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

Determination of the Commission
in Investigation No. 731-TA-101 (Final)
Under the Tariff Act of 1930,
Together With the Information
Obtained in the Investigation

USITC PUBLICATION 1421

September 1983

United States International Trade Commission / Washington, D.C. 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Alfred E. Eckes, Chairman

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Veronica A. Haggart

Seeley G. Lodwick

Kenneth R. Mason, Secretary to the Commission

This report was prepared by:

Mary Elizabeth Sweet, Office of Industries
Howard Gooley, Office of Economics
Sheila Landers, Office of the General Counsel
Marvin Claywell, Office of Investigations

Reuben Schwartz, Office of Industries

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-101 (Final)

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

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 735(b)(1) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)(1)), that an industry in the United States is materially injured by reason of imports of greige polyester/cotton printcloth 3/ from the People's Republic of China (China) which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation effective March 28, 1983, following a preliminary determination by the Department of Commerce that imports of greige polyester/cotton printcloth from China are being sold in the United States at LTFV.

Notice of the institution of the Commission's investigation and of a public hearing 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 April 6, 1983 (48 F.R. 15017). The hearing was held in Washington, D.C. on July 28, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

2/ Commissioner Lodwick took his oath of office on August 12, 1983, but did not participate in this investigation.

3/ For purposes of this investigation, greige polyester/cotton printcloth covers unbleached and uncolored printcloth fabric in chief value of cotton, containing polyester, and provided for in items 326.26 through 326.40, with statistical suffix 32, of the Tariff Schedules of the United States Annotated.

VIEWS OF THE COMMISSION

Introduction

We determine, pursuant to section 731 of the Tariff Act of 1930, that an industry in the United States is materially injured by reason of imports of greige 1/ polyester/cotton printcloth in chief value of cotton 2/ from the People's Republic of China (China) which are being sold at less than fair value. 3/

The Domestic Industry

The term "domestic industry" is defined 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

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1/ "Greige" is pronounced "gray". It is derived from the French word "beige," which means natural, and refers to cloth that has not been subject to further processing, such as printing, dyeing, or bleaching. Report at A-1.

2/ The technical definition of the imported article under investigation corresponds to items 326.26 through 326.40 of the Tariff Schedules of the United States (TSUS) with the statistical suffix 32: greige (unbleached and uncolored) printcloth other than 80 x 80 type in chief value of cotton, containing polyester. Prior to 1983, the imported article was included in statistical suffix 92 as well. Report at A-2.

3/ Commissioner Stern summarizes the basis of her determination as follows:

Printcloth imported from the People's Republic of China materially contributed to a decline in profitability of the domestic industry during some of the period under review. Imports were not the only cause of injury to the industry--the recession and a decline in demand, accumulated inventories, and characteristics of the industry which necessitated a strategy of lowering prices to maintain high production in the face of falling demand also negatively affected profitability.

However, imports from China, which were booked in a large, concentrated volume in the spring of 1982, exceeded domestic volume by several million yards and undersold the domestic product by a substantial margin, which significantly depressed U.S. prices. While printcloth from China undersold the domestic product by margins in excess of the 1/2 cent margin which purchasers typically require during limited periods from mid-1981 through the first quarter of 1983, my affirmative determination is based primarily upon Chinese activities during March and April 1982. It was during these months that LTFV sales, large volumes, and low prices of imports occurred simultaneously and significantly contributed to the domestic industry's injury.

of that product." 4/ "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 imported article]". 5/

The imported article which is subject to this investigation is greige polyester/cotton printcloth in chief value of cotton. 6/ The polyester/cotton printcloth under consideration is produced using spun yarn made from a blend of polyester and cotton fibers, usually 50 percent by quantity of each fiber. 7/ Printcloth is a widely produced textile fabric that has a variety of applications in the manufacture of apparel, including pocketing and lining, as well as in household uses such as curtains, bedspreads, and quilts. 8/

Domestic printcloth is sold in the same constructions and widths as the imports under investigation and is of comparable quality. 9/ Therefore, we conclude that the domestic product "like" the imports of printcloth under investigation is polyester/cotton printcloth in chief value of cotton (hereinafter "printcloth"). For purposes of this investigation, domestic polyester/cotton printcloth that contains 50 percent or more of cotton by weight is considered to be equivalent to polyester/cotton printcloth "in

4/ Section 771(4)(A) of the Tariff Act of 1930 (19 U.S.C. 1677(4)(A)).
5/ Section 771(10) of the Tariff Act of 1930 (19 U.S.C. 1677(10)).
6/ For the technical definition of printcloth as provided in the TSUS, see n. 2, supra.
7/ Report at A-2.
8/ For a full discussion of the imported article, see Report at A-2-3.
9/ See Tr. at 66 and 118-19, Report at A-30, n. 1 and A-31. The importers have argued that the greige polyester/cotton printcloth imported from China is slightly inferior in quality to the domestic product. However, this argument goes to the issue of pricing. Neither party has suggested that any such quality differences are significant enough to affect the definition of the appropriate like product.

chief value of cotton." 10/ Thus, the industry consists of the domestic producers of this product. 11/

Factors and Conditions of Trade

The domestic printcloth market is a complex and dynamic one. Certain factors or conditions of trade in the U.S. printcloth market are central to our analysis in this investigation.

First, most printcloth is sold by forward contract (or forward order), i.e., orders booked for future delivery at a price agreed to at the time of booking. The delivery time ranges from 3 to 12 months. 12/ The stronger the prevailing market prices are, the longer the delivery times. 13/ The use of forward contracts creates a lag between a decline in booking prices and the effect of this decline on profitability. Domestic producers record their sales based upon the time of shipment, not the time when the order is booked. Thus, there is a lag between the time when the order is booked and the time when the sale is reflected in producers' financial statements. On average, this lag is 6 to 9 months. Because of this lag, profit-and-loss data reflect shipments booked at the prices that existed several months earlier. 14/

Second, producers, importers, converters, 15/ and other purchasers also sell printcloth for immediate delivery, as opposed to forward contract. These

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10/ Report at A-2.
11/ Printcloth was produced in the United States during the period under investigation by eight firms: Alice Manufacturing Co.; Clinton Mills, Inc.; Dan River, Inc.; Greenwood Mills, Inc; Hamrick Mills; Mayfair Mills; Mount Vernon Mills; and M. Lowenstein Corp. Id. at A-6-7.
12/ Id. at A-7 and A-33.
13/ Id. at A-31.
14/ Id. at A-37, n.2 and accompanying text.
15/ See discussion of the role of converters in this market, infra at 6-7.

sales are known as spot sales. When made by converters and other purchasers, these sales are also referred to as second-hand sales. Prices for printcloth in the spot market generally track prices in the forward contract market. However, if the market is very strong, spot prices generally will be higher than prices for forward orders. Conversely, if the market is "sliding," i.e., prices are steadily declining, spot prices generally will be lower than prices for recent forward orders. Depending upon the volume of goods sold in the spot market and purchasers' evaluation of future market strength or weakness, spot prices can lead "forward order" prices up or down. 16/ During the period from late 1981 through mid-1982, the spot market increased in importance as sellers, including producers, importers and converters, sought to unload large inventories by selling in the spot market. 17/ As these spot prices fell, they led prices down for contemporaneous "forward contracts" as well.

In addition, the role of "converters" in this market is critical. Converters are middlemen that hold title to the fabric while it is sent to a finishing mill to prepare it for sale to the end user. They bear the risk of changes in the value of this inventory until it is sold to the end user. In addition, converters also purchase and sell large quantities of printcloth on a speculative basis and play a principal role in the second-hand market. Converters will reduce their holdings of printcloth when they expect a period of reduced demand and falling prices. Thus, a decline in demand will be exacerbated by an increase in supply in the spot market for printcloth. The

16/ Tr. at 92, 93.
17/ Report at A-33.

result is a sharp decline in price while these inventories are run down. 18/ This is precisely what occurred in late 1981 and early 1982. 19/

Finally, domestic producers, faced with substantial fixed costs, continued to produce and ship printcloth in 1982 rather than curtail production when demand declined. This approach, known as a "marginal cost-pricing strategy," entails producers' selling at prices below the fully allocated costs of production so long as the price obtained is above the variable cost of production and thus makes some contribution to fixed costs. 20/ Thus, the reaction of domestic producers to a decline in demand also intensified the decline in price necessary to adjust to the lower level of demand during this crucial period.

Therefore, injury to the domestic industry is reflected primarily in a sharp decline in the price U.S. producers were able to obtain for their product rather than reduced shipments or production. Hence, the impact of imports from China can be most readily assessed through consideration of the extent to which the imports are a cause of the price depression suffered by the domestic industry.

Condition of the Domestic Industry

Apparent domestic consumption of printcloth declined from 543 million square yards in 1981 to 524 million square yards in 1982. 21/ The decline in consumption in 1982 reflects a recession-related drop in demand for apparel

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18/ Id. at A-37.
19/ See, id. at A-39, n.2 and accompanying text.
20/ Both the domestic producers and the importers acknowledge that this is a rational and proper management decision. See, e.g., Tr. at 26-27 and 177.
21/ Report at Table 14.

and other end uses and the existence of large purchasers' inventories. 22/ However, due to domestic producers' "marginal cost-pricing strategy", 23/ the effect of the drop in demand is reflected primarily in lower prices rather than lower levels of production, shipments, and capacity utilization. 24/

Petitioners acknowledge that the printcloth market was strong through mid-1981. 25/ However, they contend that the domestic industry is currently experiencing material injury in the form of a sharp drop in profitability which resulted from a sharp decline in the price of printcloth during the period from mid-1981 through 1982. They argue that imports from China contributed to the fall in prices and, therefore, "materially aggravated" 26/ the resultant financial reverses suffered by the domestic industry in 1982 and 1983. 27/ Thus, the focus of our analysis of the condition of the domestic industry is on the effect of declining domestic prices during the period mid-1981 through 1982.

22/ Report at A-33-35.

23/ See discussion of this practice *supra* at 7.

24/ Production declined by 8 million square yards from 505 million square yards in 1981 to 497 million square yards in 1982, and capacity utilization declined from 77 percent in 1981 to 73 percent in 1982. Report at Tables 1 and 2. Shipments actually increased by 11 million square yards during the period. *Id*. at Table 3. However, inventories also increased by 6 million square yards during the same period. *Id*. at Table 5.

25/ Petitioners' Prehearing Brief (Final) (hereinafter "Petitioners' Brief") at n. 26 and accompanying text.

26/ Petitioners' Brief at 4.

27/ Because forward shipments are made at prices booked months earlier, profit and loss data for 1981 and the first half of 1982 largely reflect shipments booked at high prices during the strong market which ended in late 1981. Similarly, shipments booked at the substantially lower 1982 prices are reflected in 1983 profit-and-loss data. See discussion of this lag phenomenon *supra* at 5.

As we noted in our preliminary affirmative determination of September 1982, 28/ although profit-and-loss information showed a relatively profitable industry through the first half of 1982, this financial experience reflected shipments based on sales that were booked several months earlier in 1981 at prices significantly higher than 1982 prices. 29/ We found that prices and "unfilled orders" 30/ had decreased substantially, while inventories had increased to almost double the levels of the corresponding January-July period of 1981. 31/ Thus, we concluded: "It appears that the domestic industry will soon manifest more substantial indicators of material injury than are presently apparent." 32/

The data obtained in our final investigation confirm this conclusion. Prices declined steadily by 3 cents a yard from March through August 1982. 33/ Unfilled orders at the end of 1982 totaled 276 million square yards, a 26 percent decrease from the "boom" 1981 level of 373 million square yards and also a significant decrease from the arguably more typical 1979 and 1980 levels. 34/ Inventories at the end of 1982 increased to 26 million

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28/ Greige Polyester/Cotton Printcloth From the People's Republic of China, Inv. No. 731-TA-101 (Preliminary), USITC Pub. 1289, September 1982 (hereinafter "Preliminary Opinion") at 8. Our analysis of 1982 trends in the preliminary investigation was based upon data collected for January-June or January-July 1982.

29/ Id. at 8.

30/ The term "unfilled orders" refers to orders that have been booked, but not shipped. They are not reflected as sales on the company's books until shipped. However, taken together with trends in pricing, they indicate trends in financial experience.

31/ Preliminary Opinion at 8.

32/ Id.

33/ Daily News Record, May 3, 1983 at 12. See generally Petitioner's Brief at 16.

34/ Contained in petitioners' supplemental information submitted August 9, 1983. Unfilled orders totaled 364 million square yards in 1979 and 350 million square yards in 1980. Petition at Appendix 11.

square yards compared with 20 million square yards in 1981 and 15 million square yards in 1980. 35/

Net sales were $169 million in 1982, down only slightly from net sales reported for 1981. 36/ However, the ratio of cost of goods sold to net sales increased significantly between 1981 and 1982, to 94 percent in 1982. 37/ Thus, operating income fell precipitously between 1981 and 1982. Similarly, the ratio of operating income to net sales fell sharply to 0.8 percent in 1982. This decline was far worse than the average for all textile mill products. 38/ Furthermore, four firms, which represent a significant portion of domestic production, experienced operating and net losses in 1982. 39/ This marks a substantially worse performance than in 1981. 40/

Due to the lag between the time that forward orders are booked and the time that they are shipped, we must examine the financial experience of domestic producers through the second quarter of 1983 in order to fully assess the impact of imports from China on the U.S. market during 1982.

35/ Report at Table 5.

36/ *Id*. at Table 9. Unless otherwise noted, the figures cited in our discussion of profitability are found in Table 9.

37/ Commissioner Stern notes that the ratio of cost of goods sold to net sales rose in part because the sales price per unit declined and in part because the cost of goods sold per unit increased. While increases in the cost of goods sold were not directly attributable to imports of printcloth from China, net sales were far less due to the decline in prices during 1982.

38/ In 1981, the operating income margin for printcloth was approximately double and the net income before taxes margin was more than double the figure for all mill products. (The exact figures are confidential information.) In 1982, the printcloth operating profit margin was 0.8 percent, compared with the industry average of 4.5 percent, and the net income before taxes margin was 0.1 percent, compared with the industry average of 3.5 percent. Report at A-18.

39/ One producer has discontinued printcloth operations due to this lack of profitability. Report at A-10.

40/ The number of firms experiencing losses in 1981 is confidential information.

In 1983, the financial experience of domestic producers worsened further. In the January-March 1983 period, net sales increased by 6 percent over those in the corresponding period of 1982, but the cost of goods sold again increased substantially. The ratio of cost of goods sold to net sales rose to 103 percent, compared with 90.2 percent during the corresponding period of 1982. Accordingly, the reporting firms sustained an aggregate operating loss of $3.9 million, or a negative 8.5 percent of net sales during the January-March 1983 period, compared with an operating income of $1.8 million, or 4.1 percent of net sales during the corresponding period of 1982. The trends for net income before taxes and cash flow were also substantially down. These trends were evident on an individual company basis as well. Five of the seven reporting firms experienced both operating and net losses; the other two experienced very substantial declines. 41/

The domestic industry's adverse financial performance in 1982 and 1983 has also affected its ability to make necessary investments. These investments are necessary, according to industry spokesmen, in order to lower costs of production, particularly labor and energy costs. 42/ In 1982, the industry invested $22 million in facilities used for printcloth production. 43/ This represented a $13 million decrease from its 1981

41/ Data reported by five firms regarding second quarter 1983 financial information indicate that these trends continued through this quarter as well. Report at Appendix D.

42/ Tr. at 67.

43/ Unless otherwise noted, the figures cited in our discussion of investments are derived from Table 11.

investment. Also, the ratio of operating profit to book value dropped from 32 percent in 1981 to 2 percent in 1982. Cash flow dropped by more than half during the same period. 44/ Furthermore, in the interim 1983 period, the industry's investment declined sharply compared with that made in the corresponding period of 1982, and the ratio of operating loss to original cost and book value reached negative 2 percent and negative 5 percent, respectively. Moreover, the industry is currently experiencing substantial negative cash flow. Under these conditions, the domestic industry cannot continue to modernize and remain competitive. 45/ Thus, we determine that the domestic industry is currently experiencing material injury.

