or grant which he has determined is being paid or bestowed with respect to any article or merchandise;

(2) There is a reasonable prospect that under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and

(3) The imposition of the additional duty under this section with respect to such article or merchandise would be likely to seriously jeopardize the satisfactory completion of such negotiations.

Based upon analysis of all the relevant factors and after consultations with interested agencies and parties with direct interest in this proceeding, I have concluded that steps have been taken to reduce substantially the adverse effects of the bounty or grant. Specifically the Government of Uruguay is committed toward the total removal of the net bounty derived from the tax rebate certificate program (reintegro) (or any equivalent or comparable benefit) on all leather products, except tanned leather as such, to all export markets between January 1, 1978, and January 1, 1979. Such elimination will be staged according to the following schedule: 50-percent reduction by January 1, 1978 (such reduction took place December 28, 1977); 50-percent reduction of the remaining balance on or before July 1, 1978; and total elimination of any remaining subsidy on or before January 1, 1979.

The waiver conditions further provide that the Government of Uruguay will proceed with its previously stated decision to eliminate the reintegro (or equivalent) for all exports from Uruguay on or before January 1, 1983.

The issuance of this waiver of countervailing duties would not inhibit in any way the right of the U.S. Government to take appropriate actions in the event that future imports of leather wearing apparel from Uruguay were having a disruptive effect on U.S. industry.

After consulting with appropriate agencies, including the Department of State, the Department of Labor, the Department of Commerce, and the Office of the Special Representative for Trade Negotiations, I have further concluded: (1) That there is a reasonable prospect that, under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and (2) That the imposition of countervailing duties on leather wearing apparel from Uruguay would be likely to seriously jeopardize the satisfactory completion of such negotiations.

Accordingly, pursuant to section 303(d) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(d)), I hereby waive the imposition of countervailing duties as well as the suspension of liquidation ordered in the T.D. 78-154 on leather wearing apparel from Uruguay.

This determination may be revoked, in whole or in part, at any time and shall be revoked whenever the basis supporting such determination no longer exists. Unless sooner revoked or made subject to a resolution of disapproval adopted by either House of Congress of the United States pursuant to section 303(e) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(e)), this waiver of countervailing duties will, in any event, by statute cease to have force and effect on January 4, 1979.

On or after the date of publication in the FEDERAL REGISTER of a notice revoking this determination in whole or in part, the day after the date of adoption by either House of Congress of a resolution disapproving this "Waiver of Countervailing Duties", or January 4, 1979, whichever occurs first, countervailing duties will be assessable on leather wearing apparel imported directly or indirectly from Uruguay in accordance with T.D. 78-154.

The table in § 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting after the last entry from Uruguay under the commodity heading "Leather wearing apparel" the number of this Treasury Decision in the column headed "Treasury Decision", and the words "Imposition of countervailing duties waived" in the column headed "Action".

(R.S. 251, secs. 303, as amended, 624; 46 Stat. 687, 759, 88 Stat. 2051, 2052; (19 U.S.C. 66, 1303, 1624).)

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

MAY 23, 1978.

[FR Doc. 78-15178 Filed 5-31-78; 8:45 am]

Federal Register, June 1, 1978
(43 F.R. 23709)

[4810-22]

[T.D. 78-154]

PART 159—LIQUIDATION OF DUTIES

Countervailing Duties—Leather Wearing Apparel from Uruguay

AGENCY: U.S. Customs Service, Treasury Department.

ACTION: Final Countervailing Duty Determination and Suspension of Liquidation.

SUMMARY: This notice is to inform the public that it has been determined that the Government of Uruguay has provided benefits considered to be bounties or grants within the meaning of the Countervailing Duty Law to manufacturers who export leather wearing apparel to the United States and that the Secretary of the Treasury has been advised by the International Trade Commission that an industry in the United States is being injured by reason of the importation of such merchandise benefiting from the bounties or grants. However, countervailing duties are being waived, based upon the criteria established by the Trade Act of 1974, including the actions taken and to be taken by the Government of Uruguay to reduce substantially the bounty or grant.

Federal Register, June 1, 1978, (43 F.R. 23711)

EFFECTIVE DATE: June 1, 1978.

FOR FURTHER INFORMATION CONTACT:

Richard B. Self, Office of Tariff Affairs, U.S. Treasury Department, 15th and Pennsylvania Avenue NW., Washington, D.C., 202-566-8585.

