SHOP TOWELS OF COTTON FROM THE PEOPLE'S REPUBLIC OF CHINA

Determination of the Commission in Investigation No. 731-TA-103 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information which discloses confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

United States International Trade Commission
Washington, D.C.

Investigation No. 731-TA-103 (Preliminary)

SHOP TOWELS OF COTTON FROM THE PEOPLE'S REPUBLIC OF CHINA

Determination

On the basis of the record 1/ developed in investigation No. 731-TA-103 (Preliminary), the Commission 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 2/ by reason of imports of shop towels of cotton as provided for in item 366.2740 of the Tariff Schedules of the United States from the People's Republic of China (PRC) which are allegedly being sold at less than fair value (LTFV)

Background

On August 24, 1982, a petition was filed by counsel on behalf of Milliken and Company with the U.S. International Trade Commission and the Department of Commerce alleging that an industry in the United States is materially injured, or is threatened with material injury by reason of imports of shop towels from the PRC which are allegedly being sold at LTFV. Accordingly, effective August 26, 1982, the Commission instituted a preliminary investigation under section

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

2/ Commissioner Frank determines that there is a reasonable indication that the domestic industry also is materially injured.

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 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 September 1, 1982 (47 F.R. 38653). The conference was held in Washington, D.C. on September 14, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Introduction

Pursuant to section 731 of the Tariff Act of 1930, we determine there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of shop towels from the People's Republic of China (PRC) which are allegedly being sold at less than fair value. 1/ 2/

Standards for Determination

The Tariff Act of 1930 requires the Commission when making a determination as to whether there is material injury, to consider, among other factors:

> (i) the volume of imports of the merchandise which is the subject of the investigation,
>
> (ii) the effect of imports of that merchandise on prices in the United States for like products,
>
> (iii) the impact of imports of such merchandise on domestic producers of like products. 3/

In this investigation we have determined that there is reasonable indication of a threat of material injury. When determining whether there is threat of material injury the Commission considers, among other factors:

> (1) the rate of increase of subsidized or dumped exports to the U.S. market,
>
> (2) capacity in the exporting country to generate exports,
>
> (3) the availability of other export markets. 4/

1/ Commissioner Frank determines that there is a reasonable indication that the domestic industry also is materially injured.

2/ Material retardation of a domestic industry is not an issue.

3/ 19 U.S.C. § 1677(7)(B).

4/ 19 C.F.R. § 207.26(c) Commission Rules of Practice and Procedure. Commissioner Frank notes that growth in domestic consumption in the foreign exporting country which is allegedly selling at less than fair value relative to capacity in that country must be considered which is partially implied by point number (2) above in particular.

The "threat of material injury" standard "is intended to permit import relief under the countervailing and antidumping laws before actual injury occurs." 5/ In making its determination of threat of material injury, the Commission is required to consider "any economic factor it considers relevant" 6/ in assessing the conditions of a particular industry. A finding that there is 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. 7/

The Domestic Industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" in an antidumping investigation as "the domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that 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 the investigation." 9/

The imported article which is the subject of this investigation is a 100 percent cotton shop towel, sold in the greige state, 10/ and provided for in

5/ S. Rep. No. 249, 96th Cong., 1st Sess. 89 (1979), H. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979).
6/ S. Rep. No. 249 supra n. 2 at 88.
7/ S. Rep. No. 96-249, 96th Cong. 1st Sess. 88-89 (1979); S. Rep. No. 1298 93rd Cong. 2nd Sess. 180 (1974). Alberta Gas Chemical, Inc. v. United States, 515 F.Supp. 780, 790 (U.S. Court of International Trade 1981.
8/ 19 U.S.C. 1771(4).
9/ 19 U.S.C. 1771(10).
10/ The term greige is used to describe cloth that has not been dyed, printed or bleached.

item 366.2740 of the TSUS. Shop towels are rags used for wiping and cleaning functions in industrial and commercial establishments. Both the imported and domestic shop towels are made from Osnaburg, a loosely woven fabric of plain weave and are of basically the same size and weight. 11/ 12/ However, there appear to be some discernible differences between domestic and imported towels. Imported towels are exclusively all-cotton, whereas the domestically produced towels can be all-cotton or cotton blend. 13/ In addition, imported towels enter in the griege state without further treatment or alteration. Although domestic producers sell some towels in the greige state, they also dye towels and treat them with a soil release finish as additional cost and feature options for their customers. 14/ They also imprint at no charge customer names and logos on towels. 15/ These differences in physical characteristics alone are not sufficient to distinguish domestic towels from imported towels.

Both domestic and imported towels are used primarily for wiping machine parts and cleaning away ink, grease, oil or other unwanted substances. 16/ The primary purchasers of shop towels are industrial laundries which, in turn, rent them to industrial and commercial establishments.

11/ Domestic towels usually range from 4.5 to 5.5 ounces per square yard. Imported towels weight approximately 4.3 ounces per square yard.

12/ Most domestic shop towels are 18" x 18". The PRC towel is 18" x 17 1/2".

13/ Blended towels are considered somewhat stronger and more chemical-resistant. Report at A-2.

14/ Report at A-2.

15/ Report at A-2.

16/ Report A-1. Counsel for respondents conceded that domestic and imported towels are used for the same purpose. TR at 121.

There is nothing on the record of this preliminary investigation which suggests that the differences in characteristics between the imported and domestic towels affect the end use of these towels. Thus, considering characteristics and uses together, we determine that the "like product" consists of all domestically-produced shop towels. Therefore, for purposes of this preliminary investigation, we determine that the "industry" consists of the domestic producers of shop towels. 17/

Condition of the Domestic Industry

Profit and loss information submitted to the Commission shows a profitable industry through 1981. Total net sales of shop towels increased by 13 percent from $25.4 million in 1979 to $28.9 million in 1981. However, during the 6-month period ending June 1982, total net sales declined by 14 percent to $15.3 million compared with $17.8 million in the 1981 corresponding period. 18/

Operating profit as a share of net sales was 12.7 percent in 1981 as compared with 12.6 percent in 1980 and 16.3 percent in 1979. Although this ratio declined in the first half of 1982 compared with the corresponding period in the previous year, industry profit margins at this time were still above the standards of comparable industries. 19/

17/ The names of the six producers of the product are found in the Report at A-5. Four domestic producers representing approximately 90 percent of domestic production responded to the Commission's questionnaire.

18/ Report at A-13. Commissioner Frank disagrees with the implications of the comment "profitable industry through 1981" when two out of four producers did not report a pre-tax profit in 1981.

19/ Commissioners Stern and Haggart note that comparable financial data were not available from domestic producers for the interim 1981 and 1982 periods because the individual firms use different accounting years. Therefore, aggregate data for these interim periods are not truly representative and cannot be relied upon for an accurate picture of the profitability of the domestic industry unaided by additional analysis.

Three of the four domestic producers who responded to the questionnaire reported a pre-tax profit on their shop towel operations in 1979 and 1980. In 1981 two of the four producers reported a pre-tax profit. In the first half of 1982 only one on the four producers reported a pre-tax profit. The other firms substained pre-tax losses ranging from $6,000 to one million dollars.

Apparent U.S. consumption of shop towels increased to 273 million in 1981 from 255 million units in 1980 after declining from 260 million units in 1979. 20/ It then declined by 22 percent to 116 million towels in January-July 1982, compared with 149 million in the corresponding period of 1981. 21/ In 1981, domestic production of shop towels was 162 million units as compared to 160 million units in 1980 and 182 million units in 1979. Three producers who account for the majority of domestic production report a 17 percent decline in production for January-July 1982 when compared with the corresponding period of 1981. 22/

Capacity utilization figures indicate a trend similar to that of production. While capacity for shop towel production remained relatively constant 23/, capacity utilization for the domestic industry increased to 44.6 percent in 1981 from 44.5 percent in 1980. Capacity utilization was 50.8 percent in 1979. There was a decline from 47.8 percent in January-July 1981 to 40.1 percent in the corresponding period of 1982.