Material injury by reason of imports from the People's Republic of China 46/

Congress has instructed the Commission that its task is not to determine the most important cause of material injury to the domestic industry. Nor is it to weigh the effects of various causes of material injury. Rather, we are only to determine whether LTFV imports of printcloth from China are a cause of

44/ Report at Table 9.

45/ For example, one producer testified that it has discontinued some of its operations because it lacks the cash flow necessary to make needed investments. Tr. at 46.

46/ Commissioner Stern notes, as petitioners acknowledge, that all of the financial difficulties experienced by the domestic industry in 1982 and into 1983 are not attributable to imports from China. To some extent, the domestic industry's 1982-83 financial difficulties are the result of a cyclical downturn which was aggravated by excessive inventories sold by purchasers. Thus, some of the decline in prices, and therefore some of the financial downturn that the industry experienced in 1982 and continues to experience in 1983 are due to these general market factors.

material injury to the domestic industry 47/.

"Material injury" means harm "which is not inconsequential, immaterial, or unimportant." 48/ The statute sets forth various criteria for assessing the issue of whether LTFV imports are materially injuring a domestic industry. Among the factors we consider are the following: whether the volume or increase in the volume of imports is significant; whether the price impact of the imports is significant; and whether the imports have had an adverse impact on the domestic industry. 49/ Our task in assessing the volume and price effect of imports from China is a necessarily complicated one, 50/ and one that cannot be done with mathematical precision. Nevertheless, we find that the combined volume effect and price effect of these imports from China during part of the period under investigation created a significant downward pressure on domestic market prices, and therefore these imports are a cause of the material injury currently experienced by the domestic industry.

Volume of Imports from China

Since China obtained most-favored-nation status in 1980, imports of the printcloth under investigation increased sharply from 11 million square yards

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47/ The legislative history of the Trade Agreements Act of 1979 provides that the injury caused by sales at less than fair value need not be the "principal" or a "major" or "substantial" cause of overall injury to an industry. "Any such requirement has the undesirable result of making relief more difficult to obtain for industries facing difficulties from a variety of sources, although these may be precisely those industries that are most vulnerable to subsidized import competition and dumping." S. Rep. No. 249, 96th Cong., 1st Sess. 74-75 (1979); See also, H. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979).

48/ 19 U.S.C. § 1677(7)(A).

49/ 19 U.S.C. § 1677(7)(B).

50/ See the discussion of factors and conditions of trade supra at 5-7.

in 1980 to 57 million square yards in 1981. 51/ They then increased by another 8 million square yards in 1982, to 65 million square yards. Similarly, the ratio of imports from China to apparent domestic consumption increased from 2.7 percent in 1980 to 10.5 percent in 1981, and 12.4 percent in 1982. Thus, during the critical 1982 period, imports from China rose in both absolute and relative terms.

The trends for imports from China parallel the trends for total imports in 1980 and 1981. However, in 1982, imports from China increased at a time when imports from every other major exporting country decreased, in most cases substantially. Thus, as a share of total imports, imports from China increased from 31 percent in 1980 to 42 percent in 1981, and to 62 percent in 1982.

Furthermore, the volume of imports from China had an effect on the market even greater than the annual figures indicate because of the timing of forward contract and spot sales in the U.S. market. Because Chinatex 52/ prefers annual trade missions to permanent U.S. offices, in 1981 and 1982 it

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51/ Our discussion of the absolute and relative volume of imports from China is based on figures found in Tables 13 and 14.

52/ Chinatex is the state trading company for the People's Republic of China. Chinatex sells only on a forward booking basis, either to importers or directly to end users. In 1981, Chinatex formed a joint venture importing company known as "Huafang." In order to gain the extra profit margin enjoyed by importers, Chinatex sold only to one importer, Huafang, from mid-1981 until March, 1982. Id. at A-35. In late 1981 and early 1982, Huafang, which had purchase commitments to Chinatex as well as a large inventory overhang, began to unload its inventory in the spot market. In March, 1982, because Huafang was unable to make further purchase commitments, Chinatex decided to dissolve the joint venture and sell directly to non-related importers. As a result of this decision, Huafang sold massive amounts of printcloth in the spot market in March and April, 1982. Thus Chinatex had a substantial presence in the forward market and Huafang dominated the spot market in early 1982, particularly in March and April.

booked most of its printcloth during the March-May three month period. 53/ However, in March of 1982, Huafang was dissolved, and massive amounts of printcloth from China that it had been holding in inventory were sold on the spot market. Also in March of 1982, Chinatex booked large orders with importers other than Huafang for forward delivery. The volume of printcloth from China booked in early March in both the "forward order" and spot markets was substantially more than the total volume booked by the four largest domestic producers in these markets during the same period and represented a substantial portion of the imports from China in 1982. 54/ Thus, the combined effect in March, 1982, of Huafang's spot market sales and Chinatex's forward contract bookings was particularly significant.

Prices of imports from China

Prices in the domestic printcloth market change on a daily, if not hourly basis, and are very sensitive to fluctuations in supply. Sales can be lost for as little as 1/4-1/2 cent per yard. 55/ In 1980 and the first half of 1981, the spot market price 56/ of the most widely traded construction of the

53/ Based upon confidential data obtained from the Department of Commerce.

54/ Report at Table 19. During late 1981 through mid-1982, converters and end-users also sold unneeded inventories in the spot market. Industry experts testified that the exact amount of these sales is not known, but is presumed to have totaled millions of yards. Tr. at 51 and 101. Clearly, this third dimension of the market was also a factor in contributing to the oversupply situation which, in turn, contributed to the fall in prices. See discussion, supra at 6.

55/ Report at A-31. For large orders, sales can turn on as little as 1/8 cent per yard. Tr. at 19.

56/ The best available indicator of pricing trends in this industry is the "spot market" price because trade publications keep daily records of changes in that price. Similar data on prices of "forward orders" are not available. However, we note that individual transaction prices supplied by petitioners, many of which are on "forward orders", generally follow the same downward trend as do the publicly reported spot prices during this period.

printcloth under investigation 57/ ranged from slightly less than 50 cents to almost 60 cents per linear yard (hereinafter "yard"). In September 1981, it began to drop steadily, falling from 56 cents to 45 cents by the end of July 1982, a decline of 11 cents during an 11-month period. 58/

Petitioners acknowledge that printcloth from China was priced at or above the prevailing market price during 1980 and the first half of 1981. 59/ 60/ Thus, we shall focus our analysis on the period from the fourth quarter of 1981 forward.

Traditionally, purchasers require a 1/2-cent-per-yard extra margin for printcloth from China to offset the uncertainties and extra costs of importing

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57/ The most widely traded construction of the printcloth under investigation is the 48-inch 78 x 54 construction.

58/ Based upon spot prices reported in the May 3, 1983 Daily News Record (DNR). The spot price figures used by the importers are different from these DNR figures in that the importers' figures represent an averaging of mid-month and end-of-month prices. The figures used by petitioners are spot prices for particular days. We have chosen to use DNR spot prices because they are more illustrative of trends within each month than are monthly averages, but avoid overstating the declines as much as daily prices may. Similarly, in discussing spot price trends, we use the DNR spot prices rather than the weighted average domestic spot prices contained in Table 19 because these average monthly prices mask, to some extent, price trends that occurred within a month or within a period that spanned parts of a month or months.

59/ Tr. at 58.

60/ Commissioner Stern bases her affirmative finding primarily on the impact of the Chinese product on the domestic industry in March and April of 1982, when three factors coincided to produce material injury: (1) large volume of imported product, exceeding domestic volumes, (2) less than fair value sales at significant LTFV margins, and (3) consequent margins of underselling. In other periods, the causal nexus was less evident, and any margins of underselling by the Chinese product were apparently more closely related to importers' competitive practices than to LTFV sales by China. Printcloth from China was sold by Chinatex at prices at or above domestic prices, in both the forward and spot market prior to March, 1982, and then sold by independent importers and possibly converters at prices substantially below the prices paid for them. (See Report at A-48 through A-53 for an explanation of the role of the independent importers in the resale of the Chinese product, and the willingness of some to forego their usual profit margin in order to have exclusive access to Chinese printcloth.)

compared with purchasing from a domestic mill. 61/ Nevertheless, during the period mid-1981 through the first quarter of 1983, printcloth from China undersold the domestic product by margins well in excess of the 1/2-cent margin which purchasers typically demand.

Beset with large inventories and forward commitments, Huafang sold a large quantity 62/ of the largest volume construction of printcloth during the December 1981--January 1982 period in the spot market. 63/ Significant underselling occurred during December, but the monthly spot bookings for both domestic producers and imports from China were small, and domestic spot booking prices actually increased slightly.

However, in February, the spot price of imports from China dropped dramatically by more than 5 cents compared with that of January. The spot price for domestic printcloth fell by 4 cents in February.

61/ Report at A-36.

62/ The specific volumes, prices and margins of underselling of imports from China sold by Huafang are confidential. Thus, our discussion of spot bookings of imports from China must necessarily be in general terms.

63/ Report at Table 19. Unless otherwise noted, our discussion of monthly volumes and prices of printcloth from China cites figures found in Table 19. Table 19 includes data only on the largest volume 48-inch 78 x 54 construction. Thus, the figures on volume are understated in that they do not reflect the total volume of Chinese imports sold by importers during this period. However, the data base upon which Table 19 is based is larger than the data base upon which the quarterly figures are based. Whereas the quarterly figures are based upon the four largest sales of domestic producers and importers, the figures in Table 19 are based upon Department of Commerce data regarding all of Huafang's sales of 48-inch printcloth, and upon supplementary questionnaire responses provided by the six largest domestic producers and the three largest importers regarding all of their sales of 48-inch printcloth. Thus, even though the quarterly data include data on another construction, the quarterly figures on volume are substantially smaller than those in Table 19.

Commissioner Stern notes that since Table 19 includes only sales by domestic producers, not by purchasers, it does not reflect the substantial but unknown quantities of predominantly domestic product which was sold in the second-hand market during this period. Tr. at 51, 65. Thus the overall volume of domestic printcloth traded in the market at this time is understated.

In March of 1982, around the time that the decision to discontinue Huafang's operations was made, the quantity of spot bookings made by Huafang was more than four times as much as the spot bookings of domestic producers. These bookings were made at prices which undersold the domestic product by a significant margin. In mid-March, the spot market price fell from 47 cents to 45 cents. 64/

In April 1982, the quantity of spot bookings of printcloth from China totaled more than three times the spot bookings of domestic producers, and despite a drop in domestic prices from March, undersold the domestic price, again by significant margins. Domestic spot booking prices fluctuated in April, reaching a low of 46 cents in mid-April before recovering to 48 cents by the end of April.

In addition, the volume and pricing of forward bookings of imports from China also exerted downward pressure on the prices of domestic forward bookings.

In November 1981, forward bookings of imports from China totaled 1.6 million yards, compared with a far smaller quantity of domestic printcloth, 65/ and undersold the domestic product by a margin of 4.7 cents. In addition, the low range of import prices undersold even the low range of domestic prices by 5 cents per yard.

During the December 1981--January 1982 period, imports from China undersold the domestic product by substantial margins, 66/ but the volumes of

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64/ See supra n. 33.

65/ Because a limited number of domestic producers reported forward bookings for the months of November and December 1981, these figures are confidential.

66/ In December 1981 and January 1982, forward bookings of imports from China undersold the domestic product by margins of 4.8 cents and 6.5 cents, respectively.

imports from China in these months were relatively small. Few, if any, forward bookings of printcloth from China were made in February.

However, in March, 1982, Chinatex reentered the market, resuming sales to independent importers. During the March--May 1982 period, Chinatex booked an extremely large quantity of forward orders to importers, converters, or end users at prices substantially below those of the domestic product. 67/ Forward bookings of printcloth from China in March totaled 3.8 million yards--1.1 million yards more than were booked by domestic producers during the month. These bookings undersold the domestic product by a margin of 1.7 cents. The weighted average forward booking price for domestic producers declined by approximately 1/2 cent, to 47-1/2 cents in March compared with the February price.

In April 1982, imports from China in the forward contract market continued to undersell the domestic product by a margin of 1.5 cents. Again, a comparison of the lowest domestic and import prices indicates that imports from China undersold even the low range of domestic prices. Thus, the availability of large quantities of Chinese goods for spot bookings at low prices in March and April held prices at depressed levels during those months and contributed to low forward booking prices. The reentry of Chinatex in March, 1982, with a very large volume of forward bookings at low prices added to this price depression.

67/ The exact figure is confidential information obtained from the Department of Commerce. It is believed to represent total bookings for all constructions made during this period. Of this total, a significant percentage was booked to end users as discussed *infra* at 19. The rest was presumably sold to importers. To the extent that importers resold these goods soon after purchasing them from Chinatex, they would be reflected in the total of 7.1 million yards of importers sales included in Table 19.

In addition to the pricing information based on sales by importers discussed above, we also have information regarding the prices and volumes of printcloth which Chinatex sold directly to end users. These data indicate that during the period March-May, 1982, Chinatex sold a very large quantity of printcloth at prices that undersold the domestic product by 3 to 5 cents. 68/ Therefore, the combined effect of the volumes and underselling of imports from China, particularly in March and April 1982, contributed in a significant way to the decline in both domestic spot and forward booking prices which occurred during the first half of 1982, and to the resultant financial problems experienced by the domestic industry in the second half of 1982 and the first half of 1983. We also have been able to confirm that the prices of the imports from China resulted in specific lost sales. 69/

Therefore, we find that the domestic industry is experiencing material injury by reason of imports of the printcloth under investigation which are being sold at less than fair value. 70/ 71/

68/ Report at A-47. A substantial portion of this amount was 51-inch printcloth. The rest was 48-inch printcloth. The exact figures for each construction are confidential because they are contained in confidential information obtained from the Department of Commerce.

69/ Final Report at A-47; Preliminary Report at A-41.

70/ Chairman Eckes and Commissioner Haggart note that certain indicators of the condition of the domestic industry, notably domestic shipments, show some improvement in January-March 1983 from the comparable period in 1982. In addition, prices have increased modestly since they bottomed out in August 1982. Nevertheless, the industry has continued to suffer significant financial losses in the first and second quarters of 1983. This and the other factors which we have relied upon in our analysis of the condition of the domestic industry provide overwhelming support for the conclusion that the domestic industry is experiencing material injury by reason of imports from China.

71/ Commissioner Stern notes that, while the Commission found material injury to the industry and, hence, did not reach the issue of threat, an
(Footnote continued)

(Footnote continued)
analysis of the issue of threat of material injury indicates that currently imports from China do not appear to pose such a threat.

Relevant in this regard is the July 30, 1983, textile agreement which includes a new quota for the 315 Category of all printcloth imports.

In the preliminary investigation of September, 1982, the Commission found that the quota in existence at that time did not preclude the existence of threat of material injury to the industry. (That arrangement was the July 26, 1982, amendment to the bilateral agreement which imposed a limit of 167 million square yards on cloth exported from China to the United States between January-December, 1982.) I also noted at that time that, because the quota left China free to alter the distribution of the overall quota between cotton and poly/cotton printcloth, the industry could still be threatened with material injury.

An analysis of the new textile bilateral agreement and facts presented to the Commission in the course of the final investigation suggests that this threat may no longer exist. The new 1983 quota on Category 315, while slightly higher at 118 million square yards than the unilateral limit of 92.5 million square yards imposed on China for the period January-December 1983, is much lower than the 167 million square yard level the Commission found threatening in 1982.