SUPPLEMENTARY INFORMATION: On April 27, 1977, a notice of "Receipt of Countervailing Duty Petition and Initiation of Investigation" was published in the FEDERAL REGISTER (42 FR 21531). The notice stated that a petition had been received alleging that payments or bestowals conferred by the Government of Uruguay upon the manufacture, production or exportation of leather wearing apparel constitute the payment or bestowal of a bounty or grant within the meaning of section 303, Tariff Act of 1930, as amended (19 U.S.C. 1303) (referred to below as "the Act"). Since the leather wearing apparel specified in the petition is classifiable under item 791.7600 of the Tariff Schedules of the United States, (TSUSA), the notice also indicated that there was evidence on record concerning injury to, or likelihood of injury to, an industry in the United States.

On January 30, 1978, a notice of "Final Countervailing Duty Determination" was published in the FEDERAL REGISTER (43 FR 3974). In that notice it was stated that "it is hereby determined that leather wearing apparel from Uruguay is subject to bounties or grants within the meaning of section 303 of the Act." A description of the programs determined to constitute the bounties or grants was provided, and it was noted that the net amount of the bounties or grants were estimated or determined to be approximately 12 percent of the f.o.b. price for export to the United States of leather wearing apparel from Uruguay.

Since leather wearing apparel from Uruguay entered free of duty under the U.S. Generalized System of Preferences, pursuant to section 303(b) of the Act, liquidation was suspended and the U.S. International Trade Commission ("Commission") advised of the determination.

On April 24, 1978, the Commission advised the Secretary of the Treasury of its determination that "an industry in the United States is being injured by reason of the importation of leather wearing apparel from Uruguay, entered under item 791.76 of the Tariff Schedules of the United States * * * upon which the Department of the Treasury has determined that a bounty or grant is being paid * * *" (43 FR 18343).

Accordingly, pursuant to section 303(b)(3) of the Act, notice is hereby given that leather wearing apparel, imported directly or indirectly, from Uruguay, entered on or after January 30, 1978, will be subject to payment of countervailing duties equal to the net amount of any bounty or grant determined or estimated to have been paid or bestowed.

Effective on or after June 1, 1978, and until further notice, upon the entry for consumption or withdrawal from warehouse for consumption of leather wearing apparel imported directly or indirectly from Uruguay, which benefit from these bounties or grants, there shall be collected, in addition to any other duties estimated or determined to be due, countervailing duties in an amount to be ascertained in accordance with the above declaration.

Any merchandise subject to the terms of this order shall be deemed to have benefited from a bounty or grant if such bounty or grant has been or will be credited or bestowed, directly or indirectly, upon the manufacture, production or exportation of such merchandise.

The liquidation of all entries for consumption or withdrawals from warehouse for consumption of such leather wearing apparel imported directly or indirectly from Uruguay which benefit from these bounties or grants and are subject to the order shall be suspended pending further declaration of the net amount of the bounties or grants paid. Deposit of the estimated countervailing duty shall be required at the time of entry for consumption or withdrawal from warehouse for consumption.

Notwithstanding the above, a "Notice of Waiver of Countervailing Duties" is being published concurrently with this order which covers leather wearing apparel from Uruguay subject to this investigation in accordance with section 303(d) of the Act. At such time as the waiver ceases to be effective, in whole or in part, a notice will be published setting forth the deposit of estimated countervailing duties which will be required at the time of entry, or withdrawal from warehouse, for consumption.

The table in § 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting after the last entry from Uruguay the words "Leather wearing apparel" in the column headed "Commodity", the number of this Treasury Decision in the column headed "Treasury Decision", and the words "bounty-declared rate" in the column headed "Action".

(R.S. 251 secs. 303, as amended 624; 46 Stat. 687, 759, 68 Stat. 2050, 2051; (19 U.S.C. 66, 1303, 1624).)

Pursuant to Reorganization Plan No. 26 of 1950 and Treasury Department Order 190 Revision 15, March 16, 1978, the provisions of Treasury Department Order No. 165, Revised November 2, 1954, and § 159.47(d) of the Customs Regulations (19 CFR 159.47(d)), insofar as they pertain to the issuance of a countervailing duty order by the Commissioner of Customs, are hereby waived.

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

MAY 23, 1978.

[FR Doc. 78-15179 Filed 5-31-78; 8:45 am]

[4810-22-M]

[T.D. 79-91]

PART 159—LIQUIDATION OF DUTIES

AGENCY: United States Customs Service, Treasury Department

ACTION: Revocation of Final Countervailing Duty Determination.

