

GREIGE POLYESTER/COTTON PRINTCLOTH FROM THE PEOPLE'S REPUBLIC OF CHINA

**Determination of the Commission
in Investigation No. 731-TA-101
(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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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-101 (Preliminary)

GREIGE POLYESTER/COTTON PRINTCLOTH FROM
THE PEOPLE'S REPUBLIC OF CHINA

Determination

On the basis of the record 1/ developed in investigation No. 731-TA-101 (Preliminary), the Commission unanimously determines, pursuant to section 733(a) of the Tariff Act of 1930 (U.S.C. 1673b(a)), that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of greige polyester/cotton printcloth as provided for in items 326.26 through 326.40 of the Tariff Schedules of the United States, with statistical suffixes 32 and 92 from the People's Republic of China (China) which are allegedly being sold at less than fair value (LTFV).

Background

On August 5, 1982, the American Textile Manufacturers Institute and eight member companies filed a petition with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that an industry in the United States is materially injured and is threatened with material injury by reason of imports of greige polyester/cotton printcloth as provided for in items 326.26 through 326.40 of the Tariff Schedules of the United States, with statistical suffixes 32 and 92 from China which are allegedly being sold at LTFV. Accordingly, effective August 5, 1982, the Commission instituted a

1/ The "record" is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (47 F.R. 6190, Feb. 10, 1982).

preliminary investigation under section 733(a) of the Tariff Act of 1930 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.

Notice of the institution of the Commission's investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on August 13, 1982 (47 F.R. 35365). The conference was held in Washington, D.C. on August 27, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Introduction

After considering the record in this investigation, we determine, pursuant to section 731 of the Tariff Act of 1930, that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of greige polyester/cotton printcloth of chief value cotton from the People's Republic of China which are allegedly being sold at less than fair value. 1/

Standards for Determination

In making a determination as to whether there is material injury, the Commission is required to consider, in addition to other factors it considers relevant: (1) the volume of imports; (2) the effect of imports on domestic prices for like products; and (3) the impact of imports on the domestic industry. 2/

The "threat of material injury" standard "is intended to permit import relief under the countervailing duty and antidumping laws before actual injury occurs." 3/ In determining whether an industry in the United States is threatened with material injury, the Commission is required to consider "any

1/ Commissioner Frank notes that the statute and legislative history require the Commission in its preliminary determinations in both antidumping and countervailing duty investigations to exercise only a low threshold test based upon the best information available to it at the time of such determination which reasonably indicates that an industry in the United States could possibly be suffering injury, threat thereof or material retardation. H.R. Rep. No. 96-317, 96th Cong., 1st Sess. 52 (1979).

2/ 19 U.S.C. § 1677(7)(B).

3/ S. Rep. No. 249, 96th Cong., 1st Sess. 89 (1979); H. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979).

economic factors it considers relevant" 4/ in light of the conditions of trade and competition and the nature of the particular industry in each case. 5/ Findings of a reasonable indication of threat of material injury must be based on a showing that the likelihood of harm is real and imminent, and not on mere supposition, speculation, or conjecture. 6/

In previous investigations the Commission has considered, among other factors: (1) the rate of increases of subsidized or dumped imports into the U.S. market, (2) the capacity in the exporting country to generate exports, and (3) the availability of other export markets. 7/

The Domestic Industry

The industry in an antidumping investigation is defined as the domestic producers of the product which is like that being imported. Specifically, the statute provides:

The term "industry" means the domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product. 8/

"Like product," in turn, is defined as:

a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title. 9/

4/ S. Rep. No. 249, supra n. 2, at 88.

5/ Id. at 89.

6/ S. Rep. No. 96-249, 96th Cong., 1st Sess. 88-89 (1979); S. Rep. No. 1298, 93rd Cong., 2d Sess. 180 (1974); *Alberta Gas Chemicals, Inc. v. United States*, 515 F. Supp. 780, 790 (Ct. Int'l Trade 1981).

7/ 19 C.F.R. § 207.26(d).

8/ Section 771(4) of the Tariff Act of 1930 (19 U.S.C. 1771(4)).

9/ Section 771(10) of the Tariff Act of 1930 (19 U.S.C. 1771(10)).

The imported article which is subject to this investigation is greige 10/ (unbleached and uncolored) printcloth fabric other than 80 x 80 type in chief value of cotton, containing polyester (hereinafter "printcloth"), and provided for in items 326.26 through 326.40 of the TSUS, with statistical suffixes 32 and 92. 11/

Printcloth is a staple "bread and butter" textile fabric that has a wide variety of applications in the manufacture of apparel, including pocketing and lining materials, and household uses such as curtains, bedspreads, and quilts. 12/ Both the imports under investigation and domestic printcloth are sold in the same constructions and widths.

Printcloth is to a large extent a fungible item. However, the quality of printcloth fabric can vary depending upon the quality of the raw materials used, the blending of the raw materials, the alignment of the fibers in the yarn, and the number of flaws in the fabric created during the weaving process. The petitioners maintain that the imported product from China is of good, if not excellent, quality and that it is used interchangeably with the domestic product. 13/ The respondents maintain that printcloth from China is of lesser quality than domestically-made goods for some applications. 14/

10/ "Greige" is pronounced "gray". It is derived from the French word "beige," which means natural. Therefore, it refers to cloth that has not been subject to further processing, such as printing, dyeing, or bleaching.

11/ For the full definition of printcloth as provided in the TSUS, see Report at A-2. For purposes of this investigation, domestic polyester/cotton printcloth that contains 50 percent or more of cotton is considered to be the equivalent to polyester/cotton printcloth "of chief value cotton." Report at A-6.

12/ Transcript of Conference (Tr.) at 112 (Mr. Goodwin, Huafang Trading Co.) and 38 (Mr. Greenwald).

13/ Tr. at 66 (Mr. Eisen).

14/ Mr. Goodwin, President of Huafang, testified at the conference that imports of polyester/cotton printcloth from China are not broadly regarded as acceptable for dyeing or bleaching. Tr. at 115. However, these applications constitute a relatively small portion of the market for this product.

However, all but one of the purchaser responses on this issue confirmed that the quality of polyester/cotton printcloth from China was as good, if not better, than much domestically-produced cloth. 15/ We conclude that the domestic product "like" the imports of printcloth under investigation is printcloth made of a blend of polyester and cotton containing 50 percent or more of cotton. 16/ Therefore, the "industry" consists of the domestic producers of this product 17/.

Condition of the Domestic Industry

Although the overall condition of the domestic industry appears to be relatively favorable at this time, there are indications that it is weakening, and that it will continue to do so.

Apparent domestic consumption of the printcloth under investigation increased steadily by 7 percent between 1979 and 1980, and by 20 percent between 1980 and 1981. 18/ Despite this trend, U.S. production increased by only 4 percent between 1979 and 1980, 19/ and then declined by 5 percent between 1980 and 1981. 20/ Thus the domestic industry's share of the domestic market decreased from 95 percent in 1979 to 93 percent in 1980 and to 74 percent in 1981. 21/ Apparent domestic consumption decreased by 7 percent in

15/ Report at A-30-A-31 (Purchasers 1, 3, 4 and 5) Cf. Purchaser 8.

16/ See n. 11 supra.

17/ The names of the individual producers of this product are found in the Report at A-7.

18/ Report at A-22 (Table 11).

19/ Id.

20/ Id.

21/ Overall domestic capacity utilization in 1980 was 67.5 percent and in 1981 was 64.4 percent. Report at A-10 (Table 2). Thus, it appears that imports gained market share in 1980 and 1981 at the expense of the domestic industry, and not because the domestic industry lacked the capacity to meet demand.

January-July 1982 compared with the corresponding period of 1981. 22/

Domestic production continued its decline by 4 percent during this period compared with the corresponding period of 1981. 23/

U.S. producers' domestic shipments followed the same general trend as production, increasing from 1979 to 1980 by 4 percent, then declining by 1 percent in 1981, with a continued decline of 1.8 percent in January-July of 1982 compared with January-July of 1981. 24/ The capacity utilization rate increased from 62.2 percent in 1979 to 67.5 percent in 1980, dropped back to 64.4 percent in 1981, and increased to 68.0 percent in January-July 1982 compared with 65.5 percent in the corresponding period of 1981. 25/

U.S. producers' end-of-period inventories have increased from 17 million square yards in 1979 to 21 million square yards in 1981, 26/ and to 32 million square yards as of the end of July 1982, almost double the levels at the end of July 1981. 27/ The number of production and related workers has declined steadily by 22 percent from 1979 to 1981, then increased slightly by 4 percent in January-June 1982 compared with the corresponding period of 1981. 28/ More significantly, the number of hours worked declined steadily throughout the period by 13 percent from 1979 to 1981, and by 17 percent in January-June 1982 compared with the corresponding period in 1981. 29/

22/ Report at A-22.

23/ Id. at A-9 (Table 1).

24/ Id. at A-12 (Table 3).

25/ Report at A-10 (Table 2). The capacity utilization rate for January-July 1982 increased because capacity dropped at a faster rate than production. Id. and Id. at A-9 (Table 1). These rates as developed in this preliminary investigation are well below the 80-85 percent rate which the domestic industry asserts is its breakeven rate. Tr. at 70.

26/ Id. at A-14 (Table 5).

27/ Id.

28/ Id. at A-14 (Table 6).

29/ Id.

Profit-and-loss information submitted to the Commission shows a relatively profitable industry through 1981. The ratio of net sales to operating income declined from 9.7 percent in 1979 to 6.6 percent in 1980 then increased to 10.9 percent in 1981. 30/ However, in January-June 1982, the ratio of net sales to operating income dropped to its 1980 level of 6.6 percent. 31/

The current financial experience of domestic producers in large part reflects shipments under long-term contracts entered into during 1981 at prices significantly higher than current market prices. Since 1981, it appears that orders have decreased substantially, and that the impact of this decrease has not yet manifested itself. 32/ Information provided by the domestic producers indicates that unfilled orders for January-March 1982 and for April-June 1982 are lower than for any other two succeeding quarters since 1979. In addition, the weighted average price of domestically produced printcloth has fallen steadily from a high of 58.5 cents per linear yard in January-March 1981 to 46.5 cents per linear yard in April-June 1982, the lowest price for the entire period under investigation. 33/ On the basis of indications of decreasing orders, coupled with increasing inventory and falling prices, it appears that the domestic industry will soon manifest more substantial indications of material injury than are presently apparent.