Petitioners argue that threat to the industry nevertheless exists because, inter alia, injury occurred to the industry when poly-cotton imports from China were only 64.5 million square yards, below the unilateral restraint level of 92.5 million square yards. (Tr. at 35)

Several factors indicate that this is not the case. First, although the 315 Category includes both all cotton and poly/cotton printcloth, respondents have satisfactorily demonstrated that the tendency is towards shifting to the higher-priced all cotton product which petitioners have not alleged is materially injuring the domestic industry. Production capacity of poly/cotton printcloth in China has been significantly reduced, and some poly/cotton looms have been dismantled. Respondents estimate the percentage of the quota that will be filled with poly/cotton will at least remain at the current level of 44 percent, if not fall. Hence, the absolute volume of poly/cotton will drop considerably, since the 118 million square yard quota limit is much less than the 167 million square yard limit. It should also be noted that this 1982, 167 million square yard limit will not again be reached under the growth limits of the recent agreement until 1988.

Moreover, internal Chinese demand for printcloth is increasing. While the United States is presently China's only market for 50/50 poly/cotton printcloth, some of total poly/cotton printcloth production is now being targeted toward new markets.

Furthermore, some indicators show that the domestic industry may be experiencing a recovery in the immediate future. Consumption and shipments have increased, and prices are going up. Inventories have declined significantly, and unfilled orders for the January-June 1983 period have increased over the corresponding period of 1982. Hence, this industry should be able to successfully compete with imports from China in the future.

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 on behalf of the American Textile Manufacturers Institute, Inc., and eight of its member companies 1/, alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of greige polyester/cotton printcloth from the People's Repubic of China (China) being sold at less than fair value (LTFV). Accordingly, effective August 5, 1982, the Commission instituted a preliminary investigation under section 733(a) of the Tariff Act of 1930. On September 14, 1982, the Commission unanimously determined, on the basis of information developed during the course of investigation No. 731-TA-101 (Preliminary), that there was a reasonable indication that an industry in the United States was threatened with material injury by reason of the importation of such merchandise into the United States. Following the Commission's affirmative determination, the Department of Commerce continued its investigation into the question of sales at LTFV.

On March 9, 1983, the Department of Commerce published a preliminary determination that there is a reasonable basis to believe or suspect that greige polyester/cotton printcloth from the People's Republic of China is being sold, or is likely to be sold, in the United States at LTFV, as provided for in section 733 of the Tariff Act of 1930, as amended. As a result of this preliminary determination by Commerce, the Commission instituted investigation No. 731-TA-101 (Final) to determine whether an industry in the United States is materially injured, or is threatened with material injury, by reason of LTFV imports of greige polyester/cotton printcloth from the People's Republic of China. Commerce extended its investigation pursuant to section 735 (a)(2)(A) of the Tariff Act of 1930 and notified the Commission of its final determination on July 27, 1983. 2/

Notice of the institution of the Commission's investigation No. 731-TA-101 (Final) and of the public hearing 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 April 6, 1983 (48 F.R. 15017). The hearing was held in Washington, D.C., on July 28, 1983. 3/ The Commission voted on this case on August 22, 1983, and notified Commerce of its determination on September 6, 1983.

Description and Uses

Greige 4/ 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

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1/ Alice Manufacturing, Clinton Mills, Dan River, Greenwood Mills, Hamrick Mills, Mayfair Mills, Mount Vernon Mills, and M. Lowenstein Corp.
2/ Copies of the Commission's and Commerce's Federal Register notices are presented in app. A.
3/ A list of witnesses appearing at the hearing is presented in app. B.
4/ "Greige," derived from the French beige, meaning natural, is used interchangeably with the term "gray" and refers to fabric in its natural unfinished state. Gray is more commonly used in U.S. textile trade.

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.

The Imported 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 (1983) (TSUSA), with statistical suffix 32 (printcloth other than 80 X 80). 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.

Before January 1, 1983, most of the printcloth in this investigation was 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 were classified under statistical suffix 92 (other) until the end of 1982, rather than statistical suffix 32. The old TSUSA definition was established at a time when most printcloth was all cotton and most contructions were nearly "square," that is, there were about an equal number of ends and picks per inch, for example 80 x 80 or 68 x 68. The 78 x 54 construction and similar constructions have since become the leading constructions for printcloth of fiber blends such as polyester/cotton. A proposal to change the definition in the TSUSA was accepted by the Committee for Statistical Annotation of the Tariff Schedules. 2/ The new definition, effective January 1, 1983, encompasses the 78 x 54 construction and is essentially the same as the definition used in the petition for this investigation.

The polyester/cotton printcloth under consideration is produced using spun yarn made from a blend of polyester and cotton fibers, usually 50 percent of each fiber. The yarn used in making the fabric is widely produced and the fabric is one of the simplest 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. Given the relative costs of the two fibers during 1982, it is almost certain that a blend containing 50 percent or more of cotton by weight would be classified in chief value of cotton. Polyester/cotton printcloth in chief value of polyester is classified as fabric of manmade fibers under TSUS item 338.50. 3/

1/ Statistical headnote 1(e), 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.

3/ The ad valorem equivalent of the MFN rate of duty for item 338.50 was 26.1 percent in 1982 compared with a rate of 13.6 percent for the printcloth which is the subject of this investigation.

Printcloth is produced in much the same way as other plainwoven fabric of uncombed yarn. Most printcloth mills are integrated operations which perform all stages of manufacture from yarn production to woven fabric. Packages or bales of the raw fibers, cotton and polyester, are blended before being automatically fed to the carding machines (cards). The cards have cylinders surfaced with wire teeth, which remove trash and align the fibers. The fibers emerge from the card in a wide, flat web which is then gathered into a ropelike strand called sliver. Several strands of sliver are combined, doubled, drawn, and slightly twisted to form a uniform roving. Spinning, the final stage of yarn manufacture, changes the relatively loose, low-strength roving into a thin, strong, more highly twisted yarn.

In preparation for weaving, the warp yarns, which run in the vertical or lengthwise direction of the fabric, are wound on long drums called warp beams and may be treated with sizing to help prevent breaking during weaving. Filling yarn is wound into small packages appropriate to the type of loom to be used for weaving. Weaving is the process of forming fabric by interlacing the warp and filling yarns at right angles to each other. Plain weave, the type used in printcloth, is made with one warp over and one warp under the filling throughout the fabric.

The printcloth imported from China is produced on shuttle looms. Though much U.S. produced printcloth is also made on shuttle looms, some U.S. printcloth mills use shuttleless looms, including the newer air-jet looms. The production rate of air-jet looms is approximately 2-1/2 times that of traditional shuttle looms. The quality of the Chinese fabric is reported to be equal in most respects to that of U.S.-made printcloth. 1/

U.S. importers

The Commission has identified 13 importers of greige 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 1982. In 1983, * * *.

* * *. Huafang is a joint venture of the China National Textiles Import and Export Corporation (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 TSUS items 326.26 through 326.40 with a statistical suffix of 32. Classification of fabric in chief value of cotton in the TSUS is accomplished through a unique system based on the average yarn number (AYN) 2/ of the fabric, which is designated by the fourth and fifth

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1/ Transcript of the conference for investigation No. 731-TA-101 (Preliminary), pp. 64-67.

2/ The average yarn number is determined by counting the singles yarns 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, pt. 3, schedule 3, of the TSUSA.)

digits of the TSUS item; e.g., 326.26 indicates that the fabric was produced with yarn of AYN 26. Under this system, the rate of duty increases according to the fineness of the yarn in the fabric. For example, TSUS item 326.40 carries a higher duty than TSUS item 326.26. Statistical suffixes (e.g., 32 for printcloth) do not determine classification for tariff purposes and thus have no effect on the rate of duty; they are used for monitoring purposes. The column 1 (most-favored-nation) and column 2 rates of duty, 1/ as of January 1, 1983, are shown in the following tabulation:

TSUS item No.	Description	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.	1/ Base rate + 1.7% ad val.	1/ 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 9.9 percent ad val. to 12.2 percent ad val.; the base rate for col. 2 ranges from 19.1 percent ad val. to 24.0 percent ad val.

The column 1 rates of duty on polyester/cotton printcloth, which currently range from 11.6 to 13.9 percent ad valorem, were unchanged from January 1, 1972, until January 1, 1982. The current column 1 rates represent the second stage of reductions granted in the Tokyo round of Multilateral Trade Negotations (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 326.35 will be reduced from 14.26 percent ad valorem to 10.9 percent ad valorem; the duty for imports under this item in 1983 is 13.1 percent ad valorem.

1/ The rates of duty in column 1 are most-favored-nation (MFN) rates, and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA. However, such rates would not apply to products of developing countries which are granted preferential tariff treament under the Generalized System of Preferences (GSP) or under the "LDDC" column. The rates of duty in column 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA.

Imports of the subject fabric 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/

Printcloth is subject to restraint under the terms of the Multifiber Arrangement (MFA). 3/ Prior to January 1, 1983, imports of polyester/cotton printcloth in chief value of cotton had been classified in two MFA categories:

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

Since the new definition of printcloth was adopted in the 1983 TSUSA, all the subject fabric has been classified in category 315.

Under the MFA, Pakistan, the Philippines, and Thailand have specific limits on their exports to the United States of products in category 315. Brazil, Colombia, India, and Romania have designated consultation levels 4/ on this category; Macau, Poland, and Singapore have minimum consultation levels. 5/ Although China is not a signatory to the MFA, the United States has negotiated an agreement with China similar to those under the MFA pursuant to the provisions of section 204 of the Agricultural Act of 1956. The original bilateral agreement with China (covering calendar years 1980-82) provided no specific limits or consultation levels for categories 315 and 320, although both categories were listed as subject to consultation. 6/ In June 1982, however, restraint levels were established for the printcloth covered by these two categories; in July 1982, the bilateral agreement was amended to include a specific limit for calendar year 1982 of 167 million square yards for category 315/320 (pt.) 7/. When China and the United States failed to agree to an extension of the bilateral agreement, the United States imposed unilateral restraints in December 1982. The restraint level imposed for

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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, 1975, 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.

3/ 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 effective January 1978, and extended again effective January 1982 to run through July 1986.

4/ Designated consultation levels are predetermined export levels which can only be exceeded with agreement (after consultations) by the importing country.

5/ Minimum consultation levels are levels up to which a country may ship in a category before the United States will request consultations for controlling imports in that category.

6/ Categories subject to consultation are ones for which specific export levels have not been established. However, the United States can request consultations to establish specific limits when it believes that such limits are necessary to eliminate market disruption or the threat of market disruption.

7/ Only statistical suffix 92 in category 320 was included.

category 315 was 92.5 million square yards in the period January 1-December 31, 1983. 1/ On August 19, 1983, the United States and China signed a new bilateral agreement establishing the 1983 quota at 118 million square yards and providing for phased growth to 171 million square yards by 1987.

The Domestic Product

For purposes of defining the comparable domestic product in this investigation, polyester/cotton printcloth containing 50 percent or more by weight of cotton is assumed to be in chief value of cotton. At fiber prices in late 1982, the value of cotton and polyester in a 50/50 polyester/cotton blend was nearly equal. Since cotton prices are currently about 10 cents per pound higher than polyester, the U.S. Customs Service currently classifies such imported 50/50 blends (which consititute most of the subject imports) as in chief value of cotton. Domestic production of polyester/cotton printcloth in chief value of cotton, i.e., containing 50 percent or more of cotton by weight, is believed to account for about three-fourths of total domestic production of all blends of polyester/cotton printcloth.

U.S. Producers

During the period covered by this investigation, eight firms are known to have produced polyester/cotton printcloth in chief value of cotton in the United States. 2/ Of this total, seven have sold nearly all their output in the greige state; the remaining one 3/ sells most of its output as finished fabric (bleached, dyed, or printed). In early 1983, Mt. Vernon Mills discontinued production of this fabric. On the basis of questionnaire responses, * * * of the mill output of polyester/cotton printcloth in chief value of cotton is sold by mills in the greige state, rather than as finished goods. 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 1982:

Firm	Percent of total
Alice Manufacturing Co------------------	***
Clinton Mills, Inc---------------------	***
Dan River, Inc-------------------------	***
Greenwood Mills, Inc-------------------	***
Hamrick Mills--------------------------	***

1/ Category 315 covers greige, bleached, or colored printcloth wholly of cotton and blends in chief value of cotton. Total imports from China under category 315, as it is currently defined, were 83 million square yards in 1980, 171 million square yards in 1981, 143 million square yards in 1982, and 53 million square yards in January-April 1983. Imports of greige polyester/cotton printcloth rose from 14 percent of the total in 1980 to 36 percent in 1981 and 44 percent in 1982. During January-April 1983, its share of the total was 32 percent.

2/ Another firm, * * *, produces polyester/cotton printcloth which is in chief value of polyester.

3/ * * *.

Firm	Percent of total
Mayfair Mills----------------------------	***
Mount Vernon Mills-----------------------	***
M. Lowenstein Corp-----------------------	***

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, although important, does not constitute the major part of total output of these companies. However, printcloth accounted 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 homefurnishings and, to a lesser extent, in industrial uses. As is further discussed in the section of this report on prices, converters play a key role in its distribution. They buy fabric from weaving mills and importers and arrange to have it finished by a dyer or printer and shipped to apparel and homefurnishing manufacturers. Converters assume considerable risks in contracting for future delivery of large quantities of printcloth at a specified price and their success may depend on their ability to anticipate price trends and to predict demand levels. Sometimes converters simply order and resell greige goods on a speculative basis as part of their activities.

Brokers also play a role in the distribution system, frequently handling transactions between importers and converters, and, to a lesser extent, between U.S. mills and converters or between converters and other purchasers. U.S. mills also sell directly to large apparel and homefurnishings producers which do their own finishing.

Orders for printcloth are often placed with weaving mills or importers 6 to 12 months ahead of expected delivery. When prices are increasing, buyers usually try to place orders further ahead than in a declining market.

Weaving mills, converters, and apparel and homefurnishings manufacturers all own inventories of fabric. Although most of these stocks are physically in the possession of weaving mills and finishing plants, they are largely actually owned by piece goods converters.

Nature and Extent of Alleged Sales at LTFV

On July 22, 1983, the Department of Commerce made its final determination that greige polyester/cotton printcloth from the People's Republic of China is being sold, or is likely to be sold, in the United States at LTFV within the meaning of section 731 of the Tariff Act of 1930. Margins were found on all sales compared and ranged from 21.3 percent to 29.4 percent. The weighted-average margin on all sales compared is 22.4 percent. Commerce's investigation covered the period March 1, 1982, through August 31, 1982. A-7 Since China is a state-controlled economy, for purposes of the investigation, surrogate country (Thailand) prices to third countries were used to determine foreign market value.

Consideration of Material Injury 1/

U.S. production, capacity, and capacity utilization

Total U.S. production of greige polyester/cotton printcloth declined 23 million square yards or 4.5 percent from 1980 to 1982. Production in January-March 1983 increased 7 million square yards, or 5.5 percent when compared with the corresponding period of 1982 (table 1)

Table 1.--Greige polyester/cotton printcloth: U.S. production, by firms, 1980-82, January-March 1982, and January-March 1983

Firm	1980	1981	1982	January-March-- 1982	January-March-- 1983
	Quantity (1,000 square yards)				
Alice Manufacturing	***	***	***	***	***
Clinton Mills	***	***	***	***	***
Dan River	***	***	***	***	***
Greenwood Mills	***	***	***	***	***
Hamrick Mills	***	***	***	***	***
Mayfair Mills	***	***	***	***	***
Mount Vernon Mills	***	***	***	***	***
M. Lowenstein Corp	***	***	***	***	***
Total	524,701	505,928	497,426	135,303	143,539
	Percent of total				
Alice Manufacturing	***	***	***	***	***
Clinton Mills	***	***	***	***	***
Dan River	***	***	***	***	***
Greenwood Mills	***	***	***	***	***
Hamrick Mills	***	***	***	***	***
Mayfair Mills	***	***	***	***	***
Mount Vernon Mills	***	***	***	***	***
M. Lowenstein Corp	***	***	***	***	***
Total	100	100	100	100	100

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, revised by data in petitioners' posthearing brief.