U.S. producers' end of period inventories have increased throughout the period under investigation. They rose from 1.5 million towels in 1979 to 2.3

20/ Report at A-19.
21/ This may be explained in part by the overall economic situation. As industrial users of shop towels decrease production the number of shop towels they need decreases.
22/ Report at A-7.
23/ Id.

million in 1981, an increase of 56 percent. 24/ There were 5.5 million towels in inventory at the end of July 1982, compared to 3.4 million towels in inventory at the end of July 1981. Traditionally, domestic producers of shop towels have maintained little inventory because towels were produced to order. 25/

The number of production and related workers declined from 464 in 1979 to 427 in 1981. It increased slightly in January-June 1982 as compared to the corresponding period of 1981. 26/ However while the number of workers increased during this period the actual hours worked declined 27/ from 424,624 to 336,726.

Thus, the financial and economic indicators of the condition of the domestic industry show a relatively stable level of performance through 1981. There are signs of deterioration in all the above indicators in the first half of 1982. 28/

Threat of Material Injury by Reason of Alleged LTFV Imports

Imports of shop towels from the PRC have increased during the period under investigation in both absolute and relative terms. Imports for consumption

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24/ Report at A-11.

25/ For example, if an end user wants red towels on which "service is our business" is printed, the order must be processed at the time it is placed and cannot be run in advance.

26/ Report at A-12.

27/ Report at A-12.

28/ Commissioners Stern and Haggart note that in this case, aggregate data for the various indicia of the health of the domestic industry do not reveal the significant variations about the norm which were experienced by individual companies. In particular, information on the record reveals that the performance of one company is far worse than that of the other producers, apparently for reasons unrelated to imports. Therefore, they considered confidential information regarding the performance of individual companies as well as the aggregate data in their analysis of the domestic industry.

from the PRC rose from less than 9 million towels in 1978 to 14 million in 1979, and then more than tripled in 1980 to 45 million towels. 29/ The number of shop towels from the PRC increased again in 1981 to 94 million. 30/ The imports for consumption from the PRC fell 22 percent in the period January-July 1982. 31/ It must be noted, however, customs data on general imports indicate that there was a 57 percent increase in PRC shipments in July 1982 over those in July 1981, which is not reflected in the data concerning imports for consumption. This suggests that U.S. importers may be warehousing PRC shop towels in Customs bonded storage. 32/

The ratio of imports from the PRC to apparent domestic consumption increased from 5.4 percent in 1979 to 17.8 percent in 1980 and to 34.6 percent in 1981. There was a slight increase in the January-July 1982 percentage as contrasted with the comparable period in 1981. 33/

Furthermore, importers responding to questionnaires 34/ have reported a substantial build-up in inventories since 1979. By July 1982 inventories of imported towels had almost tripled since the end of the previous year. 35/

Domestic producers sell shop towels in the United States through their own sales representatives and distributors. 36/ Imports are sold through a distribution arrangement 37/ as well. Both U.S. producers and importers sell

29/ Report at A-17. Most-Favored-Nation treatment was granted to the PRC on February 1, 1980.
30/ Id.
31/ Report at A-19.
32/ Id.
33/ Id.
34/ Importers which represent 85% of total shop towel imports answered the questionnaire.
35/ Report at A-17. Commissioner Frank notes inventories of imported towels were about four times the level of domestic towel inventories at the end of July 1982.
36/ Report at A-21.
37/ Id.

at different prices to different types of customers. While list prices issued on a quarterly basis are generally offered to smaller customers, prices are negotiated for larger accounts. 38/ Pricing is very competitive and one cent can make the difference in making the sale.

Domestic prices during the period studied rose slightly while PRC prices declined. Domestic price increases were small, despite rising costs, in order to remain competitive. Importers undersold domestic prices in every quarter of the period January, 1979 to June, 1982. 39/ The margins of underselling increased from 25 percent in 1979 to 34 percent in the second quarter of 1982. Given the ratio of PRC imports to apparent domestic consumption there is an indication that this underselling has resulted in the suppression of domestic prices. Further, there were 127 allegations regarding lost sales. The Commission was able to confirm 16 of the allegations. 40/ The majority of these sales were lost because of lower prices of the towels imported from the PRC.

Information on the PRC's capacity to increase exports to the United States is limited. Counsel for respondents indicated at the conference that there are presently four mills making shop towels with no excess capacity 41/ and no plans to increase capacity. However, according to a recent Commission report, the PRC is emphasizing the development of export-oriented light industry as a

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38/ Id.
39/ Report at A-22.
40/ Ten of these accounted for sales valued at $766,500. Six additional firms confirmed the purchase of imports, but were unable to state the value of the lost sales. Report at A-23.
41/ Report at A-6.

means of earning foreign exchange. Textile products are expected to be one of the key product areas. 42/ 43/

Therefore in light of import trends, sizeable inventories held by importers and in Customs warehouses, indications of underselling and price suppression and confirmed lost sales, 44/ we conclude that there is a reasonable indication that a domestic industry is threatened with material injury by reason of imports of shop towels from the PRC which are allegedly sold at less than fair value. 45/

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

43/ Further information on export capacity should be developed should this investigation return to the Commission.

44/ Commissioners Stern and Haggart note that the record in this preliminary investigation does not provide sufficient information to conclude that increases in import penetration and the existence of underselling by these imports during the period 1979 through 1981 led to the present condition of the domestic industry. However, recent developments within the domestic industry, particularly declining profitability, lead to a reasonable belief that current and anticipated levels of imports pose a threat of material injury to the domestic industry.

45/ Commissioner Frank notes that only a low-threshold standard applies to preliminary determinations. An overview on this is found in his views in Frozen French Fried Potatoes from Canada, Inv. No. 731-TA-93 (Preliminary), USITC Pub. No. 1259 at 12-15 (1982). Commissioner Frank also considers the past profit slump or losses on operations of domestic firms in the industry, domestic inventory accumulation, underselling margins, and volume of past PRC imports to have an effect on domestic producers of like product that is significant. Hence, he determines there is a reasonable indication that the dometic industry is materially injured as well as being threatened with material injury.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On August 24, 1982, a petition was filed by counsel on behalf of Milliken & Co. 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, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of shop towels from the People's Republic of China (China) which are allegedly being sold at less than fair value (LTFV). Accordingly, effective August 26, 1982, the Commission instituted a 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. The statute directs that the Commission make its determination within 45 days after its receipt of a petition, or in this case by October 8, 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 of September 1, 1982 (47 F.R. 38653). 1/ The conference was held in Washington, D.C., on September 14, 1982. 2/

The Product

Description and uses

Shop towels are industrial wiping cloths used primarily for wiping machine parts and cleaning away ink, grease, oil, or other unwanted substances. They are usually purchased by industrial laundries which, in turn, rent them to commercial and industrial establishments. After being used, the towels are returned to the laundry for cleaning and further use.

Shop towels are made from osnaburg, a loosely woven fabric of plain weave usually ranging from 4.5 to 5.5 ounces per square yard. The most widely used towel sizes are 18 X 18 inches and 18 X 30 inches. Most shop towels are overcast 3/ or finished on three edges with a natural selvage on the fourth.

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 the conference is presented in app. C.

3/ A slanted stitch around cut edges to prevent raveling.