30/ Id. at A-16 (Table 8).

31/ Id. Although producers generally have reported favorable profit and loss experiences, at least one producer has reported operating losses and net losses for January-June 1982. Tr. at 58; Report at A-22 and A-25.

32/ Report at A-25; Petition appendix 11; Tr. at 51, 58 and 59.

33/ This price information refers to the prices for 48" 73 x 52 printcloth. The prices for 51" 73 x 52 printcloth followed a similar trend. See Report at A-28 (Table 14) and A-29 (Table 15).

Threat of Material Injury by Reason of Alleged LTFV Imports

Volume of imports

Imports of printcloth from China have increased substantially during the period under investigation, both in absolute and relative terms. Imports of printcloth from China increased from 228,000 square yards in 1979 to 11 million square yards in 1980, an increase of 48 times the 1979 level. 34/ In 1981, imports from China again increased to 57 million square yards. 35/ In January-July 1982, imports from China continued to increase to 38 million square yards compared with 33 million square yards in the corresponding period of 1981. 36/ The ratio of imports from China to apparent domestic consumption increased from less than 0.5 percent in 1979 to almost 11 percent in 1981, and continued to make inroads into the U.S. market in January-July 1982, rising to 13.6 percent, compared with 10.8 percent in January-July 1981. 37/

Effect of imports on domestic prices

Domestic printcloth is sold both by long-term contract and by spot sales, although long-term contracts are preferred by most producers. Importers sell both by long-term contract and by spot sales as well. Prices for both long-term contracts and spot sales are negotiated on a transaction-by-transaction basis. Pricing in the printcloth market is very competitive, and a difference of less than one cent per linear yard can result in a lost sale. 38/

34/ Id. at A-21 (Table 10).

35/ Id. Commissioner Frank notes that, while imports from all sources other than China declined by 40 percent during this period compared to the corresponding period of 1981, imports from China increased by 3 percent. Id. at A-21 (Table 10).

36/ Id.

37/ Id. at A-22 (Table 11).

38/ Report at A-23.

Booking price information 39/ on 48" 78 x 54 50/50 printcloth indicates that from July of 1980 40/ through June of 1981 printcloth from China was underselling the domestic product by margins ranging from 1.6 percent to 11.5 percent. 41/ In the last two quarters of 1981, the price of the printcloth from China was priced slightly higher than the domestic product. 42/ In January-June 1982, underselling of the domestic printcloth by the imported product is again in evidence with margins of 5.4 and 1.7 in the first and second quarters respectively. 43/

Booking price information on 51" 73 x 52 50/50 printcloth indicates a similar pattern of underselling, although the margins of underselling are higher, particularly in the fourth quarter of 1980, which is the first quarter for which importers reported prices. 44/ This underselling continued at a rate of 16.4 percent in the fourth quarter of 1980 to 4.3 percent in the third quarter of 1981. 45/ In October-December 1981 and January-March 1982, the imported product was overselling the imported product. 46/ In April-June of 1982, the most recent quarter for which we have pricing information a margin of underselling of 6.4 percent is again in evidence. 47/

Given the ratio of imports from China to apparent domestic consumption, we have determined that this underselling was clearly a factor in the steady

39/ Booking prices more accurately reflect price competition in this industry than shipping prices. For a full discussion, see Report at A-24-A-25.

40/ The earliest price information on imports reported to the Commission began as of this date.

41/ Id. at A-26 (Table 12).

42/ Id.

43/ Id.

44/ Id. at A-28 (Table 14).

45/ Id.

46/ Id.

47/ Id.

decline in the domestic producers' weighted average prices from the second quarter of 1981 to the present. The information available at the present time indicates that the volume of imports from China entering the market at prices substantially lower than the domestic product contributed to the decline in domestic producers' prices. The impact of such underselling appears particularly pronounced in January-June of 1982, when consumption was declining.

In addition, we have confirmed that the lower price of the imported printcloth resulted in lost sales accounting for 1.8 million square yards. 48/ In addition, purchasers have indicated that they have been offered or have purchased greige, polyester/cotton printcloth from China at prices below those of the domestic producers. 49/ Thus, there is a reasonable indication that the printcloth from China has been underselling the domestic product, resulting in price suppression, price depression and lost sales.

Furthermore, importers responding to questionnaires have reported a substantial build-up of inventories. Inventories at the end of June 1982 increased eight times over those at the end of June 1981, totaling between 5 and 10 million square yards, and equaling a significant percent of the imports for January-July 1982. 50/ Moreover, substantial shipments which have already been contracted for and which are scheduled for delivery later in this year have not yet entered into the United States. 51/

48/ Id. at A-31. As previously noted, there are indications that unfilled orders for the first two quarters of 1982 are lower than in any other two succeeding quarters since 1979. See n. 32 supra.

49/ Id.

50/ Report at A-19. The actual figures are confidential information.

51/ Based on confidential information submitted by respondents.

Information on the Chinese printcloth industry and its ability to increase exports to the United States or other markets is limited. However, China, as part of its current overall economic development plan, is emphasizing the development of export-oriented light industry as a means of earning foreign exchange, and has taken a number of actions to promote the expansion of exports. 52/ Textile products are expected to be one of the key product areas in China's efforts to achieve growth in exports. 53/ In addition, the United States is a major market for textile exports from China. 54/ Furthermore, recent import volumes demonstrate the ability of China to direct large volumes of its printcloth to the U.S. market in a short period of time. 55/

52/ Id.

53/ See Emerging Textile-Exporting Countries, Report on Inv. 332-126 (USITC Pub. 1273) (August 1982) A-70.

54/ Id. at A-67. Commissioners Frank and Haggart note that the EC, another of China's major export markets, has a bilateral agreement with China restricting the imports of broadwoven fabrics, including the print cloth under investigation, to a growth rate of less than 1 percent annually for the period 1980-83. See 22 O.J. Eur. Comm. (No. L 345) 28 (1979).

55/ In 1980, the United States and People's Republic of China signed a bilateral textile agreement that did not establish specific limits on the imports under investigation, but provided for consultations in the case of market disruption. See Agreement Relating to Trade in Cotton, Wool, and Man-Made Fiber Textiles and Textile Products Between the Government of the United States of America and the Government of the People's Republic of China, Sept. 17, 1980, T.I.A.S. No. 9820.

On October 19, 1981, the United States called for consultations regarding imports of printcloth. On July 26, 1982, the United States and the PRC agreed to amend the bilateral agreement to impose a limit of 167 million square yards on imports of both all cotton and polyester/cotton printcloth which are exported from China to the United States between January 19, 1982, and December 31, 1982. See The United States and the People's Republic of China Amend Bilateral Textile Agreement (U.S. Department of State Press Release, July 26, 1982). The quota ceiling for 1982 is close to the amount of printcloth imported during 1981. At the same time, consumption has decreased in 1982 compared to 1981 levels. In addition, the quota ceiling includes imports other than those under investigation. Therefore, it does not appear at this time that the quota will necessarily limit increases in the total numbers of future imports of the product under investigation.

(Footnote continued)

Therefore, we conclude that there is a reasonable indication that imports of greige polyester/cotton printcloth from China threaten the domestic industry with material injury and that the likelihood of harm to the industry is real and imminent.

(Footnote continued)

Chairman Eckes and Commissioners Frank and Haggart refer generally to their views regarding the relationship between quotas and determinations in Title VII cases. See Views of Commissioners Eckes, Frank and Haggart in Sugar from the European Community, Inv. No. 104-TAA-7 (USITC Pub. 1247) (May 1982).

Commissioner Stern distinguishes the present case from that of Sugar from the European Community. In the latter an International Sugar Agreement (ISA) quota was in effect for the product before the Commission, and at issue was how to treat that quota when analyzing threat. In the present case, the arrangement between the PRC and the United States provides for a combined quantitative limit on all printcloth, rather than on the specific imports subject to this investigation. It leaves China free to alter the distribution of the overall quota between all-cotton and polyester/cotton printcloth. Only polyester/cotton printcloth of chief value cotton is the subject of this investigation. Therefore, the quota does not in this case eliminate imports of polyester/cotton of chief value cotton as a potential source of injury to the U.S. industry. Other factors discussed above indicate that China is likely to increase its presence in the U.S. market for polyester/cotton printcloth of chief value cotton.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On August 5, 1982, a petition was filed with the U.S. International Trade Commission and the Department of Commerce by counsel on behalf of the American Textile Manufacturers Institute, Inc., and eight of its member companies, alleging 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 imports of greige polyester/cotton printcloth from the People's Republic of China (China) which are allegedly being sold at less than fair value (LTFV). Accordingly, effective August 5, 1982, the Commission instituted a preliminary investigation under section 731 of the Tariff Act of 1930 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. The statute directs that the Commission make its determination within 45 days after its receipt of a petition, or in this case by September 20, 1982.

Notice of the institution of the Commission's investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on August 13, 1982 (47 F.R. 35365). 1/ The conference was held in Washington, D.C., on August 27, 1982. 2/ The Commission voted on this case on September 14, 1982.

Description and Uses

Greige 3/ polyester/cotton printcloth is a textile fabric used in a wide variety of apparel and household items. It is often produced and sold "in the gray" by the producing mill to converters, which have the goods finished (i.e., bleached, dyed, printed, and so forth) according to the intended end use. Major apparel uses include shirts, blouses, nightwear, dresses, children's wear, and pocketing and lining materials. Household uses include window curtains, bedspreads, and shower curtains.

1/ A copy of the Commission's notice of institution of the preliminary investigation is presented in app. A. A copy of the Department of Commerce's notice of initiation is presented in app. B.

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

3/ "Griege" is used interchangeably with the term "gray" and refers to material in its natural unfinished state.

The Imported Product

The product

The greige polyester/cotton printcloth which is the subject of this investigation is unbleached and uncolored printcloth fabric (other than 80 X 80 type) in chief value of cotton, containing polyester, and provided for in items 326.26 through 326.40 of the Tariff Schedules of the United States Annotated (TSUSA), with statistical suffixes 32 (printcloth other than 80 X 80) and 92 (other). The term "printcloth" for purposes of this investigation means a plainwoven fabric, not napped, not fancy or figured, of singles yarn, not combed, of average yarn number 26 through 40, weighing not more than 6 ounces per square yard, having a total thread count of more than 85 yarns per square inch and with the total count of warp yarns per inch and the total count of filling yarns per inch each less than 62 percent of the total count of the warp and filling yarns per square inch.