1/ In response to a request from the Commission staff to counsel for the petitioner at a posthearing meeting on Aug. 1, 1983, several of the firms provided data through June 1983 regarding their greige polyester/cotton printcloth operations. This information is presented in app. D.

The companies which produce greige polyester/cotton printcloth also produce other types of printcloth or other fabrics. Only one 1/ of these companies has a separate facility which is dedicated to the production of greige polyester/cotton printcloth. Although the equipment used to produce printcloth can be adjusted to produce other fabric, this is done only when economically advantageous. 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 basis for determining capacity among the producing firms varied from operating 120 to 168 hours per week. The Current Industrial Report, Survey of Plant Capacity for 1981 reports a ratio of current output to preferred capacity for the broad category of all cotton-weaving mills of 86 percent in 1981. 2/

Capacity for the industry producing greige polyester/cotton printcloth increased 21 million square yards from 1980 to 1981 and 28 million square yards in 1982. During January-March 1983, capacity was nearly 16 million square yards less than it was in the corresponding months of 1982.

Capacity utilization for the industry declined from 83 percent in 1980 to 77 percent in 1981 and then dropped to 73 percent in 1982. The increase to 86 percent in January-March 1983 occurred at the same time production capacity declined.

Capacity utilization figures should be viewed with some caution. * * *

Table 2.--Greige polyester/cotton printcloth: U.S. production capacity and capacity utilization, by firms, 1980-82, January-March 1982, and January-March 1983

Firm	1980	1981	1982	January-March--	
				1982	1983
	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	632,812	653,771	681,828	182,629	166,832

1/ * * *.

2/ "Preferred" capacity is defined as the rate which the reporting firm would prefer not to exceed due to costs or other considerations.

Table 2.--Greige polyester/cotton printcloth: U.S. production capacity and capacity utilization, by firms, 1980-82, January-March 1982, and January-March 1983--Continued

Firm	1980	1981	1982	January-March--	
				1982	1983
	Capacity utilization (percent)				
Alice Manufacturing------	***	***	***	***	***
Clinton Mills------------	***	***	***	***	***
Dan River----------------	***	***	***	***	***
Greenwood Mills----------	***	***	***	***	***
Hamrick Mills------------	***	***	***	***	***
Mayfair Mills------------	***	***	***	***	***
Mount Vernon Mills-------	***	***	***	***	***
M. Lowenstein Corp-------	***	***	***	***	***
Average--------------	83	77	73	74	86

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, revised by data in petitioners' post-hearing brief.

U.S. producers' domestic shipments

The quantity of shipments of greige polyester/cotton printcloth rose by 21.6 million square yards from 1980 to 1982, representing an increase of 5.4 percent (table 3). Shipments during January-March 1983 of 119.9 million

Table 3.--Greige polyester/cotton printcloth: U.S. producers' domestic shipments, by firms, 1980-82, January-March 1982, and January-March 1983

Firm	1980	1981	1982	January-March--	
				1982	1983
	Quantity (1,000 square yards)				
Alice Manufacturing------	***	***	***	***	***
Clinton Mills------------	***	***	***	***	***
Dan River----------------	***	***	***	***	***
Greenwood Mills----------	***	***	***	***	***
Hamrick Mills------------	***	***	***	***	***
Mayfair Mills------------	***	***	***	***	***
Mount Vernon Mills-------	***	***	***	***	***
M. Lowenstein Corp-------	***	***	***	***	***
Total----------------	396,904	406,918	418,484	102,553	119,884

Table 3.--Greige polyester/cotton printcloth: U.S. producers' domestic shipments, by firms, 1980-82, January-March 1982, and January-March 1983--Continued

Firm	1980	1981	1982	January-March-- 1982	January-March-- 1983
	Value (1,000 dollars)				
Alice Manufacturing	***	***	***	***	***
Clinton Mills	***	***	***	***	***
Dan River	***	***	***	***	***
Greenwood Mills	***	***	***	***	***
Hamrick Mills	***	***	***	***	***
Mayfair Mills	***	***	***	***	***
Mount Vernon Mills	***	***	***	***	***
M. Lowenstein Corp	***	***	***	***	***
Total	146,213	170,938	159,924	41,075	41,646
	Unit value (cents per square yard)				
Alice Manufacturing	***	***	***	***	***
Clinton Mills	***	***	***	***	***
Dan River	***	***	***	***	***
Greenwood Mills	***	***	***	***	***
Hamrick Mills	***	***	***	***	***
Mayfair Mills	***	***	***	***	***
Mount Vernon Mills	***	***	***	***	***
M. Lowenstein Corp	***	***	***	***	***
Average	37	42	38	40	35

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

square yards were 16.9 percent greater than those during the corresponding months of 1982. The value of shipments increased from $146 million in 1980 to $171 million in 1981, then declined to $160 million in 1982. The value of shipments during January-March 1983 of $42 million was only 1 percent greater than those during January-March 1982. The unit value of shipments increased from 37 cents per square yard in 1980 to 42 cents per square yard in 1981, and declined to 38 cents per square yard in 1982. The unit value of shipments during January-March 1983 was 35 cents per square yard--the lowest in the period studied.

The quantity of greige printcloth shipments has been about 20 percent less than the quantity produced during 1980-March 1983. This is mainly because * * *.

<u>U.S. producers' exports</u>

A-11

Several U.S. producers reported exports of greige polyester/cotton printcloth. These exports go mainly to Europe, although some are destined for

South and Central America. U.S. producers' exports have accounted for * * * to * * * percent of total shipments. During January-March 1983, export's share of shipments (* * * percent) was the lowest of the period studied (table 4).

U.S. producers' exports * * *.

Table 4.--Greige polyester/cotton printcloth: U.S. producers' exports, 1980-82, January-March 1982, and January-March 1983

Period	Quantity	Value	Average unit value	Percent of total shipments 1/
	1,000 square yards	1,000 dollars	Cents per square yard	
1980	***	***	***	***
1981	***	***	***	***
1982	***	***	***	***
January-March--				
1982	***	***	***	***
1983	***	***	***	***

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 from 15 million square yards in 1980 to 26 million square yards in 1982, or by 75 percent (table 5). At the end of March 1983, inventories were about 15 million square yards compared with 28 million square yards at the end of March 1982, representing a decline of 46 percent.

Table 5.--Greige polyester/cotton printcloth: U.S. producers' inventories held as of Dec. 31 of 1980-82, March 31, 1982, and March 31, 1983

Date	Producers' inventories	Ratio of inventories to production
	1,000 square yards	Percent
Dec. 31--		
1980	15,096	2.9
1981	20,011	3.9
1982	26,426	5.3
Mar. 31--		
1982	28,041	1/ 5.2
1983	15,214	1/ 2.7

1/ Based on annualized production data.

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

The ratio of inventories to production rose from 2.9 percent in 1980 to 5.3 percent in 1982. The ratio of inventories to production fell during January-March 1983 to 2.7 percent, the lowest of the period.

Employment, productivity, and wages

The average number of production and related workers engaged in the production of greige polyester/cotton printcloth * * * to 4,410 in 1982 (table 6). The number of production and related workers * * * to 4,277 in January-March 1983 compared with 4,500 in January-March 1982. * * *.

Table 6.--Average number of production and related workers engaged in the production of greige polyester/cotton printcloth, hours worked by such workers, and output per hour, 1980-82, January-March 1982, and January-March 1983

Period	Production and related workers	Hours worked by production and related workers	Output per worker-hour
			(Square yards)
1980	***	***	***
1981	***	***	***
1982	4,410	7,778,900	64
January-March--			
1982	4,500	2,128,400	64
1983	4,277	2,130,600	67

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

Although the number of production and related workers declined from January-March 1982 to January-March 1983, the number of hours worked by these workers in both periods was the same--2.1 million. Output per worker-hour increased steadily throughout the period under consideration from * * * in 1980 to 67 square yards per hour during January-March 1983. This increase in output is largely attributed to installation of new shuttleless looms.

Wages paid to production and related workers engaged in producing greige polyester/cotton printcloth are shown in table 7. Total compensation * * * $59.0 million in 1982. Total compensation during January-March 1983 of $16.8 million was 9 percent greater than the $15.4 million of January-March 1982. Fringe benefits account for approximately 15 percent of total compensation for workers in this industry.

Table 7.--Total compensation paid to production and related workers engaged in the production of greige polyester/cotton printcloth, wages paid to such workers excluding fringe benefits, and average total hourly compensation, 1980-82, January-March 1982, and January-March 1983

Period	Total compensation	Wages paid excluding fringe benefits	Average total hourly compensation
	--------1,000 dollars--------		
1980	***	***	***
1981	***	***	***
1982	59,048	50,529	7.59
January-March--			
1982	15,364	13,350	7.22
1983	16,750	14,204	7.86

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

The average total hourly compensation for production and related workers producing greige polyester/cotton printcloth increased steadily throughout the period, from * * * an hour in 1980 to $7.86 during January-March 1983.

Financial experience of U.S. producers

Seven U.S. firms, accounting for * * * of 1982 U.S. production of griege polyester/cotton printcloth, furnished usable income-and-loss data relative to their overall establishment operations and their operations producing greige polyester/cotton printcloth. * * *. In the aggregate, the seven producers' greige polyester/cotton printcloth operations were profitable during 1980-82 and unprofitable during interim 1983. However, operating income and net income before income taxes were less than 1 percent of net sales in 1982.

Overall establishment operations.--As shown in table 8, overall establishment net sales were $289 million in 1982, compared with $353 million in 1981 and $318 million in 1980. Net sales were $78 million during the interim period ended March 31, 1983, compared with $75 million for the corresponding period of 1982. Greige polyester/cotton printcloth accounted for between * * * percent and 59 percent of the total establishment net sales in each of the reporting periods. Overall establishment operating income rose 79 percent from 1980 to 1981, rising from $20.7 million, or 6.5 percent of net sales, to $37.1 million, or 10.5 percent of net sales. Operating income fell sharply to $3.1 million, or 1.1 percent of net sales, in 1982. The seven firms sustained an aggregate operating loss of $3.1 million, or 4.0 percent of net sales, during January-March 1983, compared with an operating income of $5.1 million, or 6.8 percent of net sales, during the corresponding period of 1982.

Net income before income taxes followed the same trend as operating income during 1980-82, rising from $17.8 million, or 5.6 percent of net sales, in 1980 to $33.9 million, or 9.6 percent of net sales, in 1981, and then falling to $954,000, or 0.3 percent of net sales, in 1982. The seven firms

Table 8.--Income-and-loss experience of 7 U.S. producers on the overall operations of their establishments within which greige polyester/cotton printcloth is produced, 1980-82, interim 1982, and interim 1983

Item	1980	1981	1982	Interim period ending March 31-- 1982	Interim period ending March 31-- 1983
Net sales--------1,000 dollars--	317,866	353,271	289,429	75,199	77,880
Cost of goods sold--------do----	280,824	299,032	269,713	65,315	76,310
Gross income---------------do----	37,042	54,239	19,716	9,884	1,570
General, selling, and administrative expenses 1,000 dollars--	16,331	17,107	16,633	4,738	4,650
Operating income or (loss) do----	20,711	37,132	3,083	5,146	(3,080)
Other income or (expense) 1,000 dollars--	(2,907)	(3,211)	(2,129)	(1,074)	(738)
Net income or (loss) before income taxes---1,000 dollars--	17,804	33,921	954	4,072	(3,818)
Depreciation and amortization expense--------1,000 dollars--	15,738	15,625	17,981	3,869	4,141
Cash flow from operations 1,000 dollars--	33,542	49,546	18,935	7,941	323

Table 8.--Income-and-loss experience of 7 U.S. producers on the overall operations of their establishments within which greige polyester/cotton printcloth is produced, 1980-82, interim 1982, and interim 1983--Continued

Item	1980	1981	1982	Interim period ending March 31-- 1982	Interim period ending March 31-- 1983
Ratio to net sales:					
Gross income----------percent--:	11.7	15.4	6.8	13.1	2.0
Operating income or (loss) do----:	6.5	10.5	1.1	6.8	(4.0)
Net income or (loss) before income taxes--------percent--:	5.6	9.6	.3	5.4	(4.9)
Cost of goods sold-------do----:	88.3	84.6	93.2	86.9	98.0
General, selling, and administrative expenses percent--:	5.1	4.8	5.7	6.3	6.0
Number of firms reporting operating losses---------------:	1	1	4	1	6
Number of firms reporting net losses--------------------:	1	1	4	1	6
Ratio of greige polyester/ cotton printcloth sales to total establishment sales percent--:	***	***	58	57	59

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

sustained a net loss of $3.8 million, or 4.9 percent of net sales, during interim 1983, compared with a net income of $4.1 million, or 5.4 percent of net sales, for the corresponding period of 1982.

* * * * * * *.

Cash flow from operations during 1980-82 ranged from a high of $49.5 million in 1981 to a low of $18.9 million in 1982. Cash flow was $323,000 during January-March 1983, compared with $7.9 million for the corresponding period of 1982.

As a share of net sales, manufacturing costs (cost of goods sold) ranged during the reporting period from a low of 84.6 percent in 1981 to a high of 98.0 percent during interim 1983. General, selling, and administrative expenses ranged from 4.8 percent of net sales in 1981 to 6.3 percent in interim 1982.

<u>Greige polyester/cotton printcloth operations</u>.--Net sales of greige polyester/cotton printcloth were $169 million in 1982, * * * (table 9). Net sales were $46 million during interim 1983, up 6 percent from the $43 million in net sales reported for the corresponding period of 1982.

Operating income * * *. The seven firms sustained an aggregate operating loss of $3.9 million, or 8.5 percent of net sales, during interim 1983, compared with an operating income of $1.8 million, or 4.1 percent of net sales, for the corresponding period of 1982. Net income before income taxes * * *.

Table 9.--Income-and-loss experience of 7 U.S. producers on their greige polyester/cotton printcloth operations, 1980-82, interim 1982, and interim 1983

Item	1980	1981	1982	Interim period ending March 31-- 1982	Interim period ending March 31-- 1983
Net sales--------1,000 dollars--:	***	***	168,891	42,889	45,673
Cost of goods sold--------do----:	***	***	158,687	38,702	47,143
Gross income or (loss)----do----:	***	***	10,204	4,187	(1,470)
General, selling, and administrative expenses 1,000 dollars--:	***	***	8,865	2,435	2,404
Operating income or (loss) do----:	***	***	1,339	1,752	(3,874)
Other income or (expense) 1,000 dollars--:	***	***	(1,116)	(310)	(467)
Net income or (loss) before income taxes---1,000 dollars--:	***	***	223	1,442	(4,341)
Depreciation and amortization expense--------1,000 dollars--:	***	***	11,339	2,678	2,627
Cash flow from operations 1,000 dollars--:	***	***	11,562	4,120	(1,714)
Ratio to net sales:					
Gross income or (loss) percent--:	***	***	6.0	9.8	(3.2)
Operating income or (loss) percent--:	***	***	.8	4.1	(8.5)
Net income or (loss) before income taxes-------percent--:	***	***	.1	3.4	(9.5)
Cost of goods sold------do----:	***	***	94.0	90.2	103.2
General, selling, and administrative expenses percent--:	***	***	5.2	5.7	5.3
Number of firms reporting operating losses--------------:	***	***	4	1	5
Number of firms reporting net losses--------------------:	***	***	4	1	5

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

Cash flow from operations * * *. The seven firms' aggregate greige polyester/cotton printcloth operations sustained a negative cash flow of $1.7 million during interim 1983, compared with a positive cash flow of $4.1 million for the corresponding period of 1982.