Imported and domestic shop towels have the same end uses and, according to counsel for the petitioner and the respondents, are competitive. In terms of construction, imported and domestic shop towels differ in size and quality of the yarn used and the yarn count (threads per inch). The yarns used in imported towels are made of 70 percent waste fibers (from previous yarn processing) and 30 percent short staple fibers. The domestic towels are made of 60 percent waste and 40 percent long staple fibers. The yarns in the standard Chinese towel are of number 1/ 10 (10s) in both the length and the width of the fabric. Those used in domestic towels are 10s and 6s or 12s and 5s, the higher number in the warp (length of goods) and the lower number in the filling (width of the goods). The yarn count in imported towels is usually 34 threads per inch in the warp and 26 threads per inch in the filling. Domestic towels usually have a yarn count of 29 in the warp and 20 in the filling. 2/

Imported towels are made of 100 percent cotton and are sold in the greige 3/ state. U.S. producers make 100 percent cotton towels and also towels that are a blend of 60 percent cotton and 40 percent acrylic. The blended towels are preferred by some end users who feel that they are stronger and more chemical resistant than the all-cotton towels. In addition, the blended towels can be washed at a lower temperature than the all-cotton towels and can be dried more quickly. Domestic producers sell towels in the greige state; they also dye them or treat them with a soil-release finish as additional cost options. In addition, domestic producers imprint customer names and logos on their towels without extra charge to their customers. Industry sources indicate that the cost of dyeing is * * * cent per towel; soil release, * * * cent; and imprinting, * * * cent.

Importers and producers disagree concerning the relative quality and utility of the imported versus the U.S.-produced towels. During the conference the importers frequently alleged that the shop towels imported from China are a cheaper product, inferior in quality, and consequently should sell for less than the U.S.-produced towel. 4/ To support this contention, the importers cited the percentage of cotton waste in the imported towels 5/ and their lighter weight. 6/ They mentioned the additional features provided by U.S. producers that are not available on the Chinese towels, 7/ and stated that Chinese towels do not last as long as U.S.-made towels. 8/

1/ Yarn number describes the diameter of the yarn. The lower the number, the thicker the yarn.
2/ Transcript of the conference, pp. 90-91.
3/ Unbleached and uncolored.
4/ Transcript of the conference, pp. 72, 74, 75, 79, 80, 84, 91, 93, 95, 104, 106, and 129.
5/ Ibid., pp. 82 and 90-91.
6/ Ibid., pp. 80, 91, 106, and 114.
7/ Ibid., pp. 81 and 97.
8/ Ibid., pp. 92, 95, and 113.

However, the petitioner contends that the U.S. and Chinese shop towels are directly competitive, 1/ and that, although the U.S. towel is a better towel, the degree to which it is better does not warrant the price difference. 2/ The petitioner contended that it could produce a towel like the imported one for roughly 1 cent more than it costs to make its own products because the Chinese use a finer yarn and consequently have to weave more threads per inch to achieve the required weight. 3/ Also, the petitioner's postconference brief states that Chinese shop towels weigh almost exactly the same as the towels that it produces. 4/

U.S. tariff treatment

Shop towels are classified under item 366.2740 of the Tariff Schedules of the United States Annotated (TSUSA). The current column 1 or most-favored-nation (MFN) rate of duty for shop towels is 14.3 percent ad valorem, and the column 2 rate is 40 percent ad valorem. 5/ The MFN rate has been in effect since January 1, 1982, and reflects the initial reduction resulting from concessions granted in the Tokyo round of the Multilateral Trade Negotiations (MTN), conducted under the auspices of the General Agreement on Tariffs and Trade (GATT) during 1973-79. The remaining scheduled reductions for item 366.2740 and their effective dates are as follows:

Rate	Jan. 1--
13.5% ad val-----------------------	1983
12.8% ad val-----------------------	1984
12.0% ad val-----------------------	1985
11.3% ad val-----------------------	1986
10.5% ad val-----------------------	1987

Imports of shop towels are not eligible for duty-free treatment under the Generalized System of Preferences (GSP). 6/ In addition, imports from the

1/ Ibid., pp. 16 and 49-50.
2/ Ibid., pp. 26 and 32.
3/ Ibid., pp. 28-30.
4/ Petitioner's postconference brief, app. 1.
5/ China was granted MFN treatment on Feb. 1, 1980, joining Hungary, Poland, Romania, and Yugoslavia as the only Communist countries eligible for such treatment. Imports from all other Communist countries and areas, pursuant to general headnote 3(f) of the TSUSA, are assessed the higher col. 2 rates; imports from all other sources are assessed the MFN rate.
6/ GSP is a program of nonreciprocal tariff preferences granted by developed countries to developing countries to aid their economic development by encouraging greater diversification and expansion of their production and exports. The U.S. GSP program, enacted under title V of the Trade Act of 1974, was implemented by Executive Order No. 11888 in January 1976 and is scheduled to expire on Jan. 4, 1985.

least developed developing countries (LDDC's) are not granted preferential tariff treatment. 1/

The shop towels considered herein are subject to control under the Multifiber Arrangement (MFA), 2/ which provides the legal framework for bilateral agreements among participating countries to provide for the orderly development of international trade in textiles and apparel. Imports of shop towels are classified in category 369, a "basket" category consisting of a large number of miscellaneous cotton manufactures. During January-June 1982, shop towels accounted for about 11 percent of the total import volume in category 369.

China is not a signatory to the MFA; however, its exports of shop towels to the United States are covered by a 3-year bilateral textile and apparel agreement that will expire on December 31, 1982. 3/ Although the agreement set quantitative limits for certain product categories, the basket category in which shop towels fall is unlimited. Moreover, unlike the bilateral agreements with the three largest foreign suppliers--Hong Kong, Taiwan, and the Republic of Korea--the agreement with China does not contain an aggregate limit. However, the agreement did establish a consultation mechanism for categories which are not subject to specific limits and for which limits may be established to prevent market disruption or the threat thereof.

Channels of distribution

Between 90 and 95 percent of domestic shop towel sales by U.S. producers and importers are made to industrial laundries and linen supply companies. These firms, in turn, rent the towels to various industrial or commercial establishments, such as printers, auto repair shops, and food processors.

After the towels become soiled, they are returned to the rental agent for cleaning. Testimony provided by the petitioner and respondents differs considerably with respect to the useful life of shop towels. Producers have stated that their shop towels are made to withstand over 50 launderings, but due to the high loss rate through pilferage, the average towel life is closer to 20 washings. However, importers stated at the conference that the Chinese towel only lasts through five washings, whereas laundries and linen suppliers expect a minimum of 9.2 washings from cloth shop towels to get their money's worth. 4/

1/ The LDDC rate reflects the final U.S. MTN concession rate for an item without the normal staging of duty reductions, and is applicable to products from the LDDC's enumerated in general headnote 3(d) of the TSUSA.

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

3/ Negotiations to renew the bilateral agreement are being conducted with China by the Office of the United States Trade Representative.

4/ Transcript of the conference, pp. 95 and 113.

Sources indicate that the rental fee per towel is between 5 and 6 cents per laundering. Most establishments have a set delivery schedule, and depending on size and use, receive a specified number of towels per week. In rural areas, delivery may be made biweekly.

The remaining 5 to 10 percent of the shop towels are sold directly to the end users, usually to printshops or newspapers, which may have them cleaned by local laundries. However, unless the purchase and laundering are on a large scale, using a rental service is more economical.

U.S. Producers

The number of firms known to produce shop towels in the United States is six; 1/ the petitioner--Milliken & Co.--is by far the largest producer. The shares of total production in 1981 accounted for by each of the four responding firms are shown in the following tabulation:

Producer	Percent
Milliken & Co	***
Texel Industries, Inc	***
Wikit, Inc	***
Wipo, Inc	***

Wikit, Inc., and Texel Industries, Inc. appeared and testified at the conference in support of the petition.

Milliken & Co. is among the largest textile producers in the country, producing a wide array of textile products. Because the firm is privately owned, the importance of shop towels relative to its total sales is not known, but it is believed to be low. Milliken's shop towel facility is located in LaGrange, Ga. For Wikit, Inc., located in LaGrange Ga., and Wipo, Inc., located in Columbus, Ga., shop towels are believed to account for the major part of their total sales.