Due to its construction, some of the printcloth in this investigation is not covered in the definition of printcloth as provided in the statistical headnotes of the TSUSA. 1/ Consequently, most imports of the printcloth under investigation are classified under statistical suffix 92 (other) rather than statistical suffix 32 (printcloth other than 80 X 80). The present TSUSA definition was first established at a time when most printcloth was all cotton and most constructions were nearly "square," that is, there were about an equal number of ends and picks per inch, as for example 80 X 80 or 68 X 68. The 78 X 54 construction has since become the leading polyester/cotton construction and is known in the trade as printcloth. A proposal to change the definition in the TSUSA is under consideration by the Committee for Statistical Annotation of the Tariff Schedules. 2/ The proposed definition would encompass the 78 X 54 construction and is similar to the definition used in the petition.

The polyester/cotton printcloth under consideration is produced using spun yarns which have been made from a blend of polyester and cotton fibers, usually 50 percent of each fiber. The carded yarns used in making the fabric (26s to 40s) are widely produced and the fabric is one of the least complicated to weave.

The printcloth covered in this investigation is limited to that in which the value of the cotton fiber exceeds the value of the polyester fiber in the fabric. Given the relative costs of the two fibers, it is unlikely that a blend containing more than 50 percent polyester by weight would qualify as being in chief value of cotton. Cotton/polyester printcloth in chief value of polyester is classified as fabric of manmade fibers with a column one rate of duty in 1982 of 10 cents per pound plus 21.6 percent ad valorem.

Printcloth fabrics are produced in much the same way as other plainwoven fabrics of carded yarns. Most printcloth mills are integrated operations which perform all stages of manufacture from yarn production to woven fabric.

1/ Statistical headnote i(e) (ii), subpt. A, pt. 3, schedule 3.

2/ The Committee was established to carry out provisions of sec. 484(e) of the Tariff Act of 1930.

Packages or bales of the raw fibers, cotton and polyester, are blended before being automatically fed to the carding machines. The cards have cylinders surfaced with metal "clothing," comprising pressed steel wire teeth, which remove trash and align the fibers, forming a wide flat web which is then gathered into a ropelike form called sliver. Several strands of sliver may be combined, doubled, drawn, and twisted to form a uniform roving ready for spinning. Spinning, the final stage of yarn manufacture, changes the relatively loose, low-strength strand of roving into a thin, strong, highly twisted yarn ready for weaving.

In preparation for weaving, the warp yarns, which run in the vertical or lengthwise direction in the fabric, are wound on long drums called warp beams and may be treated with starch to help prevent breaking during weaving. Filling yarns are wound on smaller packages appropriate to the type of loom used for weaving. Weaving is the process of forming the fabric in a loom by interlocking the warp and filling yarns with each other. The plain weave, which is the type used for printcloth fabrics, is recognized by one warp over and one warp under the filling throughout the fabric construction.

Printcloth yarns are generally too fine to make use of the relatively new, high-speed spinning process called open-end or rotor spinning. However, some U.S. printcloth mills use shuttleless weaving machines, including the newer air-jet looms. The production rate of air-jet looms is reported to be 2-1/2 times that of traditional shuttle looms.

The printcloth imported from China is produced on shuttle looms. The quality of the Chinese fabric is reported to be equal in most respects to that of U.S.-made goods. 1/

The Chinese industry

Polyester/cotton printcloth is one of many fabrics produced by China's large cotton textile industry. Until recent years, the fabrics produced in this industry were nearly all 100 percent cotton, but increasing quantities of blends of cotton and manmade fibers are now being produced, especially for the export market. The cotton textile industry in China is one of the largest in the world and is growing. Output of cotton fabrics (including cotton blends) increased from about 11 billion yards in 1977 to an estimated 15 billion yards in 1981. 2/ Some of the large textile mills are integrated operations (yarn to finished fabric) employing hundreds of workers in a single facility. Much of the industry operates 6 days a week, but many mills have recently started 7-day operations. Workers' wages average \$40 to \$45 per month, including incentive payments. Domestic distribution of cotton and cotton-blend fabrics is controlled by a rationing system.

During a 3-year period of "economic adjustment" (1979-81), China shifted from a policy of large investments in capital construction projects to one of developing textiles and other light industries which offered good prospects

1/ Transcript of the conference, pp. 64-67.

2/ U.S. output of cotton and manmade-fiber broadwoven fabrics in 1981 totaled 15.1 billion square yards.

for earning foreign exchange. Although China may again try to accelerate development of its heavy industry, expansion of light industry exports will continue to be emphasized in order to earn needed foreign exchange.

China's trade is conducted largely through a number of Foreign Trade Corporations (FTC's). The FTC handling textile and apparel trade is the China National Textile Import and Export Corp. (known as Chinatex), which has an office in New York City. Prices of both domestic and foreign goods in China are fixed centrally by the State Price Bureau. Trade agencies buy export commodities at the ex-factory price for domestic procurement fixed by the price bureau, but sell at prices determined by world market conditions. Domestic prices of manufactured goods are generally higher than world prices, and trade agencies dealing in manufactured goods generally show an accounting loss.

China has expanded its output of manmade fibers and thus its ability to produce blended fabrics. Imported machinery and technology have been used in this expansion, and Chinese planners often require export of part of the output of this machinery to cover the foreign-exchange burden created.

U.S. importers

The Commission has identified 13 importers which were found to be entering polyester/cotton printcloth in chief value of cotton from China. The * * * largest importers--* * *--accounted for well over half of total imports of the subject fabric in 1981.

* * *. * * *. Huafang is a joint venture of Chinatex (75 percent) and Scheuer International Trading, Inc. (25 percent). * * *.

U.S. tariff treatment

Imports of the polyester/cotton printcloth subject to this investigation are classified for tariff purposes under TSUSA items 326.26 through 326.40 with statistical suffixes 32 and 92. Classification of fabrics in chief value of cotton for duty purposes utilizes a unique system based on the average yarn number (AYN) ^{1/} of the fabric, which is designated by the fourth and fifth digits of the TSUSA item; e.g., 326.2692 indicates that the fabric was produced with yarns of AYN 26. Under this system the rate of duty increases according to the fineness of the yarn used in weaving the fabric. For example, TSUSA item 326.40 carries a higher duty than item 326.26. Statistical suffixes 32 and 92 have no effect on the rate of duty. The current column 1 (most-favored-nation) rate of duty and column 2 rates of duty as of January 1, 1982 are shown in the following tabulation.

^{1/} The average yarn number is determined by counting the singles yarn per square inch and using this information along with the dimensions and weight of the fabric in a formula to compute the number. (See headnotes, to subpt. A, A-4 pt. 3, schedule 3, of the TSUSA).

TSUSA item No.	Article	Col. 1	Col 2.
	Woven fabrics, in chief value, but not wholly, of cotton: Containing (in addition to cotton) silk or manmade fibers, or both, but not containing other fibers: Not fancy or figured:		
326.26-.40	Not bleached and not colored.	Base rate : <u>1/</u> + 1.8% ad val.	Base rate + 5% ad val.

1/ The base rate is the rate for an all-cotton fabric of the same average yarn number. The base rate for col. 1 ranges from 10.3% ad val. to 12.8% ad val.; the base rate for col. 2 ranges from 19.1% ad val. to 24.0% ad val.

The column 1 rates of duty on polyester/cotton printcloth, which currently range from 12.1 to 14.6 percent ad valorem, were unchanged from Jan. 1, 1972, until Jan. 1, 1982. The current column 1 rates represent the first stage of reductions granted in the most recent round (Tokyo round) of Multilateral Trade Negotiations (MTN) conducted under the General Agreement on Tariffs and Trade (GATT). The duty reductions are being implemented at 1-year intervals, staged over a period of 6 years beginning January 1, 1982. Duty reductions over the period on polyester/cotton printcloth average about 25 percent. For example, the duty on printcloth entered under TSUS item 326.30 will be reduced from 13.31 percent ad val. to 10.0 percent ad val.

Imports of the subject fabrics are not eligible for duty-free treatment under the Generalized System of Preferences (GSP), 1/ nor have the least developed developing countries (LDDC's) been granted preferential rates of duty on this fabric. 2/

1/ The GSP, under title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888 of Nov. 24, 1979, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

2/ The preferential rates of duty in the "LDDC" column of the TSUS reflect the final U.S. MTN rate without the normal staging.

The fabrics under consideration are subject to restraints (quantitative limitations) under the terms of the Multifiber Arrangement (MFA). 1/ Imports of polyester/cotton printcloth in chief value of cotton are classified in two MFA categories: 2/

Category 315-Cotton printcloth fabrics, woven
Category 320-Cotton fabrics, other, woven, n.e.s.

The bulk of the imports, as printcloth is defined in this petition, are presently classified in category 320.

Under the MFA, Brazil, Pakistan, and the Philippines have specific agreed limits on their exports of products in categories 315 and 320 to the United States. Colombia, India, Romania, Singapore, and Thailand have designated consultation levels on one or both of these categories; Macau and Poland have minimum consultation levels. There were no specific limits or consultation levels provided in the original bilateral agreement (dated September 17, 1980) with China for categories 315 and 320, although both categories were listed as subject to consultation. In June 1982, however, restraint levels were established for these two categories, and in August 1982 the bilateral agreement was amended to include a specific ceiling of 167 million square yards for category 315 combined with category 320 (pt.) (TSUSA item 326.--92). 3/

The Domestic Product

The product

For purposes of defining the comparable domestic product in this investigation, all polyester/cotton printcloth containing 50 percent or more of cotton is assumed to be in chief value of cotton. At recent fiber prices, the value of cotton and polyester in a 50/50 polyester/cotton blend may be nearly equal. However, the U.S. Customs Service currently classifies such imported 50/50 blends (which constitute most of the subject imports) as in chief value of cotton. 4/ Staff estimates, confirmed in discussions with

1/ Sanctioned by the GATT and formally known as the Arrangement Regarding International Trade in Textiles, the MFA was implemented in 1974 for a period of 4 years, extended for 4 years in December 1977, and extended again in 1981 to run through July 1986.