SUMMARY: This notice is to advise the public that the countervailing duty determination on nonrubber footwear, handbags and leather wearing apparel from Uruguay is being revoked. This action is being taken since it has been determined that the Government of Uruguay no longer grants benefits which are considered to be bounties or grants within the meaning of the countervailing duty law upon the manufacture, production, or exportation of these products.

EFFECTIVE DATE: February 16, 1979.

FOR FURTHER INFORMATION CONTACT:

Michael Ready, Technical Branch, U.S. Customs Service, 1301 Constitution Avenue, N.W., Washington, D.C. 20220 (202-566-5492).

SUPPLEMENTARY INFORMATION: On November 13, 1978, a notice of "Revocation of Waivers of Countervailing Duties" was published in the FEDERAL REGISTER (43 FR 52485). This decision revoked Treasury Decisions 78-34 and 78-155, in which the Treasury Department waived the imposition of countervailing duties on imports of nonrubber footwear, handbags and leather wearing apparel from Uruguay.

The revocation of those decisions was based upon (1) the determination by the Treasury that the tanner's subsidy, originally not considered a bounty or grant, should be considered countervailable when paid to manufacturers/exporters of leather products and (2) information received subsequent to the issuance of the waiver that leather goods exported from Uruguay were being granted suspension or forgiveness from, or rebates of, payment of a social security tax. Such forgiveness or rebate is considered countervailable by the Treasury Department. Therefore, it was determined that nonrubber footwear, handbags and leather wearing apparel (provided for, respectively, in items 700.05 through 700.85 inclusive of the Tariff Schedules of the United States Annotated (TSUSA), excepting items 700.28, 700.51, to 700.54, and 700.60; item 706.0820 of the TSUSA; and item 791.76 of the TSUSA), imported directly or indirectly from Uruguay, if entered, or withdrawn from warehouse, for consumption, on or after November 13, 1978 would be subject to the payment of countervailing duties equal to the net amount of any bounty or grant estimated to have been bestowed.

At the time the subject waivers were revoked, inadequate information was available to the Treasury to permit the proper quantification of the "net" amounts of bounties or grants bestowed as a result of the social security tax forgiveness and the tanners subsidy. Therefore, the liquidation of all entries, or withdrawals from warehouse, for consumption, of nonrubber footwear, handbags and leather wearing apparel subject to the order were suspended. A deposit of the estimated countervailing duties in the amount of 16 percent *ad valorem* for nonrubber footwear, 14.4 percent *ad valorem* for handbags, and 13.3 percent *ad valorem* for leather wearing apparel, respectively, was required at the time of entry, or withdrawal from warehouse, for consumption.

Information has now been made available to the Treasury Department which has permitted a more accurate calculation of the net amount of the bounty or grant applicable to each of the product areas. With regard to the social security tax program it has been determined that deferrals of certain social security taxes were granted to manufacturers of leather products and several other product sectors covered by these orders for 1978. It has also been determined, however, that the deferral was in effect for one year only and applied to only 1978 social security taxes. The deferral program was eliminated at the end of 1978 and repayment of the taxes deferred in 1978 was required. Therefore, for all nonrubber footwear, handbags and leather wearing apparel exported from Uruguay to the United States on or after January 10, 1979, the social security tax program has not been considered in the calculation of the "net" amount of the bounty or grant bestowed. Also on January 10, 1979, the Government of Uruguay eliminated the payment of the tanner's subsidy on all of the leather products covered by this investigation when exported to the United States. The Treasury Department has thus adjusted the net amount of the bounty or grant applicable to nonrubber footwear, handbags and leather wearing apparel exported to the United States from Uruguay on or after January 10, 1979.

Upon the elimination of the tanner's subsidy on exports to the U.S., however, the tanners subsidy for shipments to third countries was doubled. It is the position of the Treasury Department that while the doubling of the tanners subsidy on exports to third countries clearly creates a distortion in international trade, no remedy is available to this action within the limits of the countervailing duty law. It is possible that a more appropriate remedy to this sort of distortion is available through other sections of the U.S. tariff and trade laws.

Finally, it has been determined that the Government of Uruguay has imposed an export tax on all nonrubber footwear, handbags and leather wearing apparel exported to the United States on or after February 16, 1979 in an amount equal to the net amount of the bounty or grant remaining after the elimination of the tanners subsidy and social security tax deferral. Accordingly, it has been determined that a bounty or grant within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303) is no longer being paid or bestowed upon the manufacture, production or exportation of nonrubber footwear, handbags and leather wearing apparel from Uruguay exported to the United States on or after February 16, 1979.