Pennsylvania State Manufacturing Co., Clifton Heights, Pa., was contacted after the conference. It produces about * * * million shop towels a year, which account for less than * * * percent of its overall business. Its shop towels are manufactured in Puerto Rico. * * *.

Milliken and Wipo weave their own fabric and subsequently cut and finish it into shop towels. The two other producers, Texel Industries and Wikit, purchase their fabric and then convert it into shop towels. Wikit and Wipo also purchased imported (primarily Chinese) towels from jobbers and identify them as such on their price lists. The imported towels are their lowest priced shop towel. * * *. Both firms reported that 1981 was the peak year for buying and selling imported towels, when they accounted for about * * * percent of their total shop towel revenues.

1/ * * *.

The four producers also make other related items in the same establishments in which they produce the shop towels. The products include mopheads, dish towels, and huck toweling made in continuous lengths for use in public restrooms. However, the shop towels are cut and sewn on separate machinery. In addition, the two firms that weave their own shop towel fabric do not produce other fabrics on the same looms because, according to the petitioner, the looms are lightweight and cannot weave fabric heavier than that used in shop towels. Also, the looms are limited to fabric widths of no more than 38 inches, compared with widths of 45 inches or more for most other broadwoven fabrics.

U.S. Importers

The net importer file maintained by the U.S. Customs Service identified seven importers of shop towels from China during 1980 and 1981. The * * * largest importers--* * *--are estimated to account for over 85 percent of total shop towel imports.

The Chinese Industry

China's production of shop towels reportedly takes place in four mills where other textiles for export are also made. The mills use only cotton in their shop towels, which are not dyed or printed but are exported in bulk in the greige state.

Although data are not available on the four mills' output of shop towels or their productive capacity, counsel for U.S. importer and Chinese interests indicated that there is currently no excess capacity and that there are no plans to expand current capacity. 1/ Counsel further indicated that because Chinese consumer demand for textile products is high and because other major markets--Japan, Canada, and the European Community--absorb a significant part of China's output of shop towels, a significant increase in its exports of the towels to the United States would be improbable.

Shop towels account for only a small part of the output of China's textile industry, which is playing an increasingly important role in the country's economy. The industry supplied about 20 percent of domestic retail trade and 20 to 25 percent of total exports in recent years. As part of its economic readjustment program giving priority to the development or modernization of light industry, China is encouraging the growth of textile production to generate foreign exchange quickly, at a relatively low investment cost, and to meet growing consumer demand domestically. Partly as a result, the textile mills operated under the Ministry of Textiles expanded their output at an average annual rate of 17 percent during 1977-80.

1/ Meeting with counsel for U.S. importer and Chinese interests, Sept. 13, 1982.

China's foreign trade is a state monopoly controlled by the Ministry of Foreign Trade through a number of foreign trade corporations, which are set up on a product or service basis. Trade in textiles is handled primarily by the China National Textiles Import and Export Corporation (Chinatex), which has a branch office in New York City. Prices of both foreign and domestic goods are fixed centrally by the State Price Bureau to maintain domestic price stability and to protect domestic industry. Chinatex purchases textiles for export at prices fixed by the bureau for domestic use and then sells the goods abroad at world market prices. 1/

Nature and Extent of Alleged Sales at LTFV

The petition alleges that China is selling shop towels in the United States at LTFV. The petition proposes three alternatives for calculating the dumping margins, comparing China's prices with (1) constructed value based on U.S. production costs (adjusted to match China's estimated cost structure), (2) U.S. ex-mill pricing, and (3) third-country pricing in the United States. The calculations result in estimated dumping margins of 24 percent to 48 percent, 96 percent to 133 percent, and 20 percent, respectively.

Consideration of Material Injury

U.S. production, production capacity, and capacity utilization

Total U.S. production of shop towels decreased from 182 million towels in 1979 to 160 million in 1980, or by 12 percent, before increasing slightly to 162 million in 1981. However, combined production of the three largest producers declined 17 percent in January-July 1982 compared with that in the corresponding period of 1981 (table 1).

*   *   *   *   *   *   *

Capacity in the shop towel industry remained relatively stable throughout the period under investigation, increasing 1 percent from 358.2 million towels in 1979 to 363.2 million towels in 1981 (table 2). Capacity declined 2.8 million towels from January-July 1981 to January-July 1982.

1/ Emerging Textile-Exporting Countries: Report on Investigation No. 332-126. . ., USITC Publication 1273, August 1982, p. A-72.

Table 1.--Shop towels: 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 units)				
Milliken & Co------	***	***	***	***	***
Texel Industries, Inc--------------	***	***	***	1/	1/
Wikit, Inc---------	***	***	***	***	***
Wipo, Inc----------	***	***	***	***	***
Total------------	181,954	159,901	161,934	87,887	72,606
	Percent of total				
Milliken & Co------	***	***	***	***	***
Texel Industries, Inc--------------	***	***	***	***	***
Wikit, Inc---------	***	***	***	***	***
Wipo, Inc----------	***	***	***	***	***
Total------------	100.0	100.0	100.0	100.0	100.0

1/ Production during this period is not available.

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

Table 2.--Shop towels: 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	January-July-- 1982
	Production capacity (1,000 units)				
Milliken & Co	***	***	***	***	***
Texel Industries, Inc	***	***	***	1/	1/
Wikit, Inc	***	***	***	***	***
Wipo, Inc	***	***	***	***	***
Total	358,280	359,368	363,161	183,751	180,974
	Capacity utilization (percent)				
Milliken & Co	***	***	***	***	***
Texel Industries, Inc	***	***	***	***	***
Wikit, Inc	***	***	***	***	***
Wipo, Inc	***	***	***	***	***
Average	50.8	44.5	44.6	47.8	40.1

1/ Production capacity during this period is not available.

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

Capacity utilization in the industry decreased from 50.8 percent in 1979 to 44.5 percent in 1980 and to 44.6 percent in 1981. It declined from 47.8 percent in January-July 1981 to 40.1 percent in the January-July 1982.

U.S. producers' domestic shipments

The quantity of U.S. producers' shipments decreased steadily from 171.5 million towels in 1979 to 164.2 million in 1980 and to 158.7 million in 1981 (table 3). Shipments continued to drop in January-July 1982, declining

Table 3.--Shop towels: U.S. producers' domestic shipments, by firms, 1979-81, January-July 1981, and January-July 1982

Firm	1979	1980	1981	January-July-- 1981	January-July-- 1982
	Quantity (1,000 units)				
Milliken & Co-----	***	***	***	***	***
Texel Industries, Inc--------------	***	***	***	1/	1/
Wikit, Inc--------	***	***	***	***	***
Wipo, Inc---------	***	***	***	***	***
Total-----------	171,512	164,180	158,700	86,056	70,894
	Value (1,000 dollars)				
Milliken & Co-----	***	***	***	***	***
Texel Industries, Inc--------------	***	***	***	-	-
Wikit, Inc--------	***	***	***	***	***
Wipo, Inc---------	***	***	***	***	***
Total-----------	24,698	23,690	25,246	13,521	11,695
	Unit value (cents per towel)				
Milliken & Co-----	***	***	***	***	***
Texel Industries, Inc--------------	***	***	***	-	-
Wikit, Inc--------	***	***	***	***	***
Wipo, Inc---------	***	***	***	***	***
Average---------	14.40	14.43	15.91	15.71	16.49

1/ Shipments during this period are not available.

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

18 percent to 70.9 million towels. The value of shipments decreased by 4 percent, or $1.0 million, from 1979 to 1980, and then increased 7 percent to $25.2 million in 1981. The value in January-July 1982 declined 14 percent to $11.7 million. The unit value of shipments increased from 14.40 cents per towel in 1979 to 15.91 cents in 1981. The increase continued in January-July 1982, when the unit value was 16.49 cents per towel.