2/ Polyester/cotton printcloth in chief value of polyester is classified under category 613--woven fabrics, other, of noncontinuous fibers.

3/ These two categories cover printcloth which is all cotton blends as well as cotton blends. Imports of all cotton printcloth from China in category 315 were 110.5 million square yards in 1981 and 47.6 million square yards in January-June 1982.

4/ If classified as in chief value of manmade fibers, such imports would be dutiable at 10 cent per pound plus 21.6 percent ad valorem under TSUS item 338.50, instead of 12.1 to 14.6 percent ad valorem, the rate now imposed. At recent prices, this difference in duty is equivalent to 5 to 6 cents per yard. A-6

industry sources, place domestic production of polyester/cotton blends in chief value of cotton, i.e., containing 50 percent or more of cotton by weight, at about three-fourths of total output of polyester/cotton blends.

U.S. producers

Eight firms are known to produce polyester/cotton printcloth in chief value of cotton in the United States. ^{1/} Of this total, seven sell nearly all their output in the greige state and one sells most of its output as finished fabrics (bleached, dyed, or printed). The following tabulation, which was compiled from data obtained in response to the Commission's questionnaires, shows the domestic producers and each firm's share of total U.S. production in 1981:

<u>Firm</u>	<u>Percent of Total</u>
Alice Manufacturing Co-----	***
Clinton Mills, Inc-----	***
Dan River, Inc-----	***
Greenwood Mills, Inc-----	***
Hamrick Mills-----	***
Mayfair Mills-----	***
Mount Vernon Mills-----	***
M. Lowenstein Corp-----	***
	<u>100.1</u>

Production is distributed among these firms so that no one firm dominates the industry. * * * are large, diversified companies which produce a wide variety of fabrics and textile products in addition to printcloth and are among the largest U.S. textile companies. Printcloth fabrics, although important, do not constitute the major part of total output of these companies. However, printcloth is believed to account for the major part of the total output of the remaining producers.

U.S. market and channels of distribution

Printcloth is widely used in apparel and home furnishings and, to a lesser extent, in industrial uses. Converters play a key role in its distribution. They buy fabric from weaving mills and resell it to apparel and home furnishing manufacturers after it is finished as appropriate for the intended end use. Converters assume considerable risks in contracting for future delivery of large quantities of printcloth at a specified price. Their success may also depend on their ability to develop fabric styles (colors and prints) which sell well. Sometimes converters simply order and resell gray goods on a speculative basis as part of their activities.

^{1/} Another firm, * * * produces polyester/cotton printcloth which is in chief value of polyester. A-7

Orders for printcloth are often placed with weaving mills 6 to 12 months ahead of expected delivery. In a strong market (when prices are increasing) orders are usually placed further ahead than in a weak market. Weaving mills, finishing plants, converters, and apparel and home furnishings manufacturers all hold inventories of fabrics. Most of the stocks are usually in the possession of weaving mills and finishing plants, but in substantial part they are owned by piece goods converters.

It is estimated on the basis of questionnaire responses that nearly all the mill output of polyester/cotton printcloth in chief value of cotton is sold by the mills in the greige state, rather than as finished goods.

Nature and Extent of Alleged Sales at LTFV

The petition alleges that the People's Republic of China is selling greige polyester/cotton printcloth in the United States at LTFV. The petition proposed four possible methods of calculating a dumping margin based on comparing Chinese prices to (a) a constructed value based on U.S. production cost, (b) U.S. ex-mill pricing, (c) third-country pricing in the United States, and (d) third-country home-market pricing. The calculations result in estimated dumping margins of up to 54 percent, 36 percent, 126 percent, and 110 percent respectively.

Consideration of Material Injury

U.S. production, capacity, and capacity utilization

Total U.S. production of greige polyester/cotton printcloth increased by 18 million square yards or 4 percent from 1979 to 1980 and then declined by 22 million square yards or 5 percent in 1981. Production continued to decline by 12 million square yards or 4 percent in January-July 1982 when compared with that in the corresponding period of 1981 (table 1).

Many of the companies which produce greige polyester/cotton printcloth also produce other types of printcloth or other fabrics. However, most of these companies have separate facilities which are dedicated primarily to the production of greige polyester/cotton printcloth. Although this equipment could be adjusted to produce other fabrics, it is not the usual industry practice. Table 2 provides information on capacity and capacity utilization, based on equipment and facilities devoted primarily to the production of greige polyester/cotton printcloth, taking into consideration normal product mix.

The Current Industrial Report, Survey of Plant Capacity for 1980 reports a ratio of current output to "preferred capacity" for cotton weaving mills of 91 percent 1/.

1/ "Preferred" capacity is defined as the rate which the reporting firm would prefer not to exceed. It is based on the establishment norm in terms of the number of days and shifts worked; thus it is not collected on the same basis as Commission data on capacity.

Table 1.--Greige polyester/cotton printcloth: U.S. production, by firms,
1979-81, January-July 1981, and January-July 1982

Firm	1979	1980	1981	January-July--	
				1981	1982
Quantity (1,000 square yards)					
Alice Manufacturing-----	***	***	***	***	***
Clinton Mills-----	***	***	***	***	***
Dan River-----	***	***	***	***	***
Greenwood Mills-----	***	***	***	***	***
Hamrick Mills-----	***	***	***	***	***
Mayfair Mills-----	***	***	***	***	***
Mount Vernon Mills-----	***	***	***	***	***
M. Lowenstein Corp-----	***	***	***	***	***
Total-----	469,518	487,880	465,587	277,434	265,322
Percent of total					
Alice Manufacturing-----	***	***	***	***	***
Clinton Mills-----	***	***	***	***	***
Dan River-----	***	***	***	***	***
Greenwood Mills-----	***	***	***	***	***
Hamrick Mills-----	***	***	***	***	***
Mayfair Mills-----	***	***	***	***	***
Mount Vernon Mills-----	***	***	***	***	***
M. Lowenstein Corp-----	***	***	***	***	***
Total-----	100.0	100.0	100.0	100.0	100.0

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

Table 2.--Greige polyester/cotton printcloth: U.S. production capacity and capacity utilization, by firms, 1979-81, January-July 1981, and January-July 1982

Firm	1979	1980	1981	January-July--	
				1981	1982
Production capacity (1,000 square yards)					
Alice Manufacturing-----	***	***	***	***	***
Clinton Mills-----	***	***	***	***	***
Dan River-----	***	***	***	***	***
Greenwood Mills-----	***	***	***	***	***
Hamrick Mills-----	***	***	***	***	***
Mayfair Mills-----	***	***	***	***	***
Mount Vernon Mills-----	***	***	***	***	***
M. Lowenstein Corp-----	***	***	***	***	***
Total-----	731,370	722,417	722,494	423,432	390,014
Capacity utilization (percent)					
Alice Manufacturing-----	***	***	***	***	***
Clinton Mills-----	***	***	***	***	***
Dan River-----	***	***	***	***	***
Greenwood Mills-----	***	***	***	***	***
Hamrick Mills-----	***	***	***	***	***
Mayfair Mills-----	***	***	***	***	***
Mount Vernon Mills-----	***	***	***	***	***
M. Lowenstein Corp-----	***	***	***	***	***
Average-----	62.2	67.5	64.4	65.5	68.0

1/ Capacity data in the questionnaires are based on operating 5 days a week; the normal level of operation in the industry is 6 days a week.

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

Capacity for the industry remained relatively stable throughout the period under investigation. It dropped slightly by 9.0 million square yards from 1979 to 1980 and then increased by 77,000 square yards in 1982. Capacity decreased 33.4 million square yards from January-July 1981 compared to January-July of 1982.

Capacity utilization for the industry rose from 62.2 percent in 1979 to 67.5 percent in 1980 and then dropped to 64.4 percent in 1981. It increased to 68.0 percent in January-July 1982.

U.S. producers' domestic shipments

The quantity of shipments of greige polyester/cotton printcloth rose by 16.7 million square yards from 1979 to 1980, an increase of 4.5 percent (table 3). They then declined by 3.7 million square yards or 1 percent in 1981. Shipments continued to decline, by 3.9 million square yards or 1.8 percent, in January-July 1982 compared with those in the corresponding period of 1981. The value of shipments, increased steadily from 1979 to 1981, by \$28 million, or 21 percent, but decreased by \$4.0 million or 4.6 percent, in January-July 1982 compared with the value in January-July 1981. The unit value of shipments followed the same general trend, increasing from 36 cents per square yard in 1979 to 42 cents per square yard in 1981, then declining to 39 cents per square yard in January-July 1982.

***, reported internal shipments of greige polyester/cotton printcloth of approximately *** million square yards in 1979, *** million square yards in 1980, *** million square yards in 1981, *** million square yards in January-July of 1981 and *** million square yards in January-July of 1982.

U.S. producers' exports

Several U.S. producers reported exports of greige polyester/cotton. These exports go mainly to *** although some are destined for **. U.S. producers' exports are relatively low, accounting for less than *** percent of total shipments (table 4).

U.S. producers' exports increased from *** million square yards in 1979 to *** million square yards in 1980, or by *** percent. They declined to *** million square yards, representing a drop of *** percent, in 1981. However, exports were *** percent higher, in January-July 1982 than they were in January-July 1981. The unit value of exports increased steadily from *** cents per square yard in 1979 to *** cents per square yard in 1981 and then dropped to *** cents per square yard in January-July 1982.