Accordingly, T.D.'s 78-32, 78-33 and 78-154 are hereby revoked with respect to all entries of nonrubber footwear, handbags and leather wearing apparel from Uruguay exported on or after February 16, 1979. Customs officers will be instructed to proceed with liquidation of all such entries without regard to countervailing duties. Customs officers will be instructed to proceed with liquidation of all entries of nonrubber footwear, handbags and leather wearing apparel from Uruguay entered, or withdrawn from warehouse, for consumption on or after November 13, 1978, the effective date of the "Revocation of Waivers of Countervailing Duties," and before February 16, 1979, in accordance with the instructions that follow.

The revocation of these determinations will be contingent upon the submission to the Treasury Department of certifications on a quarterly basis by the Government of Uruguay that the export tax is being assessed in the appropriate amounts.

Based upon analysis of the information provided, a net bounty or grant was determined to exist in the following amounts for goods entered, or withdrawn from warehouse for consumption on or after November 13, 1978 and which were exported from Uruguay before January 10, 1979: (1) Boots with leather uppers and leather soles—13.676 percent; (2) Boots with leather uppers and non-leather soles—10.676 percent; (3) Shoes with rubber soles and leather uppers, braided, made of strips, hemstitched or perforated; shoes with artificial plastic soles and cow leather closed uppers, excluding boots—9.639 percent; (4) Shoes, other—10.699 percent; (5) handbags—8.5 percent; (6) leather wearing apparel—11.845 percent. Included in those amounts is a figure for the tanners subsidy in effect during that period. With regard to items exported to the U.S. during this period which did not benefit from the payment of the tanners subsidy due to their manufacture out of imported tanned leather, the countervailing duty collected will be reduced by the amount of the applicable tanners subsidy on the presentation of appropriate documentation to Customs authorities that the imported leather product is made of non-Uruguayan leather.

With respect to nonrubber footwear, handbags and leather wearing apparel exported from Uruguay to the United States on or after January 10, 1979 and before February 16, 1979, the following net amounts of bounties or grants were determined to exist and countervailing duties in those amounts will be applied: (1) all leather boots—6.43 percent; (2) shoes with rubber soles and leather uppers, braided, made of strips, hemstitched or perforated; shoes with artificial plastic soles and cow leather closed uppers, excluding boots—5.37 percent; (3) shoes, other—6.43 percent; (4) handbags—4.329 percent; (5) leather wearing apparel—3.687 percent.

For nonrubber footwear, handbags and leather wearing apparel exported on or after February 16, 1979, countervailing duties will not be imposed. The table in section 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by deleting under the commodity headings for Uruguay the words "nonrubber footwear", "leather handbags", and "leather wearing apparel", respectively; from the column headed "Treasury Decision" the numbers "78-32", "78-33", and "78-154", respectively; and the words "Bounty-declared-rate" in the column headed "Action", respectively.

Pursuant to Reorganization Plan No. 26 of 1950 and Treasury Department Order 190 (Revision 15), March 16, 1978, the provisions of Treasury Department Order 165, Revised, November 2, 1954, and section 159.47 of the Customs Regulations (19 CFR 159.47), insofar as they pertain to the issuance of a revocation order by the Commissioner of Customs, are hereby waived.

(R.S. 251, as amended, secs. 303, 624, 46 Stat. 687, 759, 88 Stat. 2051, 2052; 19 U.S.C. 66, 1303, as amended, 1624).

Dated: March 15, 1979.

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

[FR Doc. 79-8757 Filed 3-21-79; 8:45 am]

APPENDIX D

COMMERCE DEPARTMENT'S NOTICE OF INVESTIGATION

Leather Wearing Apparel From Uruguay; Initiation of Countervailing Duty Investigation

AGENCY: International Trade Administration, Department of Commerce.

ACTION: Initiation of countervailing duty investigation.

SUMMARY: With this notice we inform the public that we are initiating a countervailing duty investigation in order to determine whether or not the Government of Uruguay has given benefits which constitute bounties or grants within the meaning of the countervailing duty law on the manufacture, production or exportation of leather wearing apparel. Unless we extend this investigation, we will make a preliminary determination not later than January 9, 1981.

EFFECTIVE DATE: November 12, 1980.

FOR FURTHER INFORMATION CONTACT: Miguel Pardo deZela, Import Administration Specialist, Office of Investigations, International Trade Administration, Department of Commerce, Washington, D.C. 20230, (202) 377-5050.