U.S. producers' exports

Only * * * of the four U.S. producers * * * reported exports of shop towels, which went mainly to Europe. * * * exports represented approximately * * * percent of * * * total shipments, and are shown in table 4.

Table 4.--Shop towels: U.S. producers' exports, 1979-81, January-June 1981, and January-June 1982

Period	Quantity	Value	Unit value	Share of total quantity of shipments
	1,000 units	1,000 dollars	Cents per towel	Percent
1979	***	***	***	***
1980	***	***	***	***
1981	***	***	***	***
January-June--				
1981	***	***	***	***
1982	***	***	***	***

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

U.S. producers' inventories

Historically, shop towel producers have maintained little inventory because towels were produced to order. The towels can be printed, dyed, treated with soil release, or produced with any combination of these processes on the basis of customer requirements. U.S. producers' yearend inventories of shop towels increased throughout the period under investigation, from 1.5 million towels in 1979 to 2.3 million in 1981, or by 56 percent (table 5). There were 5.5 million towels in inventory at the end of July 1982, compared with 3.4 million at the end of July 1981.

The ratio of inventories to production increased from less than 1 percent in 1979 to 1.4 percent in 1981. It increased substantially in January-July 1982 to 3.2 percent.

Table 5.--Shop towels: U.S. producers' inventories held as of Dec. 31 of 1979-81, July 31, 1981, and July 31, 1982

Period	Producers' inventories	Ratio of inventories to production
	1,000 units	Percent
Dec. 31--		
1979	1,466	0.81
1980	1,656	1.04
1981	2,292	1.42
July 31--		
1981	2,963	1/ 2.00
1982	3,988	1/ 3.20

1/ Based on annualized January-July production.

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

Employment, productivity, and wages

The number of production and related workers engaged in the production of shop towels decreased from 465 in 1979 to 431 in 1980 and to 427 in 1981 (table 6). It increased slightly to 416 in January-June 1982. While the number of workers increased, actual hours worked declined from 424,624 in January-June 1981 to 336,726 in January-June 1982.

Output per worker hour decreased steadily from 252 towels in 1979 to 184 towels in 1981, but increased to 216 towels per hour in January-June 1982 from 207 in January-July 1981.

Wages paid to production and related workers engaged in the production of shop towels are shown in table 7. Total compensation increased slightly from $5.4 million in 1979 to $5.6 million in 1980 before increasing 29 percent to $7.2 million in 1981. Total compensation was $2.8 million in January-June 1982, compared with $3.4 million in the corresponding period of 1981. During the period under investigation, fringe benefits accounted for 8 to 10 percent of total compensation in the shop towel industry.

Table 6.--Average number of production and related workers engaged in the production of shop towels, 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
			Units
1979----------	465	723,129	252
1980----------	431	835,048	191
1981----------	427	880,391	184
Jan.-June--			
1981-------	412	424,624	207
1982-------	416	336,726	216

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

Table 7.--Total compensation paid to production and related workers engaged in the production of shop towels, 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 1/
1979----------	$5,403,886	$4,894,726	$7.47
1980----------	5,584,512	5,062,613	6.69
1981----------	7,198,826	6,570,826	8.18
Jan.-June--			
1981--------	3,383,202	3,109,202	7.97
1982--------	2,811,038	2,553,038	8.35

1/ Calculated on the basis of total compensation.

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

Financial experience of U.S. producers

Profit-and-loss data, on an establishment basis and for shop towels alone, were received from four U.S. firms, which accounted for over 90 percent of the value of total U.S. shipments of shop towels in 1981.

The data for U.S. producers' shop towel operations are presented in table 8. Total net sales of shop towels increased by 13 percent from $25.4 million in 1979 to $28.9 million in 1981. During the interim period ended June 30, 1982, total net sales declined by 14 percent to $15.3 million, compared with $17.8 million in the corresponding period of 1981.

* * *. Aggregate operating profit declined from $4.2 million, or 16.3 percent of net sales, in 1979 to $3.4 million, or 12.6 percent of net sales, in 1980 and then increased to $3.7 million, equivalent to 12.7 percent of net sales, in 1981. During the interim period ended June 30, 1982, 1/ aggregate operating profit fell by 87 percent to $262,000, or 1.7 percent of net sales, compared with $2.0 million, or 11.1 percent of net sales, in the corresponding period of 1981.

The ratio of operating profit or loss to sales closely tracked the ratio of net profit or loss to sales during 1979-81. However, sharply increased * * * incurred by * * * during the interim period ended June 30, 1982, resulted in an overall net loss for the period of $181,000, or 1.2 percent of

1/ * * *.

Table 8.--Profit-and-loss experience of 4 U.S. producers on their shop towel operations, by firms, accounting years 1979-81 and interim periods ended June 30, 1981, and June 30, 1982

	Net Sales	Cost of goods sold	Gross profit or (loss)	General selling, and adminis-trative expenses	Opera-ting profit or (loss)	Interest expense	Other income or (ex-pense)	Net profit or (loss) before income taxes	Ratio of gross profit or (loss) to net sales	Ratio of operat-ing profit or (loss) to net sales	Ratio of net pro-fit or (loss) before income taxes to net sales	Cash flow (deficit) from opera-tions
	1,000 dollars								Percent			1,000 dollars
1979:												
Milliken & Co------	***	***	***	***	***	***	***	***	***	***	***	***
Wipo Inc-----------	***	***	***	***	***	***	***	***	***	***	***	***
Wikit Inc----------	***	***	***	***	***	***	***	***	***	***	***	***
Texel Industries---	***	***	***	***	***	***	***	***	***	***	***	***
Total or average--	25,440	18,693	6,747	2,590	4,157	46	(27)	4,084	26.5	16.3	16.1	4,596
1980:												
Milliken & Co------	***	***	***	***	***	***	***	***	***	***	***	***
Wipo Inc-----------	***	***	***	***	***	***	***	***	***	***	***	***
Wikit Inc----------	***	***	***	***	***	***	***	***	***	***	***	***
Texel Industries---	***	***	***	***	***	***	***	***	***	***	***	***
Total or average--	27,041	20,500	6,541	3,133	3,408	226	(5)	3,177	24.2	12.6	11.7	3,828
1981:												
Milliken & Co------	***	***	***	***	***	***	***	***	***	***	***	***
Wipo Inc-----------	***	***	***	***	***	***	***	***	***	***	***	***
Wikit Inc----------	***	***	***	***	***	***	***	***	***	***	***	***
Texel Industries---	***	***	***	***	***	***	***	***	***	***	***	***
Total or average--	28,862	21,666	7,196	3,526	3,670	292	66	3,444	24.9	12.7	11.9	4,112
Interim period ending:												
June 1981:												
Milliken & Co----	***	***	***	***	***	***	***	***	***	***	***	***
Wipo Inc 1/------	***	***	***	***	***	***	***	***	***	***	***	***
Wikit Inc--------	***	***	***	***	***	***	***	***	***	***	***	***
Texel Indust-ries 2/--------	***	***	***	***	***	***	***	***	***	***	***	***
Total or average--	17,823	13,922	3,901	1,919	1,982	168	37	1,851	21.9	11.1	10.4	2,327
Interim period ending:												
June 1982:												
Milliken & Co----	***	***	***	***	***	***	***	***	***	***	***	***
Wipo Inc 1/------	***	***	***	***	***	***	***	***	***	***	***	***
Wikit Inc--------	***	***	***	***	***	***	***	***	***	***	***	***
Texel Indust-ries 2/--------	***	***	***	***	***	***	***	***	***	***	***	***
Total or average---	15,261	13,046	2,215	1,953	262	399	(44)	(181)	14.5	1.7	(1.2)	433

1/ Data for entire fiscal year ended June 30, 1981 and June 30, 1982.
2/ Data for entire fiscal year ended March 31, 1981 and March 31, 1982.