Table 3.--Greige polyester/cotton printcloth: U.S. producers' domestic shipments, by firms, 1979-81, January-July 1981. and January-July 1982

Firm	1979	1980	1981	January-July--	
				1981	1982
Quantity (1,000 square yards)					
Alice Manufacturing-----	***	***	***	***	***
Clinton Mills-----	***	***	***	***	***
Dan River-----	***	***	***	***	***
Greenwood Mills-----	***	***	***	***	***
Hamrick Mills-----	***	***	***	***	***
Mayfair Mills-----	***	***	***	***	***
Mount Vernon Mills-----	***	***	***	***	***
M. Lowenstein Corp-----	***	***	***	***	***
Total-----	375,819	392,448	388,895	217,588	213,908
Value (1,000 dollars)					
Alice Manufacturing-----	***	***	***	***	***
Clinton Mills-----	***	***	***	***	***
Dan River-----	***	***	***	***	***
Greenwood Mills-----	***	***	***	***	***
Hamrick Mills-----	***	***	***	***	***
Mayfair Mills-----	***	***	***	***	***
Mount Vernon Mills-----	***	***	***	***	***
M Lowenstein Corp-----	***	***	***	***	***
Total-----	133,551	145,008	161,715	88,256	83,934
Unit value (cents per square yard)					
Alice Manufacturing-----	***	***	***	***	***
Clinton Mills-----	***	***	***	***	***
Dan River-----	***	***	***	***	***
Greenwood Mills-----	***	***	***	***	***
Hamrick Mills-----	***	***	***	***	***
Mayfair Mills-----	***	***	***	***	***
Mount Vernon Mills-----	***	***	***	***	***
M. Lowenstein Corp-----	***	***	***	***	***
Total-----	36	37	42	41	39

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

Table 4.--Greige polyester/cotton printcloth: U.S. producers' exports, 1979-81, January-July 1981 and January-July 1982

Period	Quantity	Value	Unit value	Percent of total shipments <u>1/</u>
	<u>1,000</u> <u>square yard</u>	<u>1,000</u> <u>dollars</u>	<u>Cents per</u> <u>square yard</u>	
1979-----	***	***	***	***
1980-----	***	***	***	***
1981-----	***	***	***	***
January-July--				
1981-----	***	***	***	***
1982-----	***	***	***	***

1/ Based on quantity.

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

U.S. producers' inventories

U.S. producers' yearend inventories of greige polyester/cotton printcloth increased throughout the period, from 17 million square yards in 1979 to 21 million square yards in 1981, or by 25 percent (table 5). There were about 32 million square yards in inventory at the end of July 1982 compared with 16 million square yards at the end of July 1981, representing an increase of 97 percent.

The ratio of inventories to production declined from 3.6 percent in 1979 to 3.3 percent in 1980 and then increased to 4.5 percent in 1981. The ratio of inventories to production increased substantially in January-July 1982 to 7.0 percent.

Employment, productivity and wages 1/

The number of production and related workers engaged in the production of greige polyester/cotton printcloth decreased from 4,572 in 1979 to 4,121 in 1980, and to 3,557 in 1981, or by 22 percent (table 6). The number of production and related workers increased by 149 in January-June 1982 compared with the number in January-June 1981. This increase of 4.2 percent was the result of increased employment for * * * producers, as that for all others remained the same or showed slight declines.

1/ As reported by seven of the eight producers.

Table 5.--Greige polyester/cotton printcloth: U.S. producers' inventories
Dec. 31 of 1979-81, July 31, 1981, and July 31, 1982

Date	Producers' inventories	Ratio of inventories to production
	--1,000 square yards--	Percent
Dec. 31--		
1979-----	16,877	3.6
1980-----	15,983	3.2
1981-----	21,109	4.5
July 31--		
1981-----	16,222	<u>1/</u> 3.4
1982-----	31,884	<u>1/</u> 7.0

1/ Based on annualized production data.

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

Table 6.--Average number of production and related workers 1/ engaged in the production of greige polyester/cotton printcloth, hours worked by such workers, and output per hour, 1979-81, January-June 1981, and January-June 1982

Period	Production and related workers	Hours worked by production and related workers	Output per worker hour
			Square yards
1979-----	4,572	9,697,071	42
1980-----	4,121	8,477,768	49
1981-----	3,557	7,198,087	53
January-June--			
1981-----	3,500	3,685,989	53
1982-----	3,649	3,072,476	58

1/ As reported by seven of the eight producers.

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

Although the number of production and related workers increased by 4.2 percent, actual hours worked dropped from 3.7 million in January-June 1981 to 3.1 million in January-June 1982, or by 16.5 percent.

Output per worker hour increased steadily throughout the period under consideration from 42 square yards per hour in 1979 to 53 square yards in 1981 and to 58 square yards per hour is shown in January-June 1982.

Wages paid to production and related workers engaged in producing greige polyester/cotton printcloth are shown in table 7. Total compensation decreased slightly from \$51 million in 1979 to \$50 million in 1980 and then

Table 7.--Total compensation paid to production and related workers engaged in the production of greige polyester/cotton printcloth 2/, wages paid to such workers excluding fringe benefits, and average hourly wages, 1979-81, January-June 1981, and January-June 1982

Period	Total compensation	Wages paid excluding fringe benefits	Average hourly wage <u>2/</u>
1979-----	\$50,686,626	\$46,511,298	\$5.20
1980-----	49,730,585	45,686,817	5.80
1981-----	45,590,866	42,169,033	6.30
January-June--			
1981-----	23,203,697	21,386,554	6.20
1982-----	21,087,174	19,123,781	6.80

1/ Calculated on the basis of total compensation.

2/ As reported by seven of the eight producers.

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

declined to \$46 million in 1981. Total compensation dropped by an additional \$2 million in January-June 1982 compared with that in the corresponding period of 1981. Fringe benefits account for 8 to 10 percent of total compensation in this industry.

The average hourly wage for production and related workers producing greige polyester/cotton printcloth increased steadily throughout the period, from \$5.20 an hour to 1979 in \$6.80 in January-June 1982.

Financial experience of the U.S producers

Operations on greige polyester/cotton printcloth.--Six U.S. firms, which accounted for about 90 percent of the value of total U.S. shipments of greige polyester/cotton in 1981, supplied usable income-and-loss data relative to their printcloth operations.

During 1979-81, the six producers' net sales of polyester/cotton printcloth rose annually from \$135.9 million to \$166.7 million, representing an increase of \$30.8 million or 23 percent (table 8). Net sales were \$77.6 million during January-June 1982, up slightly from the \$77.4 million in sales posted during the corresponding period of 1981.

The six firms' aggregate polyester/cotton printcloth operations were profitable in each year during 1979-81. Operating income increased irregularly from \$13.2 million, or 9.7 percent of net sales in 1979 to \$18.1 million, or 10.9 percent of net sales in 1981. Overall, operating income increased \$4.9 million or 37 percent during 1979-81. Net income before income taxes followed the same trend as operating income, increasing irregularly from \$11.5 million or 8.5 percent of net sales in 1979 to \$17.3 million, or 10.4 percent of net sales in 1981.

Table 8.--Income and loss experience of 6 U.S. firms on their greige polyester/cotton printcloth operations, 1979-81, January-June 1981, and January-June 1982

Item	1979	1980	1981	January-June--	
				1981	1982
Net sales---1,000 dollars--:	135,889	157,822	166,727	77,403	77,643
Cost of goods sold---do----	116,164	139,512	140,584	67,173	68,259
Gross income-----do-----:	19,725	18,310	26,143	10,230	9,384
General, selling, and administrative expenses					
1,000 dollars--:	6,482	7,931	8,048	3,846	4,277
Operating income-----do----	13,243	10,379	18,095	6,384	5,107
Other expense, net---do-----:	1,744	1,015	811	634	595
Net income before income taxes-----do-----:	11,499	9,364	17,284	5,750	4,512
Depreciation and administrative expense---do-----:	6,603	10,636	9,809	4,785	5,606
Cash flow from operations					
1,000 dollars--:	18,102	20,000	27,093	10,535	10,118
Ratio to net sales:					
Gross income---percent--:	14.5	11.6	15.7	13.2	12.1
Operating income---do----	9.7	6.6	10.9	8.2	6.6
Net income before income taxes-----percent--:	8.5	5.9	10.4	7.4	5.8
Cost of goods sold percent--:	85.5	88.4	84.3	86.8	87.9
General, selling and administrative expenses percent--:	4.8	5.0	4.8	5.0	5.5
Number of firms reporting operating losses	1	1	0	1	2
Number of firms reporting net losses	1	1	1	1	1

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

The six firms reported an operating income of \$5.1 million, or 6.6 percent of net sales in January-June 1982, down from \$6.4 million or 8.2 percent of net sales, in the corresponding period of 1981. Net income before income taxes declined from \$5.8 million (7.4 percent of net sales) in January-June 1981 to \$4.5 million (5.8 percent of net sales) in January-June 1982.

As a share of net sales, manufacturing costs (cost of goods sold) rose from 85.5 percent of net sales in 1979 to 88.4 percent in 1980 and then declined to 84.3 percent in 1981. Such costs rose to 87.9 percent of net sales during January-June 1982, compared with 86.8 percent for the corres-

Table 9.--Income-and-loss experience of 6 U.S. firms on their greige polyester/
cotton printcloth operations, by firms, 1979-81, January-June 1981, and
January-June 1982--Continued

* * * * *

ponding period of 1981. General, selling, and administrative expenses ranged from 4.8 percent of net sales in both 1979 and 1981, to 5.5 percent of net sales in January-June 1982.

Cash flow generated from U.S. producers' polyester/cotton printcloth operations rose annually during 1979-81, from \$18.1 million to \$27.1 million. The six firms reported a cash flow of \$10.1 million in January-June 1982, compared with \$10.5 million in January-June 1981.

* * * * *

U.S. producers sell printcloth on the basis of long-term contracts. For this reason they allege that the full impact of injury is not yet evident in their income and loss data. They indicate that at the present time they are booking fewer orders, at lower prices and this will affect their profitability over the next several months.

Capital expenditures.--Eight firms supplied data on their capital expenditures during the period under consideration for land, buildings, and machinery and equipment used in the production of polyester/cotton printcloth. As shown in the following tabulation, aggregate capital expenditures increased annually during 1979-81 but decreased in January-June 1982:

<u>Period</u>	<u>Capital expenditures</u> <u>(1,000 dollars)</u>
1979-----	10,763
1980-----	12,780
1981-----	32,693
January-June--	
1981-----	21,025
1982-----	15,838

Research and development expenses.--Four producers of polyester/cotton printcloth reported research and development expenses during the period, as summarized below:

<u>Research and development expenses</u>	
<u>Period</u>	<u>(1,000 dollars)</u>
1979-----	140
1980-----	116
1981-----	158
January-June--	
1981-----	85
1982-----	64

Consideration of the Threat of Material Injury

There are several factors which may contribute to a determination of threat of injury to the domestic industry. These include the ability of foreign producers to increase their exports to the United States, any increase in U.S. importers' inventories of the product, and increasing trends in the quantity of imports and U.S. market penetration.