SUPPLEMENTARY INFORMATION: On October 15, 1980, Ralph Edwards Sportswear, Inc., Cape Girardeau, Missouri, filed a petition in proper form with the Department of Commerce (the Department), alleging that the Government of Uruguay provides to manufacturers, producers or exporters of leather wearing apparel certain benefits which are subsidies within the meaning of section 701, Trade Agreements Act of 1979 (93 Stat. 151, 19 U.S.C. 1671) (hereinafter referred to as "the Tariff Act"). The merchandise covered by this investigation is leather wearing apparel provided for in item number 791.76 of the Tariff Schedules of the United States.

The petitioner alleges that the Government of Uruguay provides subsidies in the form of an export rebate, an income tax exemption for export income, preferential financing for exports, a social security tax deferral and a tanner's compensation.

Petitioner has also alleged that critical circumstances exist within the meaning of section 703(e) of the Tariff Act (93 Stat. 154, 19 U.S.C. 1671(e)) by reason of massive imports over a relatively short period of time.

Leather wearing apparel from Uruguay was the subject of an earlier countervailing duty investigation. The Treasury Department made a final determination concluding that investigation on January 30, 1978 (43 FR 3974). (Prior to January 1, 1980, the Treasury Department had responsibility for administering the countervailing duty law. With respect to the transfer of authority for the administration of the countervailing duty law to the Department of Commerce, see Reorganization Plan No. 3 of 1979, 44 FR 69273.) The Treasury Department determined in that investigation that the Government of Uruguay provided subsidies with respect to the manufacture, production, or exportation of leather wearing apparel from Uruguay. The Treasury Department, however, revoked this positive determination on March 22, 1979 (44 FR 17485) based on elimination of a tanner's subsidy and a social security tax deferral and the enactment of an export tax in an amount equal to the remaining subsidy. The petitioner, Ralph Edwards Sportswear Inc., however, alleges that the offset of indirect taxes which Treasury permitted in the earlier investigation is inconsistent with the Administrative Guidelines (19 CFR 355, Annex 1, para. 2, 45 FR 4949) published by the Department for determining when the payment of a lump sum calculated and identified as a non-excessive rebate of an indirect tax on an exported product or its components is not a subsidy. The Department applied these guidelines most recently in the investigations involving textiles and textile mill products (45 FR 55502) and certain iron metal fasteners from India (45 FR 64611). The petitioner also alleges that Uruguay has revoked the export tax and has reinstated the subsidy programs which were the subject of the previous countervailing duty investigation.

In light of the above, I hereby determine that the Department should initiate an investigation to determine whether or not the Government of Uruguay provides subsidies on the production, manufacture or export of leather wearing apparel. Since there is evidence that circumstances regarding Uruguayan export incentives have changed subsequent to revocation of the previous affirmative determination, we will include in the present investigation all export programs previously investigated and any new export programs which may have become effective since the previous investigation.

Pursuant to section 702(d) of the Tariff Act (93 Stat. 152, 19 U.S.C. 1671a(d)) the Department is notifying the U.S. International Trade Commission (ITC) and providing it with a copy of the information on which I based this determination to initiate an investigation. The International Trade Administration will make available to the ITC all nonprivileged and nonconfidential information in its files. The International Trade Administration will make available to the ITC all privileged and confidential information in the files, provided the ITC confirms that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Pursuant to section 703(a) of the Tariff Act, as amended (93 Stat. 152, 19 U.S.C. 1671b(a)), the ITC will determine, no later than December 1, 1980, whether there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, by reason of imports of leather wearing apparel from Uruguay. If that determination is negative, the International Trade Administration will terminate this investigation and will publish no further notice. Otherwise, the investigation will proceed to its conclusion.

If the ITC determination is affirmative, pursuant to section 703(b) of the Tariff Act, as amended (93 Stat. 153, 19 U.S.C. 1671b(b)), the Department will issue a preliminary determination as to whether or not there is a reasonable basis to believe or suspect that a subsidy is being paid or bestowed on leather wearing apparel from Uruguay not later than January 9, 1981, unless the investigation is otherwise extended.

(Sec. 702(b) of the Act (93 Stat. 152, 19 U.S.C. 1671a(b)))

John D. Greenwald,

Deputy Assistant Secretary for Import Administration.

November 5, 1980.

[FR Doc. 80-35107 Filed 11-10-80; 8:45 am]

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