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

net sales, compared with an operating profit of $262,000, or 1.7 percent of net sales.

The primary reason for the declining profitability during the interim period ended June 30, 1982, was a drop in sales volume, which contributed to rising unit costs because of high fixed costs, coupled with selling prices which did not keep pace with increasing unit costs and expenses. As a share of net sales, the cost of goods sold rose from 73.5 percent in 1979 to 75.1 percent in 1981 and to 85.5 percent in the interim period ended June 30, 1982. General, selling, and administrative expenses, as a percentage of net sales, increased from 10.2 percent in 1979 to 12.2 percent in 1981 and to 12.8 percent in the interim period ended June 30, 1982.

Cash flow generated from U.S. producers' shop towel operations declined from $4.6 million in 1979 to $3.8 million in 1980 and to $4.1 million in 1981. The four firms reported a small aggregate cash flow of only $433,000 for the interim period ended June 30, 1982, compared with $2.3 million in the corresponding period of 1981.

* * * * * * *

The profit-and-loss data for U.S. producers' establishments in which shop towels are produced are shown in table 9. Shop towel sales accounted for slightly more than half of establishment sales during 1979-81 and the interim period ended June 30, 1982. The trends for overall establishment net sales and operating profit ratios are similar to those for shop towel operations during 1979-81. However, during the interim period ended June 30, 1982, net sales and operating profit on overall establishment operations declined much more slowly than those on shop towel operations. Operating profit (as a percent of net sales) declined from 12.4 to 7.9 percent for establishment operations but from 11.1 to 1.7 percent for shop towels.

Research and development and capital expenditures

U.S. producers' research and development expenditures and capital expenditures in connection with their shop towel operations were compiled from questionnaire data and are presented in the following tabulation:

	Research and development (1,000 dollars)	Capital expenditures (1,000 dollars)
1979	***	***
1980	***	***
1981	***	***
January-June--		
1981	***	***
1982	***	***

* * * * * * *

Table 9.--Profit-and-loss experience of 4 U.S. producers on the overall operations of the establishments in which shop towels are produced, by firms, accounting years 1979-81 and interim periods ended June 30, 1981, and June 30, 1982

	Net Sales	Cost of goods sold	Gross profit or (loss)	General selling, and adminis-trative expenses	Opera-ting profit or (loss)	Interest expense	Other income or (ex-pense)	Net profit or (loss) before income taxes	Ratio of gross profit or (loss) to net sales	Ratio of operat-ing profit or (loss) to net sales	Ratio of net pro-fit or (loss) before income taxes to net sales
	1,000 dollars								Percent		
1979:											
Milliken & Co	***	***	***	***	***	***	***	***	***	***	***
Wipo Inc	***	***	***	***	***	***	***	***	***	***	***
Wikit Inc	***	***	***	***	***	***	***	***	***	***	***
Texel Industries	***	***	***	***	***	***	***	***	***	***	***
Total or average	47,057	33,925	13,132	5,677	7,455	57	(116)	7,282	27.9	15.8	15.5
1980:											
Milliken & Co	***	***	***	***	***	***	***	***	***	***	***
Wipo Inc	***	***	***	***	***	***	***	***	***	***	***
Wikit Inc	***	***	***	***	***	***	***	***	***	***	***
Texel Industries	***	***	***	***	***	***	***	***	***	***	***
Total or average	49,141	35,042	14,099	6,515	7,584	299	(14)	7,271	28.7	15.4	14.8
1981:											
Milliken & Co	***	***	***	***	***	***	***	***	***	***	***
Wipo Inc	***	***	***	***	***	***	***	***	***	***	***
Wikit Inc	***	***	***	***	***	***	***	***	***	***	***
Texel Industries	***	***	***	***	***	***	***	***	***	***	***
Total or average	52,546	37,918	14,628	7,520	7,108	329	77	6,856	27.8	13.5	13.0
Interim period ending: June 1981:											
Milliken & Co	***	***	***	***	***	***	***	***	***	***	***
Wipo Inc 1/	***	***	***	***	***	***	***	***	***	***	***
Wikit Inc	***	***	***	***	***	***	***	***	***	***	***
Texel Industries 2/	***	***	***	***	***	***	***	***	***	***	***
Total or average	32,778	24,004	8,774	4,707	4,067	205	48	3,910	26.8	12.4	11.9
Interim period ending: June 1982:											
Milliken & Co	***	***	***	***	***	***	***	***	***	***	***
Wipo Inc 1/	***	***	***	***	***	***	***	***	***	***	***
Wikit Inc	***	***	***	***	***	***	***	***	***	***	***
Texel Industries 2/	***	***	***	***	***	***	***	***	***	***	***
Total or average	31,596	23,984	7,612	5,121	2,491	412	(13)	2,066	24.1	7.9	6.5

1/ Data for entire fiscal year ended June 30, 1981 and June 30, 1982.
2/ Data for entire fiscal year ended March 31, 1981 and March 31, 1982.

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

Consideration of the Threat of Material Injury

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

* * * importers (accounting for more than * * * percent of total shop towel imports) provided information on their inventories of imported shop towels from China, which are shown in the following tabulation:

Reporting period	Quantity (1,000 units)
1979	***
1980	***
1981	***
1982 (January-July)	***

The best information available at the present time shows that there are four factories producing shop towels in China. Most Chinese shop towels are exported to the European Community, Japan, Canada, and the United States.

A discussion of the rate of increase of imports and 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 cotton shop towels from all sources, after declining 10 percent from 98 million towels in 1978 to about 89 million in 1979, rose 3 percent in 1980 and another 25 percent in 1981, to a total of nearly 114 million towels (table 10). Imports in January-July 1982, however, were 29 percent lower than those in the corresponding period of 1981.

The import growth was generated almost entirely by China, whose share of total imports climbed from 9 percent in 1978 to 50 percent in 1980 and to 83 percent in 1981. Shipments from China rose from less than 9 million towels in 1978 to 14 million in 1979, and then more than tripled in 1980 to 45 million towels and doubled in 1981 to 94 million towels. In 1978 and 1979, before the significant increase in imports from China began, Hong Kong was by far the largest supplier, with more than 60 percent of the imports, and Singapore supplied an additional 20 percent. In 1981, Hong Kong's share of total imports declined to 11 percent, as its shipments decreased to 12 million towels from more than 66 million in 1978, and Singapore's share fell to less than 1 percent, as its shipments over the period fell from 20 million towels to only 250,000. There have been no imports from Singapore recorded since January 1981. Imports from Pakistan, on the other hand, rose annually during 1978-81, from 1 million to 6 million towels.

Table 10.--Cotton shop towels: U.S. imports for consumption, by principal sources, 1978-81, January-July 1981, and January-July 1982

Source	1978	1979	1980	1981	January-July-- 1981	January-July-- 1982
	Quantity (1,000 units)					
China	8,750	14,048	45,460	94,329	49,966	39,068
Hong Kong	66,402	53,936	30,714	12,491	8,753	1,229
Pakistan	1,060	3,173	4,349	6,053	4,195	3,073
Taiwan	375	63	1,250	625	125	1,550
Singapore	20,144	16,306	8,782	250	250	0
All other	1,603	1,189	725	75	75	0
Total	98,334	88,715	91,280	113,823	63,364	44,920
	Value (1,000 dollars)					
China	444	836	3,148	7,199	3,742	3,180
Hong Kong	5,260	4,879	2,984	1,377	990	120
Pakistan	81	302	412	492	340	298
Taiwan	27	5	98	43	9	115
Singapore	1,675	1,532	758	20	20	-
All other	141	134	50	9	9	-
Total	7,628	7,688	7,450	9,140	5,110	3,713
	Unit value (cents per towel)					
China	5.07	5.95	6.93	7.63	7.49	8.14
Hong Kong	7.92	9.05	9.72	11.02	11.31	9.73
Pakistan	7.66	9.52	9.47	8.14	8.12	9.70
Taiwan	7.14	8.68	7.84	6.90	6.92	7.44
Singapore	8.32	9.40	8.63	8.03	8.03	-
All other	8.79	11.26	6.85	12.22	12.22	-
Average	7.76	8.67	8.16	8.03	8.07	8.27

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

The decline in imports in January-July 1982 from the level in January-July 1981 was accounted for by China, Hong Kong, and Pakistan, which, along with Taiwan, were the only suppliers in the period. China's shipments fell 22 percent, or by nearly 10 million towels; 1/ Hong Kong's shipments declined 86 percent, or by more than 7 million towels; and Pakistan's shipments dropped 27 percent, or by 1 million towels. Imports from Taiwan, however, rose from 125,000 towels in January-July 1981 to more than 1 million in the corresponding period of 1982, displacing Hong Kong as the third largest supplier.