Twelve importers provided information on their imports of greige polyester/cotton printcloth from China. Three of these reported inventories, which are shown in the following tabulation:

	<u>Quantity</u>
	<u>(1,000 square yards)</u>
1980-----	***
1981-----	***
January-June--	
1981-----	***
1982-----	***

Most of the information available at the present time on the Chinese industry is on the cotton textile industry in general and not the polyester/cotton printcloth industry specifically. Production in the cotton textile industry increased from approximately 11 billion yards in 1977 to 15 billion yards in 1981.

A discussion of the rate of increase of imports and of market penetration is presented in the following section of this report.

Consideration of the Causal Relationship Between
Alleged LTFV Imports and Alleged Injury

U.S. imports

Imports of greige polyester/cotton printcloth are classified under TSUSA items 326.26 through 40 with suffixes 32 and 92. The items under statistical suffix 32 are all printcloth. Statistical suffix 92 is a residual or "basket" category, which contains material other than printcloth; however, on the basis of questionnaire responses it is believed that all imports from China in this category are printcloth. Imports from China, and from other sources are presented in table 10.

Imports of greige polyester/cotton printcloth from China 1/ increased sharply from 228,000 square yards in 1979 to 11.4 million square yards in 1980, representing an increase of 11.1 million square yards. They increased another million square yards in 1981. In January-July 1982 they increased by 17.8 percent to 38.3 million square yards compared with imports in the corresponding period of 1981. As a share of total U.S. imports of greige polyester/cotton printcloth, imports from China increased from 1.0 percent in 1979 to 40.5 percent in 1981.

Imports of greige polyester/cotton printcloth from all sources increased from 18.1 million square yards in 1979 to 136.5 million square yards in 1981. They declined to 68.2 million square yards in January-July 1982 from 84.5 million square yards in January-July 1981.

The unit value of imports of greige polyester/cotton printcloth from all sources was 35 cents per square yard in 1979. It dropped to 31 cents in 1980 and then increased to 34 cents in 1981. In January-July 1982 the unit value of imports was 34 cents per square yard. The unit value of imports from China was lower than the unit value of imports from all sources throughout the period under consideration. In 1979 the unit value of imports from China was \$.26. It increased to \$.30 in 1980 and \$.33 in 1981. In January-July 1982 the unit value of imports of greige polyester/cotton printcloth from China was 31 cents per square yard.

U.S. consumption and market penetration

Apparent U.S. consumption of greige polyester/cotton printcloth based on U.S. producers' domestic shipments plus total imports of greige polyester/cotton printcloth 2/ increased steadily from 1979 through 1981 and then declined in January-July 1982 (table 11).

1/ China was granted most favored nation treatment on Feb. 1, 1980. At this time the rates of duty applicable to imports of polyester/cotton fabrics from China which had ranged from 24 to 29 percent ad valorem, declined to 12.55 to 15.21 percent ad valorem.

2/ Imports under TSUSA item 326.--92 from countries other than China may contain material other than the printcloth under investigation, therefore, consumption is slightly overstated. On the basis of questionnaire responses, all imports in this classification from China are believed to be printcloth. ^{A-20}

Table 10.--Greige polyester/cotton printcloth: U.S. imports for consumption, ^{1/} by principal sources, 1979-81, January-July 1981, and January-July 1982

Source	1979	1980	1981	January-July--	
				1981	1982
Quantity (1,000 square yards)					
China-----	228	11,368	57,032	32,527	38,329
Thailand-----	1,719	1,672	20,424	7,206	18,097
Republic of Korea-----	7,007	4,773	19,351	17,403	5,578
Taiwan-----	3,571	9,046	18,643	13,446	4,606
Hong Kong-----	1,122	620	8,661	5,573	84
Singapore-----	3,994	2,305	5,447	4,066	1,150
All other-----	421	575	6,995	4,263	376
Total-----	18,062	30,359	136,553	84,534	68,219
Value (1,000 dollars)					
China-----	59	3,372	18,624	9,935	11,960
Thailand-----	722	654	7,152	2,427	6,798
Republic of Korea-----	2,431	1,443	6,363	5,727	2,555
Taiwan-----	1,239	2,801	6,174	4,386	1,587
Hong Kong-----	382	193	3,041	1,914	55
Singapore-----	1,372	647	1,648	1,204	390
All other-----	191	341	3,036	1,873	142
Total-----	6,396	9,451	46,038	27,467	23,486
Unit value (cents per square yard)					
China-----	26	30	33	31	31
Thailand-----	42	39	35	34	38
Republic of Korea-----	34	30	33	33	46
Taiwan-----	35	31	33	33	34
Hong Kong-----	34	31	35	34	65
Singapore-----	34	28	30	30	34
All other-----	45	59	50	44	37
Average-----	35	31	34	32	34
Percent of total quantity					
China-----	1.0	35.7	40.5	38.5	56.2
Thailand-----	11.3	6.9	15.5	8.5	26.5
Republic of Korea-----	38.0	15.3	13.8	20.1	8.2
Taiwan-----	19.4	29.6	13.4	15.9	6.8
Hong Kong-----	6.0	2.0	6.6	6.6	6.1
Singapore-----	21.5	6.8	3.6	4.8	1.7
All other-----	2.9	3.6	6.6	5.6	.6
Total-----	100.0	100.0	100.0	100.0	A-21 100.0

^{1/} Includes imports under TSUSA items 326.2032, 326.2092, 326.3032, 326.3092, 326.4032, and 326.4092.

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

Table 11.--Greige polyester/cotton printcloth: Apparent U.S. consumption and ratios of imports to apparent U.S. consumption, 1979-81, January-July 1981, and January-July 1982

Period	Apparent U.S. consumption	Ratio of imports to consumption	Ratio of imports from China to consumption
	1,000 square yards	Percent	
1979-----	393,881	4.6	1/
1980-----	422,807	7.2	2.7
1981-----	525,448	26.0	10.8
January-July--			
1981-----	302,322	28.0	10.8
1982-----	282,127	24.2	13.6

1/ Less than 0.5 percent.

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

U.S. consumption increased by 33 percent from 394 million square yards in 1979 to 525 million square yards in 1981. It then declined by 7 percent to 282 million square yards in January-July 1982 as compared to 302 million square yards in the corresponding period of 1981.

Imports of greige polyester/cotton printcloth from all sources increased from 4.6 percent of apparent U.S. consumption in 1979 to 26.0 percent in 1981 (table 11). They declined to 24.2 percent in January-July 1982, however, compared with 28.0 percent in January-July 1981.

Imports from China increased from less than .5 percent of apparent U.S. consumption in 1979 to 10.8 percent in 1981. Unlike imports from all sources, imports from China continued to increase their share of U.S. consumption to 13.6 percent in January-July 1982 compared with 10.8 percent in January-July 1981.

The preceding discussion on U.S. consumption and market penetration is based on open market shipments. * * * reported internal shipments. Apparent U.S. consumption, including this captive consumption and the ratio of imports from China to apparent U.S. consumption, including captive consumption are shown in the following tabulation.

<u>Period</u>	<u>Apparent U.S. consumption 1/ (1,000 square yards)</u>	<u>Ration of imports from China to U.S. consumption 1/ (Percent)</u>
1979-----	***	***
1980-----	***	***
1981-----	***	***
January-July--		
1981-----	***	***
1982-----	***	***

1/ Including captive consumption.

2/ Less than .5 percent.

Prices

Greige polyester/cotton printcloth is sold in the United States both by long-term contract and by spot sales. Although most printcloth is contracted for about 6 months before delivery, producers, importers, and endusers often sell unneeded inventories through spot sales. In times of recession, the spot market increases in importance as sellers' inventories become especially large. Prices in the two markets for printcloth are very closely related: industry sources report that long-term contract prices and current spot prices follow similar trends.

U.S. producers usually quote prices of greige printcloth on an f.o.b.-mill basis. U.S. importers generally quote prices on an ex-dock basis (landed, dutypaid). Neither producers nor importers maintain price lists; prices are negotiated for each transaction on the basis of the current market situation.

The sales process for greige polyester/cotton printcloth is usually initiated by the prospective purchaser, which offers to buy a quantity of a specific construction, giving the price and delivery terms it desires. The seller either accepts the offer or counters with a different offer. If the buyer is not satisfied with this counteroffer, he will contact other sellers to find acceptable sales terms; seldom does a buyer make more than one offer to the first seller he contacts. Both buyers and sellers are familiar with the relative quality of printcloth produced by each mill and the prevailing market prices.

The greige polyester/cotton printcloth market is described by industry sources as intensely competitive. According to these sources, orders may be lost because of price differences of a fraction of a cent per linear yard after quality differences are taken into account.

Both supporters of the petition and those opposed agree that China produces a greige polyester/cotton printcloth of high quality. The domestic producers argued that because printcloth from China is as good as printcloth produced in the United States, its prices should be very similar to those of U.S. printcloth. Those opposed to the petition said that Chinese printcloth

should sell for 3 to 5 percent less than the U.S. product. They stated that its quantity was not always high, and that some buyers still consider it to be of a lower quality than U.S. printcloth. In addition, they argued that longer delivery times, less certainty of timely shipment, and problems of servicing make Chinese printcloth less valued than U.S. printcloth.

Opponents of the petition indicated that the rapid price increase in 1980 and the high price levels in 1981 caused purchasers to worry about further price increases and to overorder as a result. They added that when the United States suffered an economic downturn in the second half of 1981, the demand for apparel and home furnishings was lowered, resulting in lower demand for printcloth. They concluded by saying that the drop in the price of printcloth in late 1981 and 1982 was caused by the slackened demand for printcloth and was exacerbated by the excessively large inventories held by buyers.

The petitioners argued that the price of printcloth declined in late 1981 and 1982 because Chinese printcloth was sold in the United States at prices below existing market prices and that they were forced to compete at these lower prices to prevent a loss of market share. They indicated that the price of Chinese printcloth was then lowered even further, to below profitable levels, in an effort to increase sales of Chinese printcloth. The petitioners argued that China was so anxious to acquire foreign exchange that it was willing to sell printcloth at prices below cost in an effort to obtain U.S. dollars. 1/

In its questionnaires, the Commission requested that domestic producers and importers provide their net selling prices to their three largest customers for

- o 48" 78 X 54 50 percent polyester/50 percent cotton printcloth (with 35s yarn in the warp and fitting).
- o 51" 73 X 52, 50 percent polyester/50 percent cotton printcloth, reeded out (with 35s yarn in the warp and fitting).
- o the largest volume greige, polyester/cotton printcloth other than the types specified.
- o the second largest volume greige polyester/cotton printcloth other than the types specified.