As a share of net sales, manufacturing costs (cost of goods sold) ranged * * *. Such costs reached 103.2 percent of net sales during interim 1983, compared with 90.2 percent for the corresponding period of 1982. A comparison of greige polyester/cotton printcloth operating income margins and net income margins with those of all textile mill products is shown in the following tabulation for 1980-82:

Year	Greige polyester/cotton printcloth		All textile mill products 1/	
	Operating income margin	Pre-tax income margin	Operating income margin	Pre-tax income margin
	Percent			
1980	***	***	5.2	4.1
1981	***	***	5.4	4.1
1982	.8	.1	4.5	3.5

1/ Compiled from data obtained from the Federal Trade Commission's Quarterly Financial Reports.

As seen in the above tabulation, greige polyester/cotton printcloth income margins * * *. In 1982, income margins for greige polyester/cotton printcloth were substantially below the industry average.

Kurt Salmon Associates, Inc (KSA) arrived at somewhat different operating income margins than that of the Federal Trade Commission in its profile study of 48 publicly owned textile firms engaged mainly in the production and sale of woven and/or knitted fabrics. The average operating income margin for the 48 firms is shown in the following tabulation for 1980-82: 1/

Year	Operating income margin (percent)
1980	6.2
1981	6.0
1982	4.2

Individual firm income-and-loss data relative to the seven firms' greige polyester/cotton printcloth operations are presented in table 10. The data reveal that all seven of the reporting firms experienced a downward turn in earnings during 1982 and that the trend continued through March 1983.

1/ Data were obtained from Textile Business, June 1983.

Table 10.--Income-and-loss experience of 7 U.S. producers on their greige polyester/cotton printcloth operations, by firms, 1980-82, interim 1982, and interim 1983

Item	1980	1981	1982	Interim period ending March 31-- 1982	Interim period ending March 31-- 1983
	1,000 dollars				
Net sales:					
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
Total	***	***	168,891	42,889	45,673
Operating income or (loss):					
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
Total	***	***	1,339	1,752	(3,874)
Net income or (loss) before income taxes:					
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
Total	***	***	223	1,442	(4,341)
Cash flow from operations:					
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
Total	***	***	11,562	4,120	(1,714)

Table 10.--Income-and-loss experience of 7 U.S. producers on their greige polyester/cotton printcloth operations, by firms, 1980-82, interim 1982, and interim 1983--Continued

Item	1980	1981	1982	Interim period ending March 31-- 1982	Interim period ending March 31-- 1983
	Percent				
Ratio of operating income or (loss) to net sales:					
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
Average	***	***	.8	4.1	(8.5)
Ratio of net income or (loss) before income taxes to net sales:					
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
Average	***	***	.1	3.4	(9.5)

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

* * * * * * *.

One firm, * * * submitted income-and-loss data that were excluded from all tabulations in this section. * * *. Income-and-loss data for this firm, * * *, are shown in the following tabulation for 1980-82, interim 1982, and interim 1983:

* * * * * * *

Period	Net sales	Operating income or (loss)	Ratio of operating income or (loss) to net sales
	--1,000 dollars--	-1,000 dollars-	----Percent-----
1980	***	***	***
1981	***	***	***
1982	***	***	***
Interim period ending Mar.31--			
1982	***	***	***
1983	***	***	***

At the hearing, the petitioners emphasized that sales at depressed prices during January-June 1982 will be reflected in adverse earnings in July-December of that year and into 1983. 1/ To support this allegation, producers have submitted income-and-loss data for the second quarter of 1983, which has been provided to the Commission in a separate memo.

Investment in productive facilities.--Six firms supplied data relative to their investment in productive facilities employed in the establishments within which greige polyester/cotton printcloth is manufactured and their investment in productive facilities used in the manufacture of greige polyester/cotton printcloth. The six firms' overall establishment investment in such facilities, valued at cost, increased $55 million during 1980-82 and January-March 1983 (table 11). The book value of such assets increased $21 million during this period.

The six firms' investment in productive facilities employed in the manufacture of greige polyester/cotton printcloth, valued at cost, increased $58 million during the reporting period; the book value of such assets increased $20 million during this period. 2/

Capital expenditures.--The seven firms that provided profit-and-loss data also furnished data relative to their capital expenditures for land, buildings, and machinery and equipment used in the manufacture of all products of the reporting establishments and specifically in the manufacture of greige polyester/cotton printcloth.

1/ Transcript of the hearing, pp. 12-14, 27, 57, and 60.
2/ For some firms, the investment data are based on allocations because various types of printcloth are woven on the same looms.

Table 11.--Investment of 6 U.S. producers in facilities used in the production of greige polyester/cotton printcloth, 1980-82, interim 1982, and interim 1983

Item	1980	1981	1982	Interim period ending Mar. 31-- 1982	Interim period ending Mar. 31-- 1983
Overall establishment operations:					
Original cost-1,000 dollars--	184,116	215,184	235,967	220,196	238,628
Book value-------------do----	83,004	94,845	102,521	101,742	103,731
Ratio of operating profit or (loss) to--					
Net sales---------percent--	6.7	10.8	1.1	7.1	(3.6)
Original cost--------do----	11.2	17.0	1.3	1/ 2.3	1/ (1.1)
Book value-----------do----	24.7	38.7	3.0	1/ 5.0	1/ (2.6)
Greige polyester/cotton print-cloth operations:					
Original cost-1,000 dollars--	103,136	116,899	149,290	141,525	160,737
Book value-------------do----	45,998	53,003	59,825	63,561	65,660
Ratio of operating profit or (loss) to--					
Net sales---------percent--	6.6	10.6	.9	4.3	(8.2)
Original cost--------do----	9.6	14.6	.9	1/ 1.2	1/ (2.1)
Book value-----------do----	21.4	32.2	2.3	1/ 2.7	1/ (5.2)

1/ Interim data are not comparable with annual data.

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

As shown in table 12, overall establishment capital expenditures rose from $17.2 million in 1980 to $34.8 million in 1981, and then declined 38 percent to $21.7 million in 1982. Capital expenditures were $5.0 million during interim 1983, compared with $9.5 million for the corresponding period of 1982.

Table 12.--Capital expenditures for land and land improvements, building and leasehold improvements, and machinery and equipment for 7 U.S. producers, 1980-82, interim 1982, and interim 1983

(In thousands of dollars)

Product and period	Land and land improvements	Building and leasehold improvements	Machinery and equipment	Total
All products of establishments:				
1980	95	1,342	15,807	17,244
1981	204	2,129	32,457	34,790
1982	60	1,737	19,912	21,709
Interim period ending Mar. 31--				
1982	-	375	9,099	9,474
1983	30	112	4,838	4,980
Greige polyester/cotton printcloth:				
1980	***	***	***	***
1981	***	***	***	***
1982	28	1,008	15,414	16,450
Interim period ending Mar. 31--				
1982	-	249	8,717	8,966
1983	20	54	4,821	4,895

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

Capital expenditures relative to greige polyester/cotton printcloth were * * * and $16.5 million, respectively, in 1980, 1981, and 1982. 1/ Such expenditures were $4.9 million during January-March 1983, compared with $9.0 million during the corresponding period of 1982.

Research and development expenditures.--The eight U.S. firms which produce greige polyester/cotton printcloth submitted usable data relative to their research and development expenditures incurred in the manufacture of such printcloth during 1980-82. 2/ Such expenditures are shown in the following tabulation (in thousands of dollars):

Year	Value
1980	$116
1981	126
1982	97

1/ Some of the respondents based their data on allocations.

2/ Four of the eight firms reported zero expenditures during 1980-82.

Negative effects of imports of greige polyester/cotton printcloth on the U.S. industry's growth, investment, and ability to raise capital.--The responding U.S. producers unanimously agree that imports of greige polyester/cotton printcloth from the People's Republic of China have depressed market selling prices in the United States, thus causing a decline in their profit margins, their cash flow, and their investment in new machinery, equipment, and technology. A few of the responses by U.S. producers are highlighted as follows:

Alice Manufacturing.--* * *.

Clinton Mills.--* * *.

Dan River.--* * *.

Hamrick Mills.--* * *.

Mayfair Mills.--* * *.

Mount Vernon Mills.--* * *

Consideration of the Threat of Material Injury

Several factors 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, increasing trends in the quantity of imports, any increase in U.S. importers' inventories of the product, and U.S. market penetration.

The Chinese industry 1/

China has the largest textile industry in the world, employing approximately 4.3 million people--over 8 percent of its entire industrial workforce--in about 12,000 spinning and weaving mills throughout the country. Although estimates vary, installed equipment includes approximately 18 to 20 million spindles and between 540,000 and 600,000 looms. Based on those figures, China is the world leader in the number of looms and second only to India in the number of installed spindles. China is attempting to become self-sufficient in production of textile machinery. Consequently, nearly all the equipment used is either of Chinese manufacture or is old, imported equipment that has been maintained and/or modernized with parts made in China. Some of the large textile mills are integrated operations employing hundreds of workers in a single facility. Much of the industry operates 6 days a week, but some mills have recently started 7-day operations. Workers' wages average $40 to $45 per month, including incentive payments.

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/ Sources for this section are Textile Asia, November 1982, January 1983, and February 1983; Japan Textile News, March 1983; and Emerging Textile-Exporting Countries, USITC Publication 1273, August 1982.

for earning foreign exchange. Partly as a result of this emphasis, the growth of China's textile industry has accelerated. The annual rate of growth in textile production in the 1980's rose to 23 percent from 16 to 17 percent in 1977-79; the textile industry's share of the value of total industrial production reached nearly 15 percent in 1980.

To sustain the growth rate in textile production, China has increased its production of cotton and manmade fibers. Cotton production in China reached 3.60 million tons in 1982/83, the world's largest crop for that season. The International Cotton Advisory Committee has estimated that China's cotton crop for the 1983/84 crop year will again be the world's largest, although down slightly to 3.38 million tons. China traditionally imported large quantities of cotton, as much as 889,000 tons in the 1979/80 crop year, but due to increased production, China is now nearly self-sufficient. It is possible that China may start exporting cotton although future expansion will be affected by rising food needs and the consequent expected increase in wheat acreage.

China's manmade fiber industry began in 1957 and grew relatively slowly until 1978. Since 1978, however, it has grown rapidly. Total manmade fiber capacity will reach 970,000 tons when all the facilities in planning or under construction are complete. Imported machinery and technology have been used in this expansion and Chinese planners often require that part of the output of this machinery be exported to cover the foreign-exchange burden created by its purchase. At present, only the United States with capacity of 4.00 million tons and Japan with 2.25 million tons have larger capacity for manmade fiber production than the anticipated level for China.

Production of cotton cloth, including cotton blends, increased from about 11 billion yards in 1977 to an estimated 15 billion yards in 1981, roughly equal to U.S. production. Although China's textile industry is intended largely to provide for domestic consumption, it is the world's largest exporter of cotton and cotton-blended cloth, exporting over 2 billion yards per year. As dyeing and finishing are considered to be the weakest sectors of the Chinese textile industry, most exports are in the greige state.

During 1980-83, greige 50 percent polyester/50 percent cotton printcloth was made in China exclusively for the U.S. market. 1/ Production in China of this printcloth increased from 22 million square yards in 1980 to 54 million square yards in 1981 and 1982 and is estimated to be 30 million square yards in 1983. Exports to the United States during 1980-82 rose from 85 to 95 percent of this production. It is estimated that all of the production in 1983 will be exported to the United States.

China's trade is conducted largely through a number of Foreign Trade Corporations (FTC's). The FTC handling textile and apparel trade is 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 fixed by the price bureau for domestic procurement, but sell at prices determined by world market conditions.

1/ Letter to the Commission from Stuart Rosen, counsel for Chinatex, July 25, 1983.

Considerable growth is anticipated for the Chinese textile industry, both for domestic consumption and to earn foreign currency. Although Chinese per capita consumption of textile products has grown rapidly in recent years, it is still quite low, at about 6.6 pounds yearly. By contrast, in 1980, U.S. per capita consumption was approximately 50 pounds and Japanese consumption was 40 pounds. Since income in China is increasing rapidly, 1/ and the share of apparel sales is as much as 25 percent of total retail sales, domestic demand is expected to stimulate continued growth, possibly in the range of 5 to 10 percent annually, to satisfy internal needs.

China's textile and apparel exports increased rapidly from $2.1 billion in 1977 to $5.0 billion in 1981. The rate of increase and the dollar amount of the annual increase in exports may decline as markets mature and as China encounters increasing restrictions from importing countries. Other factors which may deter increased exports include the pressure of growing domestic demand and certain structural problems within the Chinese industry. However, given China's price competitiveness and the Government's continued emphasis on textile exports as a source of foreign exchange earnings, continued textile export growth can be anticipated.

Importers' inventories

Six importers, which accounted for 75 percent of total imports in 1982, reported inventories of greige polyester/cotton printcloth, as shown in the following tabulation:

	Quantity (1,000 square yards)
Dec. 31--	
1980	536
1981	5,889
1982	3,110
Mar. 31--	
1982	6,782
1983	4,085

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 326.2632 through 326.4032. Before a new definition of printcloth was adopted in the TSUSA, effective January 1, 1983, some printcloth was classified under statistical suffix 92, a residual or "basket" category, which also contained fabric other than printcloth. However, on the basis of

1/ Between 1978 and 1981 incomes increased both from households having incomes from wages and salaries--up 46.8 percent--and from agricultural households--up 67.2 percent.

questionnaire responses, nearly all imports from China in this category during the period studied were printcloth. Imports from China and from all other sources from 1980 through March 1983 are presented in table 13. 1/

Imports of greige polyester/cotton printcloth from China increased sharply from 11 million square yards in 1980 to 57 million square yards in 1981, representing an increase of 46 million square yards. They increased another 8 million square yards in 1982, when they totaled 65 million square yards. In January-March 1983, they amounted to 12 million square yards, 39 percent less than the 20 million square yards imported during January-March 1982. During January-May 1983, imports of printcloth from China amounted to 20 million square yards, 20 percent less than during the corresponding months of 1982.

Table 13.--Greige polyester/cotton printcloth: U.S. imports for consumption, 1/ by principal sources, 1980-82, January-March 1982, and January-March 1983

Source	1980	1981	1982	January-March-- 1982	January-March-- 1983
	Quantity (1,000 square yards)				
China	11,368	57,032	64,788	20,325	12,483
Thailand	1,672	20,424	20,086	11,090	2,115
Taiwan	9,046	18,643	11,395	4,180	10,578
Republic of Korea	4,773	19,351	7,468	1,455	4,065
Singapore	2,305	5,447	1,150	975	-
Hong Kong	620	8,661	84	79	-
All other	575	6,995	425	325	51
Total	30,359	136,553	105,396	38,428	29,293
	Value (1,000 dollars)				
China	3,372	18,624	19,640	6,904	3,328
Thailand	654	7,152	7,564	4,150	642
Taiwan	2,801	6,174	3,434	1,461	2,867
Republic of Korea	1,443	6,363	3,380	599	1,287
Singapore	647	1,648	390	308	-
Hong Kong	193	3,041	55	46	-
All other	342	3,035	175	117	33
Total	9,451	46,038	34,637	13,585	8,157

See footnote at end of table.

1/ Imports for the period covered, on a quarterly basis, are presented in app. C.

Table 13.--Greige polyester/cotton printcloth: U.S. imports for consumption, 1/ by principal sources, 1980-82, January-March 1982, and January-March 1983--Continued

Source	1980	1981	1982	January-March-- 1982	January-March-- 1983
	Unit value (cents per square yard)				
China	30	33	30	34	27
Thailand	39	35	38	37	30
Taiwan	31	33	30	35	27
Republic of Korea	30	33	45	41	32
Singapore	28	30	34	32	-
Hong Kong	31	35	65	58	-
All other	59	43	41	36	64
Average	31	34	33	35	28
	Percent of total quantity				
China	37.4	41.8	61.5	52.9	42.6
Thailand	5.5	15.0	19.1	28.9	7.2
Taiwan	29.8	13.7	10.8	10.9	36.1
Republic of Korea	15.7	14.2	7.1	3.8	13.9
Singapore	7.6	4.0	1.1	2.5	-
Hong Kong	2.0	6.3	.1	.2	-
All other	2.0	5.0	.4	.8	0.2
Total	100.0	100.0	100.0	100.0	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 Commerce.