The shop towels imported from China have remained less expensive than those from the other major suppliers except Taiwan, despite having increased 61 percent from 5.07 cents each in 1978 to 8.14 cents in January-July 1982. The towels imported from Hong Kong in January-July 1982 were valued at an average of 9.73 cents each; those from Pakistan, at 9.70 cents each; and those from Taiwan, at 7.44 cents.

U.S. consumption and market penetration

Apparent U.S. consumption of shop towels (producers' domestic shipments plus total imports) decreased from 260 million towels in 1979 to 255 million in 1980 and then increased to 273 million in 1981 (table 11). It then declined by 22 percent to 116 million towels in January-July 1982, compared with 149 million in the corresponding period of 1981.

Table 11.--Shop towels: 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 units---	---Percent---	
1979----------	260,227	34.1	5.4
1980----------	255,460	35.7	17.8
1981----------	272,523	41.8	34.6
January-July--			
1981--------	149,420	42.4	33.4
1982--------	115,814	38.8	33.7

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

1/ Official statistics on U.S. general imports (as opposed to imports for consumption) from China in January-July 1982 show that imports were essentially unchanged from those in the corresponding period of 1981 because of a 57-percent increase in shipments in July 1982 over those in July 1981. This has not been reflected in imports for consumption, suggesting that U.S. importers may be warehousing Chinese shop towels in customs bonded storage.

Imports of shop towels from all sources increased from 34.1 percent of apparent U.S. consumption in 1979 to 41.8 percent in 1981 and declined from 42.4 percent of consumption in January-July 1981 to 38.8 percent in January-July 1982.

Shop towel imports from China as a share of U.S. consumption increased from 5.4 percent in 1979 to 34.6 percent in 1981 and declined slightly to 33.7 percent in January-July 1982. A comparison of China's market share with the market shares of the four domestic producers responding to the Commission's questionnaire is shown in table 12.

Table 12.--Shop Towels: U.S. producter's' domestic shipments, by firms, and imports from China and all other sources, 1979-81, January-July 1981, and January-July 1982

Item	1979	1980	1981	January-July-- 1981	January-July-- 1982
	Quantity (1,000 units)				
Producers' domestic shipments:					
Milliken	***	***	***	***	***
Texel Ind	***	***	***	1/	1/
Wikit	***	***	***	***	***
Wipo	***	***	***	***	***
Imports from--					
China	14,048	45,460	94,329	49,966	39,068
All other	74,667	45,820	19,494	13,398	5,852
Total	260,227	255,460	272,523	149,420	115,814
	Percent of total				
Producers' domestic shipments:					
Milliken	***	***	***	***	***
Texel Ind	***	***	***	-	-
Wikit	***	***	***	***	***
Wipo	***	***	***	***	***
Imports from--					
China	5.4	17.8	34.6	33.4	33.7
All other	28.7	17.9	7.1	9.0	5.1
Total	100.0	100.0	100.0	100.0	100.0

1/ Not available.

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

Prices

Domestic producers sell shop towels in the United States through both their own sales representatives and distributors. Distributors take title to, and delivery of, the product and sell the towels to launderies or other end users. Importers sell towels through a similar distribution arrangement.

Both U.S. producers and importers sell at different prices to different types of customers. List prices, generally published on a quarterly basis, are charged to small buyers, whereas spot prices may be negotiated with larger customers. These negotiated prices are usually lower than list prices. Producers stated that negotiated prices become more common during periods of slack demand. In addition to list and spot prices, producers may bid for large accounts, and on occasion will also offer contracts providing for price guarantees for periods of several months.

The Commission's questionnaires requested domestic producers and importers to provide prices for sales to their three largest customers of cotton and cotton blend shop towels 18 X 18 inches for the period January 1979-June 1982. Three domestic producers and two importers responded with usable data. Shop towels are produced in different sizes; the size discussed here was selected because it accounts for over 85 percent of domestic production, and also makes up the largest share of total imports.

Price trends.--Weighted average prices of domestically produced, all-cotton shop towels increased irregularly over the period January 1979-June 1982 by $9 per 1,000 towels, or by 6 percent (table 13). In 1979, prices declined from $143 per 1,000 towels in the first quarter to $139 in the final quarter, the lowest price reported by producers during the period covered by the investigation. Prices trended upward in 1980, from $140 in January-March to $143 in April-September, although they declined slightly to $142 in October-December 1980. Prices resumed their rise in 1981, reaching $150 in October-December. They continued to increase in 1982, reaching $152 per 1,000 towels in April-June.

Weighted average prices of all-cotton towels imported from China generally declined during the period under investigation, by $3 per 1,000 towels, or by 3 percent. Prices remained stable in 1979 at $104 per 1,000 towels, and then began to trend downward to $103 per 1,000 towels in January-June 1980 and to $102 in July-December. The declining trend continued into 1981 and 1982; prices reached $101 per 1,000 towels in April-June 1982.

Domestic producers' prices of cotton blend shop towels were also compared with importers' prices of all-cotton towels (table 13). Although shop towels imported from China are all cotton, the end use for all-cotton and cotton blend towels is the same, and the two types may be competitive for some customers. Domestic producers' prices of cotton blend towels generally followed a pattern similar to prices of domestic all-cotton shop towels, increasing by $10 per 1,000 towels, or by 7 percent, from January 1979 to June 1982. These prices declined from $142 in the first quarter of 1979 to a low of $135 in July-September 1979. Prices started an upward trend in October-December 1979, rising from $135 per 1,000 towels to $152 in the first two quarters of 1982.

Table 13.--Domestic producers' and importers' weighted average prices, 1/ f.o.b. U.S. point of shipment, of all-cotton shop towels 18 X 18 inches, by quarters, January 1979-June 1982

(Per 1,000 towels)

Period	Domestic producers' price: All-cotton towels	Domestic producers' price: Cotton blend towels	Importers' price for all-cotton towels	Margin of underselling by all-cotton towels
				Percent
1979:				
January-March	$143	$142	$104	27.3
April-June	140	143	104	25.8
July-September	142	135	104	26.8
October-December	139	136	104	25.2
1980:				
January-March	140	138	103	26.5
April-June	143	142	103	28.0
July-September	143	146	102	28.7
October-December	142	145	102	28.2
1981:				
January-March	145	146	101	30.4
April-June	146	148	102	30.2
July-September	148	151	102	31.1
October-December	150	151	101	32.7
1982:				
January-March	151	152	102	32.5
April-June	152	152	101	33.6

1/ Prices to their 3 largest customers.

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

Margins of underselling.--A comparison of prices of all-cotton shop towels shows that importers undersold domestic producers in every quarter of the period January 1979-June 1982. Margins of underselling ranged from $35 per 1,000 towels (25 percent) to $51 (34 percent) (table 13). These margins generally increased over the period, reaching their highest level in April-June 1982. Importers' prices of all-cotton shop towels also undersold domestic producers' prices of cotton blend shop towels in every quarter of the period. Margins of underselling ranged from $31 (23 percent) to $51 (34 percent) per 1,000 towels.