Responding firms reported two different prices--booking prices and shipping prices. Booking prices are prices quoted for orders taken in the reporting quarter. The actual date that the order is shipped is immaterial for booking prices and may be many months after the contract is made. Shipping prices are prices received for orders shipped in the reporting

1/ In a post-conference meeting, those opposed to the petition stated that China did not sell printcloth to U.S. importers at unprofitable prices. However, they added that U.S. importers may have been forced to sell printcloth from the PRC at unprofitable levels because U.S. importers had ordered Chinese printcloth at a time of high prices and were forced to sell it at much lower prices when it arrived several months later.

quarter; the date that the order was actually booked is immaterial. For spot sales, booking prices and shipping prices are the same; firms ship the printcloth the same day that it is ordered. For contract sales, however, the time between when an order is booked and when it is shipped can be as long as a year. Booking prices are believed to better reflect existing market conditions. 1/

Eight U.S. producers reported data for the first two products. Of these, four reported booking prices, and four reported shipping prices. Eight importers of printcloth from China reported data for the first product, but only four reported data for the second product. 2/

Five importers reported booking prices for the first product, and three reported booking prices for the second product. Prices for 48" 78 X 54 printcloth are shown in tables 12 and 13, and prices for 51" 73 X 52 printcloth are shown in tables 14 and 15. Both domestic producers' and importers' prices are net of all discounts and allowances, f.o.b. U.S. point of shipment.

Price trends.--Booking prices of domestically produced 48" 78 X 54 greige polyester/cotton printcloth were essentially unchanged in 1979 and the first half of 1980, averaging about 47.4 cents per linear yard. In the latter half of 1980 and the first quarter of 1981, however, prices rose sharply, reaching 58.5 cents per linear yard in the first quarter of 1981. This represented a 23.4 percent increase over the average price prevailing in the previous year and a half. Prices remained high for the rest of 1981. But in the first quarter of 1982, prices fell 11.9 percent from the level of the previous quarter, reaching 50.2 cents per linear yard. Prices fell even further in the second quarter of 1982, reaching 46.5 cents per linear yard. This represented a 21.3-percent decline from the level of the second quarter of 1981.

Shipping prices of domestically produced 48" 73 X 52 greige polyester/cotton printcloth followed a pattern similar to booking prices. However, reflecting the delay between booking and shipping, the sharp increase in the shipping price began about two quarters later, in the first quarter of 1981. Shipping prices peaked in the third quarter of 1981. By the second quarter of 1982, prices had fallen 14.7 percent from the peak.

The trend of booking prices of domestically produced 51" 73 X 52 greige polyester/cotton printcloth was somewhat similar to that of that of booking prices of 48" printcloth. Booking prices of 51" printcloth were essentially unchanged in 1979 and the first half of 1980, averaging about 48.4 cents per

1/ Booking prices are believed to be more relevant to this investigation than shipping prices because booking prices reflect the market conditions as they existed in each quarter, whereas shipping prices reflect market conditions as they existed in the past. Shipping prices for a particular quarter can include prices for orders that were booked several months earlier and prices for orders that were booked that quarter, and, therefore, may not indicate current market prices. Both prices, are discussed in this section.

2/ Some U.S. producers and importers provided price data for additional products. Because these products are not common to both groups, the data are not presented here.

Table 12.--Greige polyester/cotton printcloth: Ranges and weighted-average net booking prices for U.S. producers' and importers sales of 48" 78 X 54 50/50 imported printcloth, by quarters, January-1979-June 1982

Period	Domestic price		Import price		Margins of underselling or (overselling)	
	Range	Weighted: average	Range	Weighted: average	Amount	Percent
	-----Per linear yard-----					
1979:						
January-March-----	***	.476	-	-	-	-
April-June-----	***	.482	-	-	-	-
July-September-----	***	.459	-	-	-	-
October-December-----	***	.469	-	-	-	-
1980:						
January-March-----	***	.480	-	-	-	-
April-June-----	***	.479	-	-	-	-
July-September-----	***	.508	***	.500	.008	1.6
October-December-----	***	.564	***	.543	.021	3.7
1981:						
January-March-----	***	.585	***	.553	.032	5.5
April-June-----	***	.591	***	.523	.068	11.5
July-September-----	***	.571	***	.576	(.005)	(.9)
October-December-----	***	.570	***	.579	(.009)	(1.6)
1982:						
January-March-----	***	.502	***	.475	.027	5.4
April-June-----	***	.465	***	.457	.008	1.7

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

Table 13.--Greige polyester/cotton printcloth: Ranges and weighted average net shipping prices for U.S. producers' and importers' sales of 48" 78 X 54 50/50 printcloth by quarters, January 1979-June 1982

Period	Domestic price		Import price		Margins of underselling or (overselling)	
	Range	Weighted:	Range	Weighted:	Amount	Percent
		average		average		
	Per linear yard					
1979:						
January-March-----	***	.443	-	-	-	-
April-June-----	***	.457	-	-	-	-
July-September-----	***	.473	-	-	-	-
October-December-----	***	.474	-	-	-	-
1980:						
January-March-----	***	.470	-	-	-	-
April-June-----	***	.485	***	.500	(-.015)	(-3.1)
July-September-----	***	.481	***	-	-	-
October-December-----	***	.468	***	.485	(-.017)	(-3.6)
1981:						
January-March-----	***	.525	***	.499	.026	5.0
April-June-----	***	.561	***	.564	(-.003)	(-0.5)
July-September-----	***	.578	***	.575	.003	0.5
October-December-----	***	.570	***	.578	(-.008)	(-1.4)
1982:						
January-March-----	***	.543	***	.580	(-.037)	(-6.8)
April-June-----	***	.493	***	-	-	-

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

Table 14.--Greige polyester/cotton printcloth: Ranges and weighted average net shipping prices for U.S. producers' and importers' sales of 48" 73 X 52 50/50 printcloth by quarters, January 1979-June 1982

Period	Domestic price		Import price		Margins of underselling or (overselling)	
	Range	Weighted: average	Range	Weighted: average	Amount	Percent
-----Per linear yard-----						
1979:						
January-March-----	***	.473	-	-	-	-
April-June-----	***	.489	-	-	-	-
July-September-----	***	-	-	-	-	-
October-December-----	***	.489	-	-	-	-
1980:						
January-March-----	***	.492	-	-	-	-
April-June-----	***	.477	-	-	-	-
July-September-----	***	.511	-	-	-	-
October-December-----	***	.586	***	.490	.096	16.4
1981:						
January-March-----	***	.590	***	.503	.087	14.7
April-June-----	***	.594	***	.551	.043	7.2
July-September-----	***	.585	***	.560	.025	4.3
October-December-----	***	.518	***	.565	(.047)	(9.1)
1982:						
January-March-----	***	.485	***	.488	(.003)	(0.6)
April-June-----	***	.470	***	.440	.030	6.4

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

Table 15.--Greige polyester/cotton printcloth: Ranges and weighted average net shipping prices for U.S. producers' and importers' sales of 48" 73 X 52 50/50 printcloth by quarters, January 1979-June 1982

Period	Domestic price		Import price		Margins of underselling or (overselling)	
	Range	Weighted: average	Range	Weighted: average	Amount	Percent
-----Per linear yard-----						
1979:						
January-March-----	***	.448	-	-	-	-
April-June-----	***	.465	-	-	-	-
July-September-----	***	.465	-	-	-	-
October-December-----	***	.470	-	-	-	-
1980:						
January-March-----	***	.474	-	-	-	-
April-June-----	***	.475	-	-	-	-
July-September-----	***	.478	-	-	-	-
October-December-----	***	.513	-	-	-	-
1981:						
January-March-----	***	.538	-	-	-	-
April-June-----	***	.568	***	.548	.020	3.5
July-September-----	***	.579	***	.548	.031	5.4
October-December-----	***	.577	***	.575	.002	0.3
1982:						
January-March-----	***	.550	***	.581	(.031)	(5.6)
April-June-----	***	.524	***	.455	.069	13.2

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

linear yard. In the latter half of 1980 prices rose sharply, reaching 58.6 cents per linear yard in the last quarter of the year. This represented a 21.1-percent increase over the average price prevailing for the previous year and a half. Prices remained high for most of 1981, but in the final quarter of 1981, they fell 11.5 percent from the third quarter level, reaching 51.8 cents per linear yard. Prices continued to fall in 1982, reaching 47.0 cents per linear yard in the second quarter. This represented a 20.9-percent decline from the level in the second quarter of 1981.

Shipping prices of domestically produced 51" 73 X 52 greige polyester/cotton printcloth followed a similar pattern to that of booking prices. However, again reflecting the delay between booking and shipping, the increases and decreases in shipping prices occurred about 6 months after they occurred in the booking prices.

Margins of underselling.--Booking-price data were available for 48" printcloth from China from July-September 1980 through April-June 1982. These data, believed to be a better indicator of existing market conditions than shipping-price data, suggest that imported printcloth undersold U.S. printcloth by an average of 3.3 percent. From July 1981 to December 1981, domestic prices were higher than import prices. Shipping-price data, on the other hand, indicate that imported printcloth sold for an average of 1.4 percent more than U.S. printcloth from April-June 1980 through January-March 1982. For five of the seven quarters for which comparable data are available, domestic prices were higher than import prices.

Booking-price data were available for imported 51" printcloth from October-December 1980 through April-June 1982. These data indicate that imported printcloth undersold domestic printcloth by an average of 5.6 percent. From October 1981 to March 1982, domestic prices were higher than import prices. Shipping-price data for 51" printcloth, unlike such data for 48" printcloth, indicated that the imported product undersold the domestic product. The margin of underselling averaged 3.4 percent for the period from April-June 1981 through April-June 1982. In January-March 1982, domestic prices were higher than import prices.

Lost sales

Domestic producers provided information on alleged sales of Chinese polyester/cotton printcloth at prices below those of U.S. producers. The Commission staff contacted nine companies that allegedly bought Chinese printcloth. Four of the firms confirmed that they bought Chinese printcloth for prices below domestic producers' prices, two said that they purchased Chinese printcloth at or above prices of domestic producers, and three said that they did not purchase Chinese cotton/polyester printcloth. The following information was obtained from these contacts.