As a share of total U.S. imports of greige polyester/cotton printcloth, imports from China increased from 37.4 percent in 1980 to 61.5 percent in 1982. During January-March 1983, China's share of total imports was 42.6 percent; for the corresponding months of 1982, its share was 52.9 percent.

Imports of greige polyester/cotton printcloth from all sources increased from 30 million square yards in 1980 to 137 million square yards in 1981, and then declined to 105 million square yards in 1982. They declined further to 29 million square yards in January-March 1983 from 38 million square yards in January-March 1982. Total imports of greige polyester/cotton printcloth during January-May 1983 of 55 million square yards were 8 percent greater than those of January-May 1982. This increase was caused by combined imports from Korea and Taiwan, which were more than three times greater during the 1983 period than the 1982 period.

The average unit value of imports of greige polyester/cotton printcloth from all sources was 31 cents per square yard in 1980. It increased to 34 cents in 1981 and declined to 33 cents in 1982. In January-March 1983, the average unit value of imports was 28 cents per square yard. The average unit value of imports from China was lower than the average unit value of all imports during 1980-82. Such imports from China increased from 30 cents per square yard in 1980 to 33 cents in 1981 and then declined to 30 cents in 1982. In January-March 1983, the average unit value of imports of greige polyester/cotton printcloth from China was 27 cents per square yard.

U.S consumption and market penetration

Apparent U.S. consumption of greige polyester/cotton printcloth, on the basis of U.S. producers' domestic shipments plus total imports of greige polyester/cotton printcloth, 1/ increased from 1980 to 1981, declined in 1982, and in January-March 1983 was 5.8 percent greater than during the corresponding months of 1982 (table 14).

Table 14.--Greige polyester/cotton printcloth: Apparent U.S. consumption and ratios of imports to apparent U.S. consumption, 1980-82, January-March 1982, and January-March 1983

Period	Apparent U.S. consumption 1/	Ratio of imports to consumption	Ratio of imports from China to consumption
	1,000 square yards	Percent	
1980	427,263	7.1	2.7
1981	543,470	25.1	10.5
1982	523,880	20.1	12.4
January-March--			
1982	140,981	27.3	14.4
1983	149,177	19.6	8.4

1/ Domestic shipments plus imports.

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

1/ Imports under TSUSA item 326.XX92 from countries other than China prior to Jan. 1, 1983, may contain material other than the printcloth under investigation, therefore, consumption is slightly overstated. On the basis of questionnaire responses, nearly all imports in this classification from China are believed to be printcloth.

Imports of greige polyester/cotton printcloth from all sources increased from 7.1 percent of apparent U.S. consumption in 1980 to 25.1 percent in 1981, and declined to 20.1 percent in 1982. They further declined to 19.6 percent in January-March 1983.

Imports from China increased from 2.7 percent of apparent U.S. consumption in 1980 to 10.5 percent in 1981. Unlike imports from all sources combined, imports from China continued to increase their share of U.S. consumption to 12.4 percent in 1982. However, during January-March 1983, China's share of consumption declined to 8.4 percent.

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

Period	Apparent U.S. consumption 1/ (1,000 square yards)	Ratio of imports from China to U.S. consumption 1/ (Percent)
1980	***	***
1981	***	***
1982	***	***
January-March--		
1982	***	***
1983	***	***

1/ Including captive consumption.

Prices

There is general agreement among domestic mills, importers, and converters that the subject printcloth is a highly fungible, commodity-type fabric. According to a major converter, the two most common constructions of this cotton/polyester fabric 1/ are among the largest produced in the world, accounting for an estimated world production volume of roughly 600 million yards per year. Market participants say, however, that there are differences in grade in the same construction of printcloth, 2/ and that this has some

1/ These constructions are 48" 78 x 54 and 51" 73 x 52, 50 percent polyester and 50 percent cotton. They are "simple products to make, uncolored, lower count, lightweight fabrics that are cheap and have many end uses--depending on finish--in apparel and domestic home furnishings." (Field interview with * * * New York, N.Y., June 23, 1983.)

2/ Field interviews with seven importers and converters in New York City, June 23-24, 1983. They included * * * who stated that Chinese printcloth quality is as good as top-grade U.S. fabric. He and others interviewed during this field survey indicated that, depending on supply and demand conditions, a slight price distinction is made between the best domestic mills product and fabric from mills known to weave a lesser quality printcloth.

impact on relative prices. Nevertheless, given the basic nature of this commodity fabric, purchasers, producers, and importers agree that price is the overriding factor in purchase decisions. 1/ Consequently, the market is intensely price competitive. 2/ A sale can be lost because of a fraction of a cent per linear yard difference in price.

Understanding the complexities of the intense price competition that characterizes the greige polyester/cotton printcloth market requires a clear knowledge of the varied roles each participant plays in that market. The following figure presents the basic relationship(s) between these market participants. Vendors include domestic weaving mills, speculative importers, and converters acting in the resale market. Purchasers of greige goods include converters and end users buying domestic or imported fabric for their own account rather than for resale. Converters and end users, including domestic mills which manufacture apparel or homefurnishings, may have their own finishing mills but more often use commission finishers to add color and fashion to the greige goods. 3/ Some converters are also direct importers for their own account or for resale. Certain commission finishers also have taken on the role of converter and import or purchase greige goods for their own account, selling finished printcloth to the cutter or end-user market. 4/

There is general agreement in this market that converters play a pivotal role in generating price competition as purchasers, whether from domestic mills or as direct importers. They also play a key role in the second-hand (resale) market for greige goods as purchasers and as vendors. Brokers add another dimension to the market for greige polyester/cotton printcloth. For some sales, they bridge the market between importer and converter and between domestic mills and converter or end user. Brokers also act as intermediaries in second-hand market resales between converters. 5/ According to market sources, brokerage fees are 1/2 percent for domestic mill sales and 1 percent for sales of imported fabric. Brokers have a broader view of the market and are the conduit for rapid dissemination of price information as they match buyers with sellers. 6/

1/ Ibid.

2/ Conference testimony, p. 38 and field interviews with six major converters in New York, N. Y., June 23-24, 1983.

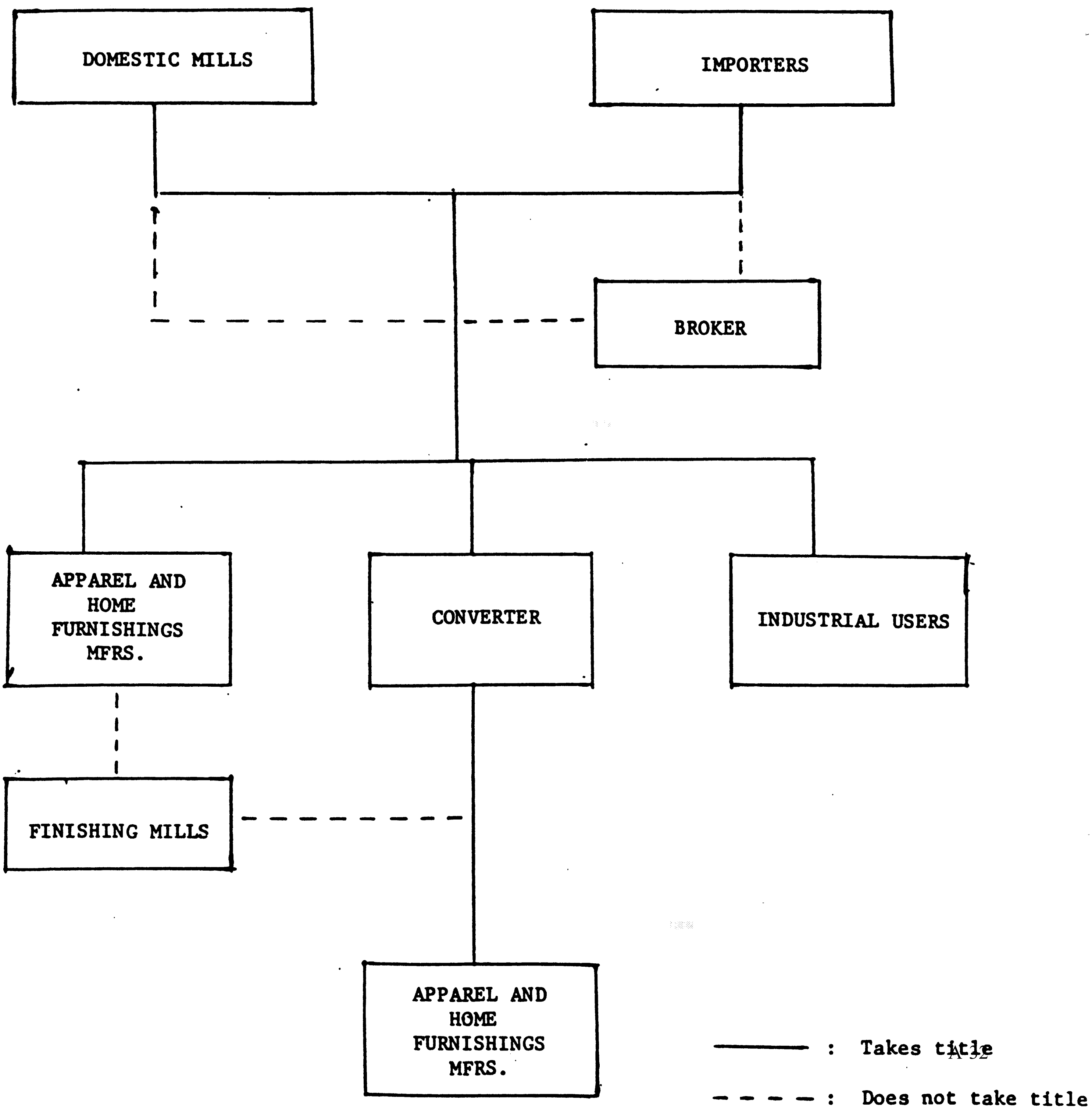
3/ The bulk of converter sales is to cutters. Converters are the entrepreneurs of the trade, assume the risk of taking title to the greige goods, then add color and fashion in accordance with the requirements of a specific cutter's program either through a commission finisher or in the converter's own finishing mill.

4/ * * * is an example of a finisher that has added the converter role to its operations. Buying greige goods for its own account, * * * used this inventory to even out finishing schedules for programs with * * *. Since then, the firm has sought converter business directly from cutters. Buying direct for their own account, commission finishers such as * * * eliminate the 5 to 6 percent that is the converters' margin. Moreover, such a finisher stands to gain any price appreciation that might accrue to the converter.

5/ Major brokers accounting for significant volume in this market are * * *.

6/ According to * * * brokers are always on the side of the purchaser in price negotiations. Prices are transmitted rapidly and frequently through the market. Buyers and sellers are aware of price movements hour to hour.

The market for greige polyester/cotton printcloth: relationships between vendors, purchasers, and **commission finishers.**



Purchasers of greige polyester/cotton printcloth buy on forward contract but also make spot purchases. Most greige printcloth fabric is sold on forward contract, with delivery often in 3 to 6 months or even longer in some instances. Producers, importers, converters, and end users often sell unneeded inventories in the spot market. In time of recession, cancellation of cutters' programs, unsold speculative direct imports, burgeoning producers' stock, and misjudged forward positions that result in excess inventory add to the supply offered in the spot market. Purchasers seeking to cut losses by averaging high cost forward prices with lower cost spot prices and trying to hedge against lower prices while maintaining supply increase demand for spot goods. During the subject period, the spot market increased in importance as sellers sought to unload large inventories in the face of the prolonged economic downturn.

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

The sales process for greige polyester/cotton printcloth is usually initiated by the prospective buyer. A purchaser offers to buy a quantity of a specific construction, giving the price and delivery terms he desires. Such offers may be direct or through a broker. 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 or brokers 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 of the prevailing market prices. Brokers are heavily involved in the second-hand market but also participate in first level sales.

Both supporters of the petition and those opposed agree that China produces a greige polyester/cotton printcloth of high quality. 1/ The domestic producers argue that because printcloth from China is as good as printcloth produced in the United States, it should be priced at levels very similar to U.S. printcloth. However, those opposed to the petition say that Chinese printcloth should sell for 3 to 5 percent less than U.S. printcloth. 2/ They agree that Chinese printcloth is of high quality, but they add that this was not always true, and that some buyers of printcloth still consider Chinese printcloth to be of a lesser quality than U.S. printcloth. 3/ In addition, they argue that longer delivery times, less certainty of timely shipment, and problems of servicing make Chinese printcloth less valued than U.S. printcloth. 4/

1/ Transcript of the conference, investigation No. 731-TA-101 (Preliminary), pp. 66, 118-119.
2/ Ibid., p. 116.
3/ Ibid.
4/ Ibid., pp. 114-115.

Those opposed to the petition argued 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. 1/ They added that, when the United States suffered an economic downturn in the second half of 1981, the demand for apparel and homefurnishings fell sharply, resulting in lower demand for printcloth. Those opposed to the petition 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 and sellers. 2/

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. 3/ U.S. producers said they were forced to compete at these lower prices to prevent a loss of market share. They argued that the price of Chinese printcloth was then lowered even further, to below profitable levels, in an effort to increase sales of Chinese printcloth. 4/ 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. 5/

Market competition as viewed by purchasers.--Converters, the dominant class of purchasers of greige polyester/cotton printcloth, provided the Commission staff with their views of conditions of competition in that market during the period under consideration. Based on analysis of questionnaire data that identified the largest volume purchasers of greige printcloth, the Commission staff met with six major converters; their individual viewpoints and analysis of how the market works is briefly sketched below with special focus on price competition and the respective roles of * * * in the market and those of other vendors of imported Chinese fabric.

* * * is a major participant in the printcloth market. As a converter, the firm buys enormous quantities of greige goods. * * * a key executive of that firm, is in touch with the market on an hour-by-hour basis. He stated that the domestic industry problem is "essentially recession based plus increased Chinese supply offered at that time of economic downturn." In 1981, Chinatex increased its production of greige polyester/cotton printcloth and

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1/ Ibid., p. 126.
2/ Ibid., pp. 89, 95, and 97
3/ Ibid., pp. 44 and 47.
4/ Ibid., pp. 19 and 58.
5/ Ibid., pp. 48 and 52. In a postconference meeting, those opposed to the petition stated that China did not sell printcloth to U.S. importers at unprofitable prices. They added, however, that U.S. importers may have been forced to sell printcloth from the Chinese at unprofitable levels because U.S. importers had ordered Chinese printcloth at a time of high prices and were forced to sell the printcloth at much lower prices when the printcloth arrived several months later.

its U.S. market presence. 1/ The American market absorbed this added supply without disruption. Late in the year, however, in the face of this increased supply, came the recession. * * * insists that "had it not been for the recession the supply/demand situation would have been okay" with respect to imports from China. Inventory became a key factor at that time.

* * * emphasizes that "we (converters) live in a very volatile market. If we smell a downturn we unload." As * * * discerned the beginning of the downturn * * * says, "we started liquidating our contracts. On 48" 78x54, * * * owned prior contract inventory at an average price of 48 cents to 49 cents. The 1981 spot market was up to 59 cents and so were forward contracts for the next 90-day period. * * * started selling at 61 cents to 62 cents as the market fell, then rode the market down to a price level in the midforties. The bulk of that inventory was from American-mills, but some was Chinese fabric.