Lost sales

* * * domestic producers of shop towels supplied the names of 127 firms to which they allegedly lost sales because of imports. Forty-two of these firms accounted for $3.4 million of such claims; no estimated value was provided in the remaining 85 cases. The Commission staff confirmed purchases

of shop towels imported from China by at least 10 of the named customers, accounting for $766,500; 6 additional firms which confirmed the purchase of Chinese shop towels could not provide information concerning the value of their purchases. Most of the firms contacted cited lower prices as a major factor in their buying imports. These firms also cited secondary factors such as the relative proximity of import distribution centers or the all-cotton content of Chinese towels. Because many sales are made through distributors, not all customers know the origin of the towels that they buy. Lost sales alleged by each of the four producers are discussed below.

Milliken supplied the Commission with a list of * * * firms to which it allegedly lost sales of shop towels valued at * * * million because of imports from China. The Commission staff was able to confirm that * * * of these firms had purchased such imports. * * * firms confirmed the purchase of towels from China valued at * * *; * * * could not confirm the value. Each of the purchasing companies contacted stated that price was a major factor in their buying imports. A second factor cited was the cotton content of Chinese towels; some buyers preferred all-cotton imported towels over domestically produced cotton blend towels. One firm stated that it stopped buying Chinese towels because of their inferior quality and intends to buy domestic towels in the future.

Texel Industries supplied the Commission with a list of * * * firms which had allegedly purchased shop towels imported from China valued at * * *. The Commission staff was able to confirm purchases of imports by * * * firms. * * * purchases amounted to * * *; the * * * did not confirm the value of its purchase. * * * the purchasing companies contacted stated that price was a major factor in their buying imports.

Wipo provided the Commission with a list of * * * firms which had allegedly purchased shop towels imported from China valued at * * *. The Commission staff confirmed that * * * of these firms had purchased Chinese towels valued at * * *. * * *, allegedly accounting for * * * of lost sales, could not confirm that value, although Chinese towels had been purchased. Each of the purchasing companies contacted stated that price was a major factor in their buying imports. A second factor was the proximity of importers' distribution centers to the customer location. * * *.

Wikit supplied the Commission with a list of * * * firms which had allegedly purchased shop towels imported from China. The producer did not provide the Commission staff with the value of these lost sales; it stated that virtually all these customers buy through a distributor rather than directly from Wikit. Commission staff confirmed that at least * * * firms had purchased Chinese shop towels. * * * stated that * * * did not know the source of the imported towels which * * * bought. Most of the purchasing companies contacted stated that price was a major factor in their decision to buy imports.

APPENDIX A.

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

[Investigation No. 731-TA-103 (Preliminary)]

Shop Towels of Cotton From the People's Republic of China

AGENCY: International Trade Commission.

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

EFFECTIVE DATE: August 26, 1982.

SUMMARY: The U.S. International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-103 (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 People's Republic of China shop towels of cotton, provided for in item 366.2740 of the Tariff Schedules of the United States, which are allegedly being sold in the United States at less than fair value (LTFV).

FOR FURTHER INFORMATION CONTACT: Ms. Marilyn Borsari, Office of Industries, U.S. International Trade Commission; telephone 202/523-5703.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted following receipt of a petition filed by counsel for Milliken Industries, Inc. of La Grange, Ga. A nonconfidential copy of the petition is available for public inspection during official working hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. 20436, telephone (202-523-0448). The Commission must make its determination in this investigation within 45 days after the date of the filing of the petition, or by October 8, 1982 (19 CFR 207.17). This investigation will be subject to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR Part 207, 44 FR 76457 and 47 FR 6190), and particularly Subpart B thereof.

Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission not later than seven (7) days after the publication of this notice in the Federal Register (19 CFR 201.11). 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 this 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 16, 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 § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m., on September 14, 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 Mr. Reuben Schwartz, Office of Industries, telephone 202/523-0114, not later than September 8, 1982, to arrange for their appearance. Parties in support of the imposition of antidumping duties 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 general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts, A and B (19 CFR 207), 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 Mr. Schwartz.

This notice is published pursuant to § 207.12 of the Commission's Rules of Practice and Procedure (19 CFR 207.12).

By order of the Commission.

Issued: August 26, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-24000 Filed 8-31-82; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

DEPARTMENT OF COMMERCE'S INSTITUTION OF A PRELIMINARY ANTIDUMPING INVESTIGATION

Initiation of Antidumping Investigation; Shop Towels of Cotton 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 United States Department of Commerce, we are initiating an antidumping investigation to determine whether shop towels of cotton from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this merchandise are materially injuring, or threatening to materially injure, a United States industry. If the investigation proceeds normally, the ITC will make its preliminary determination on or before October 11, 1982, and we will make ours on or before January 31, 1982.

EFFECTIVE DATE: September 17, 1982.

FOR FURTHER INFORMATION CONTACT: Lou Apple, Office of Investigation, Import Administration, International

Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230, telephone (202) 377-3962.

The Petition

On August 24, 1982, we received a petition from counsel for Milliken and Company on behalf of all United States producers of shop towels. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from the PRC 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 Act, and that these imports are materially injuring, or are threatening to materially injure, a United States industry. The allegation of sales at less than fair value is supported by comparisons of United States prices (based on quoted prices adjusted for freight, brokerage fees, insurance, bonding, cartage and U.S. tariffs) on sales of this merchandise from the PRC with a constructed value based on U.S. production costs adjusted to match the estimated PRC cost structure.

Initiation of Investigation

Under section 732(c) of the Tariff Act of 1930, as amended (19 U.S.C. 1673a) (the Act), we must determine, within 20 days after the petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition filed by the industry, and we have found that it meets the requirements of section 732(b) of the Act. Therefore, we are initiating an antidumping dumping investigation to determine whether shop towels from the People's Republic of China are being, or are likely to be, sold at less than fair value in the United States. If our investigation proceeds normally, we will make our preliminary determination by February 1, 1983.

Scope of the Investigation

The merchandise covered by this investigation is shop towels of cotton from the People's Republic of China which are currently classified under item number 366.2740, and which falls within Textile and Apparel Category 369, of the Tariff Schedules of the United States (TSUS). Shop towels are generally used for wiping in industrial and commercial facilities. Although some towels in the market may contain as much as 40% acrylic in a cotton-acrylic blend, virtually all shop towels imported from the PRC are made from 100% woven cotton fabric.

Notification to ITC

Section 732(d) of the Act requires us to notify the United States International Trade Commission 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 non-privileged and non-confidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination By ITC

The ITC will determine within 45 days whether there is a reasonable indication that imports of shop towels from the People's Republic of China are materially injuring, or are likely to materially injure, a United States industry. If its determination is negative, this investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Gary N. Horlick,
Deputy Assistant Secretary for Import Administration.
September 13, 1982.

[FR Doc. 82-25654 Filed 9-16-82; 8:45 am]
BILLING CODE 3510-25-M

APPENDIX C

LIST OF WITNESSES APPEARING AT THE CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-103 (Preliminary)

SHOP TOWELS OF COTTON 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 September 14, 1982, in the Sunshine Room of the USITC Building, 701 E Street, N.W., Washington, D.C.

In support of the imposition of
antidumping duties

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

Terrence Topp, Product Director
Kex Division, Milliken and Company
J. Brogdon Nichols, Assistant General Officer
Kex Division, MIlliken and Company
L. Duncan Allen, Chief Executive Officer
Wikit, Inc.
I.E. Black, Chairman
Texel Industries, Inc.

John Greenwald)
R. Michael Gadbow)--OF COUNSEL

In opposition to the imposition of
antidumping duties

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

Arnold Edelman, Sabtex Ltd.
Murray Feinberg, Federal Textile Corp.
John Reilly, ICF, Inc.

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