Purchaser 1.--This purchaser confirmed that it had bought Chinese printcloth, adding that some of the Chinese printcloth that he purchased was priced above domestic printcloth. The firm claimed that Chinese printcloth was of a higher quality than much U.S. printcloth and that it was cheaper to import Chinese printcloth into * * *. Nonprice factors led this purchaser to

buy about * * * linear yards of Chinese printcloth in 1981 about * * * of his total purchases of printcloth in that year.

Purchaser 2.--This purchaser confirmed that it had bought Chinese printcloth at prices below prices of domestic producers. The difference in price was approximately 1.5 to 2 cents per linear yard. The firm claimed that domestic producers are more accommodating than importers, but that the price difference in the latter half of 1981 was the reason it purchased about * * * linear yards of Chinese printcloth.

Purchaser 3.--This purchaser confirmed that it had bought Chinese printcloth at prices below prices of domestic producers. The difference in price was approximately 1 cent per linear yard. The firm claimed that the quality of Chinese printcloth was as good as the quality of U.S. printcloth and that the price difference was sufficient to persuade it to purchase * * * linear yards of Chinese printcloth in 1981.

Purchaser 4.--This purchaser confirmed that it had bought Chinese printcloth at prices below prices of domestic producers. The difference in price was approximately 2 cents per linear yard. The firm claimed that the quality of Chinese printcloth was as good as the quality of U.S. printcloth and that the price difference was sufficient to persuade it to purchase * * * linear yards of Chinese printcloth in early 1982.

Purchaser 5.--This purchaser's statement was virtually identical to that of purchaser 3. The only difference was that the firm bought about * * * linear yards of Chinese printcloth in 1981.

Purchaser 6.--This purchaser confirmed that it had bought Chinese printcloth, but added that the printcloth was purchased at prices higher than U.S. prices. The firm claimed that it normally buys U.S. printcloth, but that in early 1982 it was unable to purchase the domestic product at what it believed to be the current market price. As a result, it was forced to buy Chinese printcloth for a fraction of a cent more than what it believed to be the current market price. The purchaser said the amount of Chinese printcloth that it bought was very small, accounting for about * * * of its total purchases of printcloth.

Purchaser 7.--This purchaser stated that it does not purchase polyester/cotton printcloth.

Purchaser 8.--This purchaser stated that it did not purchase Chinese printcloth because it felt that the imported product was inferior to U.S. printcloth.

Purchaser 9.--This purchaser stated that it never purchased Chinese printcloth. No reason was given.

APPENDIX A

NOTICE OF THE COMMISSION'S INSTITUTION OF A
PRELIMINARY ANTIDUMPING INVESTIGATION

(Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(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 imports from the People's Republic of China of unbleached and uncolored printcloth fabric (other than 80 x 80 type) in chief value of cotton, containing polyester, and provided for in items 326.26 through 326.40 of the Tariff Schedules of the United States, which is alleged to be sold in the United States at less than fair value. The appropriate statistical suffixes are 32 and 92. For purposes of this investigation the term "printcloth" means plain-woven fabric, not napped, not fancy or figured, or singles yarn, not combed, of average yarn number 26 through 40, weighing not more than 6 ounces per square yard, having a total thread count of more than 85 yarns per square inch and with the total count of the warp yarns per inch and the total count of the filling yarns per inch each less than 62 percent of the total count of the warp and filling yarns per square inch.

FOR FURTHER INFORMATION CONTACT: Ms. Judith Zeck (202-523-0339), Office of Investigation, U.S. International Trade Commission.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed August 5, 1982, on behalf of the American Textile Manufacturers Institute, Inc., and 8 of its member companies who are producers of polyester/cotton printcloth. Copies of the petition are available for public inspection in the Office of the Secretary, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. The Commission must make its determination in this investigation within 45 days after the date of the filing of the petition or by September 20, 1982 (19 CFR 207.17). Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided for in § 201.11 of the Commission's rules of practice and procedure (19 CFR 201.11), not later than seven (7) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the notice.

Service of Documents

The Secretary will compile a service list from the entries of appearance filed in this investigation. Any party submitting a document in connection with the investigation shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR 201.8), serve a copy of each such document on all other parties to the investigation. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b)).

In addition to the foregoing, each document filed with the Commission in the course of the investigation must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a certificate of service will not be accepted by the Secretary.

Written Submissions

Any person may submit to the Commission on or before September 1, 1982, a written statement of information pertinent to the subject matter of this investigation (19 CFR 207.15). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8).

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 (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 this investigation for 9:30 a.m., on August 27, 1982, 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 supervisory investigator for the investigation, Ms. Vera Libeau, telephone 202-523-0368, not later than August 25, 1982, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

For further information concerning the conduct of this investigation and rules of

[Investigation No. 731-TA-101
(Preliminary)]

**Greige Polyester/Cotton Printcloth
From the People's Republic of China**

AGENCY: International Trade Commission.

ACTION: Institution of a preliminary antidumping investigation and scheduling of a conference to be held in connection with the investigation.

EFFECTIVE DATE: August 5, 1982.

SUMMARY: The United States International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-101

general application, consult the Commission's rules of practice and procedure, part 207, subparts A and B (19 CFR part 207, 47 FR 6182, February 10, 1982), and part 201, subparts A through E (19 CFR part 201, 47 FR 6182, February 10, 1982). Further information concerning the conduct of the conference will be provided by Ms. Vera Libeau.

This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: August 11, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-22242 Filed 8-12-82; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

NOTICE OF THE DEPARTMENT OF COMMERCE'S INSTITUTION
OF A PRELIMINARY ANTIDUMPING INVESTIGATION

preliminary determination on or before September 20, 1982, and we will make ours on or before January 12, 1983.

EFFECTIVE DATE: September 1, 1982.

FOR FURTHER INFORMATION CONTACT: Paul Nichols, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone (202) 377-1768.

SUPPLEMENTARY INFORMATION:

Petition

On August 5, 1982 we received a petition filed by counsel on behalf of the American Textile Manufacturers Institute and certain member companies. In compliance with the filing requirements of section 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports from the People's Republic of China of greige polyester/cotton printcloth are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the "Act") and that these imports are materially injuring, or are threatening to materially injure, a U.S. industry.

The petition further alleges that the People's Republic of China is a state-controlled economy country within the meaning of the Act. They allege that sales of greige polyester/cotton printcloth in the People's Republic of China do not permit a determination of foreign market value and that the Department of Commerce must choose a non-state-controlled economy country to be used as a surrogate for the purpose of determining the foreign market value of this product.

The petition suggests Taiwan and Korea as possible surrogate countries. However, it also alleged that sales by Taiwanese and Korean producers may be at prices below the fully allocated cost of production.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether a petition sets forth the allegations necessary for initiation of an antidumping investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on greige polyester/cotton printcloth and have found that it meets these requirements.

Therefore, in accordance with section 732 of the Act, we are initiating an antidumping investigation to determine whether greige polyester/cotton

printcloth from the People's Republic of China is being, or is likely to be, sold in the U.S. at less than fair value. If the investigation proceeds normally, we will make our preliminary determination by January 12, 1983.

Scope of the Investigation

The imports in question are unbleached and uncolored printcloth fabric (other than 80 x 80 type) in chief value of cotton, containing polyester, and provided for in items 326.26 through 326.40 of the *Tariff Schedules of the United States*. The appropriate statistical suffixes are 32 and 92. The term "printcloth" refers to plain-woven fabric, not napped, not fancy or figured, of signles yarn, not combed, of average yarn numbers 26 to 40, weighing not more than 6 ounces per square yard, having a total thread count of more than 85 yarns per square inch and with the total count of the warp yarns per inch and the total count of the filling yarns per inch each less than 62 percent of the total count of the warp and filling yarns per square inch.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided that the ITC confirms 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.

Preliminary Determination by ITC

The ITC will determine by September 20, 1982, whether there is a reasonable indication that imports of greige polyester/cotton printcloth from the People's Republic of China are materially injuring, or are threatening to materially injure, a U.S. industry. If its determination is negative, this investigation will terminate; otherwise, the investigation will proceed according to statutory procedures.

Dated: August 26, 1982.

Gary N. Horlick,
Deputy Assistant Secretary for Import Administration.

[FR Doc. 82-23878 Filed 8-31-82; 8:45 am]

BILLING CODE 3510-25-M

International Trade Administration

**Initiation of Antidumping Investigation;
Greige Polyester/Cotton Printcloth
From the People's Republic of China**

AGENCY: International Trade Administration, Commerce.

ACTION: Initiation of Antidumping Investigation.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping investigation to determine whether greige polyester/cotton printcloth from the People's Republic of China is being, or is likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission ("ITC") of this action so that it may determine whether imports of greige polyester/cotton printcloth are materially injuring, or are threatening to materially injure, a U.S. industry. If the investigation proceeds normally, the ITC will make its

APPENDIX C

LIST OF WITNESSES APPEARING
AT THE CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-101 (Preliminary)

GREIGE POLYESTER/COTTON PRINTCLOTH FROM THE
PEOPLE'S REPUBLIC OF CHINA

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigation on August 27, 1982, in the hearing room of the USITC Building, 701 E Street, N.W., Washington, D.C.

In support of the imposition of
antidumping duties

Verner, Liipfert, Bernhard and McPherson--Counsel
Washington, D.C.
on behalf of

American Textile Manufacturers Institute (ATMI)

James R. Chapman, Jr., First Vice President, ATMI,
and Chairman of the Board and Chief Executive Officer,
Inman Mills
Robert F. Eisen, President, Greenwood Mills Marketing
Company
Jim Turner, Director of Marketing Services, Dan River Co.
Robert Vance, Chairman of the Board and Chief Executive
Officer, Clinton Mills
Louis Runge, Vice President, Alice Manufacturing Co.

John Greenwald)
Elaine Frangedakis) --OF COUNSEL

In opposition to the imposition of
antidumping duties

Weil, Gotshal & Manges--Counsel
New York, N.Y.
on behalf of

China National Textiles, Import & Export Corporation
(Chinatex)

HUAFANG Trading Company, Inc. (HUAFANG)

John G. Reilly, Principal, ICF Inc.
P. Lance Graef, Project Manager, ICF Inc.
Tom Mohr, Scheuer & Co., Inc.

A. Paul Victor)
Stuart M. Rosen)--OF COUNSEL
Bruce Turnbull)