It was during this recession downturn that "* * *," as * * * put it. * * *. Importers formerly buying direct from * * * were rechanneled through * * *. * * * "wanted a piece of the 3 percent" extra margin that direct importers enjoyed. 2/ Pricing by * * * prior to March 1982 was at, equal to, or slightly above the domestic price level, says * * *, but they were not doing much business. * * * had purchase commitments to * * * as well as some actual inventory. 3/ * * *.

* * * * * * *.

According to * * *, this "very sensitive group of direct importers took advantage of the situation to take * * * out of the market." * * *.

* * * told much the same story. * * * noted that * * * during the downturn in demand "had quite a lot of goods. Storage costs pushed * * * to offer discounted prices." At one time, the Chinese spot price was under the domestic price by 2 cents during a temporary period because of inventory overhang. This is a market where 1/2 cent can make the difference to a purchaser. 4/

* * * is a large commission finisher of greige goods (80 percent of volume) as well as a converter purchasing for its own account (20 percent of volume). * * *, also stated that the Chinese tried to come in strong in a depressed market. Yet they followed the domestic price, says * * *, trying to get the same price as the domestic goods. Although Chinese greige printcloth is as good a quality as top grade U.S. fabric, a converter such as * * * wants

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1/ In 1980, * * * recalls, the Chinese were in the market "only marginally." They sold to four or five people who bought direct from Chinatex at the Canton Trade Fair.

2/ Direct importers saw * * * as a threat to their own existence according to various market participants interviewed by the Commission staff.

3/ An interview with * * * executives, June 24, 1983, revealed that * * *.

4/ * * * states that one importer sold at a price that did not cover all costs above cost and freight.

at least a 1/2 cent margin over domestic price. 1/ * * * president and an experienced trader, recalled that greige goods sold by * * * through direct importers were priced from 1 cent to 2 cents lower than domestic products beginning in the spring of 1982. 2/ According to * * * knowledge of spot and forward contract bookings and the quantities involved is transmitted rapidly throughout the market.

* * * itself as among the largest or possibly the largest converter. * * * says that "greige polyester/cotton printcloth is a commodity product . . . and the only reason imported greige goods sell is because they are cheaper." Imports need a 1/2 cent to 1 cent price advantage below domestic fabric. In a depressed market, * * * noted, the margin could be more depending on who is holding the goods and the need for cash flow. If an importer of Chinese goods has 1 million yards and his bank is pushing him, he might go 1-1/2 cents to 2 cents lower to sell goods or to avert a larger inventory loss.

* * * noted that * * *, with the entry of * * * to the market, had to go to that firm rather than direct to * * * as in the prior pattern. The * * * distinction between customers that enabled a choice few to continue to buy direct did not sit well with * * *. Yet * * * states that in his opinion * * * did not lead the market down. They had considerable yardage in inventory, but were doing the same as * * *, following the market. As for * * *, says * * *, they got into the market at the wrong time.

*   *   *   *   *   *   *

* * * the firm has not bought the subject greige goods in several years. 3/ During the spring of 1982, * * * turned down six offers by * * *. * * * did buy some of the greige goods offered by * * * in the spot market. These goods were priced in the high fifties (cents). * * *. * * * offered 2 to 3 cents less, or about 55 to 56 cents. 4/

According to * * * the goods shipped to * * * from * * * came out of China without a letter of credit. In effect, * * * had the goods on consignment. * * * said that * * * brought pressure to bear for payment. * * * had to move inventory.

1/ As an example * * * cited a broker's call that day (June 23) offering * * * linear yards of Chinese greige goods at 46 cents. But, said * * * the domestic market is at 46 cents. The result was a counter-offer by * * * at 45-1/2 cents which, in turn, was countered by the broker at 45-3/4 cents. * * * continued to hold out for a 45-1/2 cents price. * * * notes that the extra margin on that single transaction would amount to * * *.

2/ * * * stated that the Chinese have a reputation for top quality, as good as that of top domestic mills. He characterized * * * as willing to pay the same price for Chinese top quality fabric as for lower quality domestic goods.

3/ * * * large, direct importers from Chinatex during the first half of 1982.

4/ * * *.

* * * is a large direct importer/converter of the subject greige goods. Prior to the entry of * * * to the market, * * * bought direct from * * *. * * * turned away from the Chinese product until the spring of 1982. * * * emphasized that * * * had to buy at the same price as competitors. 1/ They needed the extra 4 to 5 percent, preferably 6 percent, over the * * * price. * * * saw * * * episode as an effort, * * *. * * * cited several examples of sales of Chinese goods at prices 1/2 cent or more below comparable domestic spot market prices during the period May-July 1982.

Price comparisons.--In its questionnaires, the Commission requested that domestic producers and importers provide their net selling prices to their three largest customers, by quarters, for the period January-March 1981 through January-March 1983 for--

(1) 48" 78x54, 50 percent polyester/50 percent cotton printcloth (with 35's yarn in the warp and filling).

(2) 51" 73x52, 50 percent polyester/50 percent cotton printcloth, reeded out (with 35's yarn in the warp and filling).

(3) the largest volume greige polyester/cotton printcloth other than those specified.

Booking prices are prices quoted for orders taken in the reporting quarter. The actual date that the order is shipped may be many months after the forward contract is made. Shipping prices are prices received for orders shipped in the reporting quarter and may reflect either spot prices or prices booked at an earlier date. For spot sales, booking prices and the shipping prices are the same; firms ship the printcloth within a few days from the date it is ordered. For forward 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 current market conditions. 2/

Eight U.S. producers reported data for the first product. Of these eight producers, seven provided data on the second product. Seven importers

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1/ As to the influence of quantity on price, * * * noted that if a 300,000 yard order was priced at 56 cents at that time, a 1 million yard order would command a price of probably 55-1/2 cents, 55-1/4 cents, or perhaps 55 cents. * * * explained how offer and purchase price knowledge occurs. * * * may get a call from a mill, broker, or importer with an offer to sell a specified quantity of goods at X cents per yard. Why should I pay X cents, * * * would reply, when I just bought from * * * at Y cents per yard (a lower price).

2/ 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.

reported data for the first product, but only four reported data for the second product. 1/

Forward contract prices (booking prices) and spot prices for 48" 78x54 printcloth are shown in tables 15 and 16, respectively, and corresponding prices for 51" 73x52 printcloth are shown in tables 17 and 18. 2/ Both domestic producers' and importers' prices are net of all discounts and allowances, f.o.b. U.S. point of shipment. Quantities purchased associated with these price comparisons are presented in appendix E.

Price trends.--Pushed by strong demand and high levels of capacity utilization weighted-average forward-booking prices of domestically produced 48" 78x54 greige polyester/cotton printcloth showed a sharp increase (3 cents per yard) in the period April-June 1981 to a period high of 59.4 cents. Sucessive declines followed in each quarter until October-December 1982. At the high end of the range, prices during 1981 were relatively flat at 59 to 60.5 cents. In October-December 1981, however, the market softened markedly and the weighted-average price fell 5.8 cents from the prior quarter level of 58.2 cents, to 52.4 cents, representing a decline of 10 percent. At the low end of the range, prices fell sharply from 54.0 cents to 46.5 cents per yard.

Booking prices of competing 48" printcloth imported from China reflect a similar pattern during April-September 1981. As demand for printcloth shrank during October-December 1981 in response to the recession, the weighted-average price of the imported fabric fell 14.3 cents per yard to 43.8 cents, a representing a decline of almost 25 percent. At the low end of the import price range, prices dropped 15 cents to a low of 43 cents. Information obtained in interviews with major converters 3/ and testimony by petitioners at the hearing indicate that, during October-December 1981, importers, converters, converter/finishers, and importer/converters began to unload inventory on hand and short-term anticipated inventory to cut losses and avoid

1/ Respondent firms in some cases reported shipping prices. In such known instances, data on forward sales were revised to match the lag from the quarter in which the order was booked and the quarter in which the goods were shipped. 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.

2/ Based on revisions of questionnaires submissions by * * * the data base for tables 15, 16, 17, and 18 has been changed. These revisions involved repondents initially providing shipping prices rather than booking prices as requested in the Commission questionnaire. Additionally, price data on spot booking of "seconds" originally submitted by a petitioner has been replaced by booking prices for first-quality fabric.

3/ See pp. A-48 to A-52.

holding costs. 1/ Converters who ordinarily were mill customers for printcloth became vendors, adding a large but unknown quantity to supply. This surge in supply coupled with other market factors provided the impetus that pushed prices sharply lower during that quarter. 2/

In January-March 1982, the average domestic price declined almost 6 percent from the previous quarters, to 49.4 cents. In the following quarter, the average domestic price again declined by nearly 6 percent to 46.5 cents. Average prices fell 3.8 percent in July-September, then edged upward to about 46 cents during the period October 1981-March 1982.

Import prices of this fabric followed a more erratic trend in 1982. Forward-booking prices for 48" Chinese printcloth increased 1.8 cents, or 4 percent in January-March 1982 from a weighted-average price of 43.8 cents per yard in October-December 1981 to 45.6 cents. This period coincides with the reentry of Chinatex to the market with direct sales to independent importers and importer/converters. 3/ During the remainder of 1982, import prices edged upward slightly to 47 cents in October-December. Prices fell 2.5 cents in January-March 1983. Over the 2-year period, domestic and import prices fell nearly 19 percent and 23 percent, respectively. Spot prices of imported fabrics reflect a similar decline of more than 23 percent over the subject period.

Booking prices of domestically produced 51" 73x52 greige polyester/cotton printcloth followed essentially the same trend as booking prices of the 48" construction. According to industry sources, prices of the two constructions are within a fraction of a cent of each other at almost any time. The data bear out this conclusion.

Margins of underselling.--Table 15 shows margins of underselling in the forward market for 48" 78x54 polyester/cotton greige printcloth. During most of 1981, the comparison of quarterly weighted-average domestic and import prices shows margins of underselling ranging from 0.2 cent to 8.6 cents. In October-December, the imported Chinese goods were priced 8.6 cents below the weighted-average domestic price. Many of these sales were for fabric booked earlier in 1981 at high prices and sold at a loss. The range of import prices during that quarter was narrow, from 43 cents to 44 cents. Domestic prices ranged from a low of 46-1/2 cents to a high of 59 cents. In 1982, the comparison reflects a mixed pattern with overselling by the imported fabric during July-September (0.6 cent) and in October-December (0.8 cent). Margins of underselling appear in January-March (3.8 cents), and in April-June (0.2 cent). Imports sold at 2.4 cents below the weighted-average domestic price during January-March 1983.

1/ See hearing transcript, July 28 1983, pp. 50-51, 58, and 83. Importers held 5.9 million square yards of printcloth inventory as of Dec. 31, 1981, (p. A-37).

2/ Chinese printcloth booked from Chinatex earlier in 1981 at high fair-value prices (see hearing transcript, pp. 58, 101, and 176) scheduled for delivery in October-December 1981 and early 1982 was sold at lower prices during this downturn.

3/ See hearing transcript, July 28, 1983, pp. 58 and 61.

Table 15.--Greige polyester/cotton printcloth, 48" 78x54 50% polyester/50% cotton: Ranges and weighted average net booking prices for forward sales of imported printcloth from the People's Republic of China and sales of U.S.-produced printcloth, and margins of underselling by imports, by quarters, January 1981-March 1983

Period	U.S. producers price			Import price			Margin of underselling 1/	
	Range low	Range high	Weighted average	Range low	Range high	Weighted average	dollars	Per cent
1981:								
January-March	0.480	0.590	0.564	0.513	0.585	0.567	-0.003	-0.54
April-June	.585	.605	.594	.573	.585	.581	.013	2.15
July-September	.540	.605	.582	.560	.600	.581	.002	.27
October-December	.465	.590	.524	.430	.440	.438	.086	16.35
1982:								
January-March	.465	.510	.494	.455	.460	.456	.038	7.75
April-June	.445	.475	.465	.445	.465	.463	.002	.41
July-September	.420	.470	.447	.445	.455	.454	-.006	-1.40
October-December	.440	.480	.462	.470	.470	.470	-.008	-1.80
1983:								
January-March	.440	.480	.459	.435	.435	.435	.024	5.25

1/ A minus sign (-) indicates an import price above the domestic price.

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

Margins of underselling on spot sales of the 48" 78x54 construction are shown in table 16. In April-June 1981, Chinese greige goods of this type undersold the domestic product by 0.4 cent and by 0.5 cent in October-December 1981. No other comparisons can be made for 1981 on spot prices. During January-March 1982, the imported fabric undersold the domestic goods by 2.2 cents, or almost 5 percent. In April-June of that year, the imported Chinese fabric was spot priced at 1/2 cent below the weighted-average domestic booking price for spot sales. The spot price of the imported 78 x 54 printcloth was about 2 cents above the domestic spot price during July-September 1982. Import and domestic average spot prices were almost equal in January-March 1983.

Table 17 shows margins of underselling in the forward market for 51" 73x52 polyester/cotton greige printcloth. During January-September 1981 margins of underselling ranged from 0.2 cent to 1.3 cents. In 1982, underselling by the imported fabric ranged from 2.4 cents (April-June) to 3.4 cents (January-March). But in July-September, imports were sold at forward booking prices that averaged 0.3 cent above the domestic price and 0.8 cent in October-December. The margin of underselling by Chinese imports in January-March 1983 was 4.6 cents.

Limited comparisons of spot purchases show imports of this construction were booked at an average price of 6.3 cents below the domestic booking price in October-December 1981 (table 18). Spot sales during this period were made from shipments sold earlier in 1981 at high fair value prices. 1/ During 1982, the pattern is mixed. In January-March the average import price for spot bookings was 2.3 cents below the domestic price and 0.5 cent higher in July-September. Imports undersold the domestic fabric, however, by 0.5 cent in April-June and 0.5 cent in October-December.

A monthly comparison of booking prices.--In response to the petitioners allegation that quarterly price data were too aggregated to clearly demonstrate the nature of price competition between imported and domestic printcloth during the early part of 1982, domestic producers and importers were requested to provide booking prices for 48" 78x54 polyester/cotton printcloth on a monthly basis for the period November 1981-April 1982. This period was selected to include the beginning of the price downtrend and to extend into the second quarter of 1982 when the Chinatex presence remained strong in competition for bookings. Six domestic producers and four importers supplied data on prices and quantities booked. These data are presented in table 19. 2/

1/ * * *.

2/ Wide differences between high and low producers' price were observed in January 1982 for forward booking and in November and December 1981 for spot sales. These differences primarily reflect the rapid price changes taking place in the market during those months.

Table 16.--Greige polyester/cotton printcloth, 48" 78x54 50% polyester/50% cotton: Ranges and weighted average net booking prices for spot sales of imported printcloth from the People's Republic of China and sales of U.S.-produced printcloth, and margins of underselling by imports, by quarters, January 1981-March 1983

Period	U.S. producers price			Import price			Margin of underselling 1/	
	Range low	Range high	Weighted average	Range low	Range high	Weighted average	dollars	Per cent
1981:								
January-March	-	-	-	0.580	0.585	0.583	2/	2/
April-June	0.570	0.570	0.570	.530	.590	.566	0.004	0.66
July-September	.550	.550	.550	-	-	-	2/	2/
October-December	.480	.480	.480	.475	.475	.475	.005	1.04
1982:								
January-March	.445	.478	.472	.446	.480	.451	.022	4.63
April-June	.428	.470	.456	.450	.465	.452	.005	1.02
July-September	.435	.435	.435	.445	.463	.456	-.021	-4.75
October-December	-	-	-	.445	.450	.447	2/	2/
1983:								
January-March	.430	.465	.462	.457	.465	.461	.001	.18

1/ A minus sign (-) indicates an import price above the domestic price
2/ Data or computation error.
SOURCE: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 17.--Greige polyester/cotton printcloth, 51" 73x52 50% polyester/50% cotton: Ranges and weighted average net booking prices for forward sales of imported printcloth from the People's Republic of China and sales of U.S.-produced printcloth, and margins of underselling by imports, by quarters, January 1981-March 1983

Period	U.S. producers price			Import price			Margin of underselling 1/	
	Range low	Range high	Weighted average	Range low	Range high	Weighted average	dollars	Per cent
1981:								
January-March----	0.480	0.600	0.567	0.559	0.570	0.565	0.002	0.34
April-June--------	.585	.605	.598	.585	.585	.585	.013	2.11
July-September---	.558	.610	.593	.580	.580	.580	.013	2.26
October-December--	.490	.640	.522	-	-	-	2/	2/
1982:								
January-March----	.463	.540	.491	.455	.460	.456	.034	6.97
April-June--------	.450	.475	.465	.440	.450	.441	.024	5.19
July-September---	.420	.495	.449	.445	.455	.452	-.003	-.74
October-December--	.440	.495	.467	.475	.475	.475	-.008	-1.73
1983:								
January-March----	.440	.488	.466	.420	.420	.420	.046	9.81

1/ 1/ A minus sign (-) indicates an import price above the domestic price
2/ Data or computation error.
SOURCE: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 18.--Greige polyester/cotton printcloth, 51" 73x52 50% polyester/50% cotton: Ranges and weighted average net booking prices for spot sales of imported printcloth from the People's Republic of China and sales of U.S.-produced printcloth, and margins of underselling by imports, by quarters, January 1981-March 1983

Period	U.S. producers price			Import price			Margin of underselling 1/	
	Range low	Range high	Weighted average	Range low	Range high	Weighted average	dollars	Per cent
1981:								
January-March	-	-	-	$0.585	$0.585	$0.585	2/	2/
April-June	$0.560	$0.575	$0.571	-	-	-	2/	2/
July-September	.555	.575	.557	-	-	-	2/	2/
October-December	.470	.550	.538	.475	.475	.479	$0.063	11.78
1982:								
January-March	.505	.515	.510	.485	.488	.487	.023	4.43
April-June	.440	.470	.455	.450	.450	.450	.005	1.20
July-September	.430	.430	.430	.426	.455	.435	-.005	-1.10
October-December	.440	.485	.450	.435	.480	.445	.005	1.19
1983:								
January-March	-	-	-	.450	.465	.457	2/	2/

1/ 1/ A minus sign (-) indicates an import price above the domestic price
2/ Data or computation error.
SOURCE: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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Table 19.--Greige polyester/cotton printcloth, 48" 78x54 50% polyester/50% cotton: Ranges and weighted average net booking prices for forward and spot sales of imported printcloth from the People's Republic of China and forward and spot sales of U.S.-produced printcloth, quantities booked, and margins of underselling by imports, by months, November 1981-April 1982

Period	U.S. producers				Importers				Margins of underselling 1/	
	Price range		Weighted average price	Quantity booked	Price range		Weighted average price	Quantity booked		
	Low	High			Low	High				
	Forward bookings									
				1,000 yards				1,000 yards		Percent
1981:										
November	$0.480	$0.490	$0.489	*****	$0.430	$0.440	$0.442	1,600	$0.047	9.61
December	.480	.520	.488	*****	.440	.440	.440	375	.048	9.83
1982:										
January	$0.480	$0.600	$0.500	9,851	$0.435	$0.435	$0.435	800	$0.065	13.00
February	.475	.500	.482	3,147	-	-	-	-	-	-
March	.470	.485	.475	2,652	.455	.465	.458	3,782	.017	3.58
April	.470	.485	.474	13,826	.455	.465	.459	3,648	.015	3.16
	Spot bookings									
1981:										
November	*****	*****	******	******	*****	*****	******	******	*****	*****
December	*****	*****	******	******	*****	*****	******	******	*****	*****
1982:										
January	*****	*****	******	******	*****	*****	******	******	*****	*****
February	*****	*****	******	******	*****	*****	******	******	*****	*****
March	*****	*****	******	******	*****	*****	******	******	*****	*****
April	*****	*****	******	******	*****	*****	******	******	*****	*****

1/ A minus sign (-) indicates an import price above the domestic price.

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

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Domestic forward bookings were slim in November and December 1981, when two producers booked a total of * * * yards at a weighted-average price of 48.9 cents per yard, and three producers booked a total of * * * yards in December. Prices ranged from 48 cents to 52 cents for a weighted average of 48.8 cents. Bookings increased and the domestic price range broadened in January (48 cents to 60 cents). The weighted-average price moved up 1.2 cents to 50 cents on total forward bookings of 9.85 million yards. In February, the domestic price spread was 2.5 cents (47.5 to 50.0 cents) and 3.15 million yards were booked at a weighted-average price of 48.2 cents, almost 2 cents lower than that of in the prior month. Booking prices of the domestic 48" printcloth weakened again in March and April and the range narrowed. Producers booked 2.65 million yards in March at 47.5 cents and 13.83 million yards in April at 47.4 cents.

Importers' forward booking prices for the 48" Chinese printcloth were provided largely by * * *. The forward booking prices for imported 48" fabric reflect a more erratic pattern than do domestic prices. * * *. In March, the weighted-average price of forward bookings by * * * was up 2.3 cents to 45.8 cents for 3.78 million yards of the imported fabric. April forward bookings of the Chinese printcloth were at a weighted-average price of 45.9 cents and totaled 3.65 million yards.

* * * * * * *. 1/

The month-by-month comparisons of forward booking prices for domestic and Chinese 48" 78 X 54 printcloth reveal a pattern of underselling by the imported fabric during the months of November 1981 through April 1982. In November and December, the printcloth imported from China undersold the domestic fabric by a margin of 4.7 cents and 4.8 cents, respectively, or more than 9 percent. In January 1982, the margin of underselling was 6.5 cents, or 13 percent. Low price bookings by * * * account for this wide margin of underselling. During March and April 1982, domestic prices declined about 2.5 cents from that of January, and import prices were up 2.3 cents. Consequently, the margins of underselling slimmed to 1.7 cents (3.6 percent) and 1.5 cents (3.2 percent), respectively. This latter period coincides with the reentry of Chinatex to the market.

1/ * * *.

Prices for spot orders of the subject 48" printcloth also reveal margins of underselling by imports from a high of * * * cents in December 1981 to a range of * * * cents to * * * cents per yard during February-April 1982. * * *.
It should be noted for both forward and spot bookings, that in months when margins of underselling were largest, the quantities booked by importers were small. In contrast, during months when relatively large quantities were booked, the margins, although narrower, reflect a spread of roughly 1.5 cents in favor of the Chinese fabric. According to converters, this is a margin wider than the usual domestic-import price spread which usually ranges from 0.5 to 1 cent. 1/

Sales to end users.--Certain purchasers of Chinese printcloth were identified at the hearing as end users of large quantities of printcloth. Among these firms are Arrow Mercantile Agencies, Acadia, and Rockland Industries. Information provided to the Department of Commerce and obtained by Commission staff discloses that during March-August 1982, * * *. At the time these orders were booked, April 7-May 5, 1982, the domestic forward booking price for 48" 78x54 printcloth averaged 47.3 cents, indicating a roughly 3-cent margin of underselling * * *.

* * * * * * *.

* * * * * * *.

* * *. The margin of underselling by Chinatex ranged roughly from * * * cents to * * * cents, depending on which forward booking prices (loaded) are compared.

Lost sales

In response to questionnaires for investigation 731-TA-101 (Final), one domestic producer provided information on alleged lost sales to Chinese polyester/cotton printcloth at prices below those of U.S. producers. Two other producers alleged lost sales but did not provide specific instances.

Five purchasers, all converters, were identified by * * * as having bought Chinese polyester/cotton printcloth in preference to that offered by * * *. The staff contacted the five purchasers who provided similar responses to the questions asked. These responses are summarized as follows:

1/ See pages A-49 and A-50, statements of * * * to H. L. Gooley during field interviews, New York City, June 22-24, 1983.

1. Four purchasers bought some of their greige polyester/cotton printcloth from China because it was cheaper than the comparable U.S.-produced product, whereas the fifth bought the Chinese printcloth because of advantages other than price.

2. Chinese printcloth was generally available during 1982 at 1/2 to 1-1/2 cents per yard less than comparable quality U.S. fabric, using the same channel of distribution. If the price difference were less than one-half a cent, there would usually not be sufficient incentive to import. Purchasers also reported that the price difference would rarely, if ever, exceed 2 cents a yard.

3. The distribution system for imported printcloth includes the Chinese producers represented by Chinatex, importers, brokers, converters, and end users. There are occasions when, if one or more steps in the distribution system are bypassed, greater than normal price differences occur between Chinese and domestic fabric; i.e., someone saves the commission normally given to the broker or whoever else might be bypassed.

4. Three U.S. mills, * * *, are known as premium mills whose fabric, on the average, is of better quality than that of either the Chinese or the other U.S. mills. Chinese fabric is considered to be generally of comparable quality with fabric produced in the other U.S. mills.

5. One of the factors motivating purchases from China or other foreign suppliers was availability of fabric for a given future delivery at a certain price. For example, at times in June 1983, it was possible to purchase Chinese printcloth for U.S. delivery in the fourth quarter of 1983 and the first quarter of 1984, whereas certain U.S. mills were not quoting firm prices for the first quarter of 1984. Converters who anticipated price increases could have purchased fabric from China to hedge against potential domestic price increases. Purchases with long leadtimes may have an adverse impact on converters. Two converters reported receiving shipments of Chinese printcloth costing the same or slightly more than domestic spot goods because of a rapid drop in market prices.

6. The purchasers stated that the fall in prices for printcloth in the U.S. market during 1981 and 1982 was caused by poor market conditions, excess production, imports from all sources, and cautious purchasing by end users.

APPENDIX A

FEDERAL REGISTER NOTICES

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

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

AGENCY: International Trade Commission.

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

EFFECTIVE DATE: March 28, 1982.

SUMMARY: As a result of an affirmative preliminary determination by the U.S. Department of Commerce that there is a reasonable basis to believe or suspect that imports from the People's Republic of China (China) of unbleached and uncolored printcloth fabric in chief value of cotton, containing polyester, and provided for in items 326.2632 through 326.4032 of the Tariff Schedules of the United States Annotated, are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673), the United States International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-101 (Final) under section 735(b) of the act (19 U.S.C. 1673d(b)) to determine whether 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 such merchandise. The Department of Commerce has notified us that the investigation will be extended, and that it will make its final dumping determination in the case on or before July 22, 1983. The Commission will make its final injury determination by September 6, 1983 (19 CFR 207.25).

FOR FURTHER INFORMATION CONTACT: Mr. Joseph Williams (202-523-5702), Office of Industries, U.S. International Trade Commission.

SUPPLEMENTARY INFORMATION:

Background

On September 20, 1982, the Commission determined, on the basis of the information developed during the course of its preliminary investigation, that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of imports of greige polyester/cotton printcloth from China which are alleged to be sold at LTFV. The preliminary investigation was instituted in response to a petition filed on August 5, 1982, by counsel for the American Textile Manufacturers Institute and certain member companies.

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

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

Staff report.—A public version of the staff report containing preliminary findings of fact in this investigation will be placed in the public record on July 14, 1983, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing.—The Commission will hold a hearing in connection with this investigation beginning at 10:00 a.m. on July 28, 1983, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on July 12, 1983. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on July 14, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is July 25, 1983.

Testimony at the public hearing is governed by section 207.23 of the Commission's rules (19 CFR 207.23, as amended by 47 FR 33682, Aug. 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 (19 CFR 207.22, as amended by 47 FR 33682, Aug. 4, 1982). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on August 4, 1983.

Written submissions.—As mentioned, parties to this investigation may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before August 4, 1983. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

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

This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: March 28, 1983.

Kenneth R. Mason,
Secretary.

Final Determination of Sales at Less Than Fair Value; Greige Polyester/Cotton Printcloth From the People's Republic of China

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of Final Determination of Sales at Less Than Fair Value: Greige Polyester/Cotton Printcloth from the People's Republic of China.

SUMMARY: We have determined that greige polyester/cotton printcloth from the People's Republic of China is being sold, or is likely to be sold, in the United States at less than fair value. Therefore, we have notified the United States International Trade Commission (ITC) of our determination, and the ITC will determine whether these sales at less than fair value have caused injury to a U.S. industry. We have directed the U.S. Customs Service to continue to suspend the liquidation of all entries of the subject merchandise which are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of our preliminary determination on March 9, 1983 and to require a cash deposit or bond for each such entry in an amount equal to the estimated dumping margin as described in the "Continuation of Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: July 28, 1983.

FOR FURTHER INFORMATION CONTACT: Rick Herring or Michael Ready, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone: (202) 377-3965 or 377-2613.

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that greige polyester/cotton printcloth (printcloth) from the People's Republic of China (PRC) is being sold, or is likely to be sold, in the United States at less than "fair value", as provided in section 735 of the Tariff Act of 1930, as amended (the Act).

For the printcloth sold by China National Textiles Import and Export Corporation (Chinatex) the only exporter of the subject merchandise, we have found that the foreign market value exceeded the United States price on 100.0 percent of sales compared. These margins ranged from 21.3 percent to 29.4 percent. The weighted-average margin on all sales compared is 22.4 percent.

Case History

On August 5, 1982, we received a petition in proper form from the American Textile Manufacturers Institute and certain member companies, filed on behalf of the United States industry producing greige polyester/cotton printcloth. The petitioners alleged that greige polyester/cotton printcloth from the People's Republic of China is being sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such sales are materially injuring, or are threatening to materially injure, a United States industry.

After reviewing the petition, we determined it contained sufficient grounds to initiate an antidumping investigation on greige polyester/cotton printcloth. We notified the ITC of our action and initiated this investigation on August 26, 1982 (47 FR 38569). The ITC informed the Department on September 20, 1982, that 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 United States industry. Therefore, we proceeded with this investigation. On December 9, 1982, we determined this case to be "extraordinarily complicated," as defined in section 733(c) of the Act. Therefore, we extended the period for making a preliminary determination from January 12, 1983, until March 3, 1983 (47 FR 56376).

On March 9, 1983, we preliminarily determined that greige polyester/cotton printchloth from the People's Republic of China is being, or is likely to be, sold in the United States at less than fair value (48 FR 9898). On March 28, 1983, we postponed the date for making a final determination in this investigation until July 22, 1983 (48 FR 12763). On May 20, 1983, we amended our original notice of preliminary determination (48 FR 22770).

Scope of Investigation

The product covered by this investigation is unbleached and uncolored printcloth fabric (other than 80x80 type) in chief value of cotton, containing polyester, and currently provided for in items 326.26 through 326.40 of the *Tariff Schedules of the United States*. As of January 1, 1983, the appropriate statistical suffix is 32. Previously the appropriate statistical suffixes were 32 and 92. The term "printcloth" refers to plain-woven fabric, not napped, not fancy or figured, or singles yarn, not combed, of average yarn number 26 to 40, weighing not more than 6 ounces per square yard, of a total count of more than 85 yarns per square inch, of which the total count of the warp yarns per inch and the total count of the filling yarns per inch are each less than 62 percent of the total count of the warp and filling yarns per square inch.

Since Chinatex is the only exporter of greige polyester/cotton printcloth from the People's Republic of China, we limited our investigation to that company.

This investigation covers the period from March 1, 1982 through August 31, 1982.

Fair Value Comparison

To determine whether sales of the subject merchandise in the United States were made at less than fair value we compared the United States price with the foreign market value.

United States Price

As provided in section 772 of the Act, we used both the purchase price and the exporter's sales price of the subject merchandise to represent United States price. For sales by Chinatex made to unrelated pruchasers prior to the importation of the merchandise into the United States, purchase price was used. For sales made by Huafang Trading Company (Huafang), an importer related to Chinatex, the first sale to an unrelated purchaser occurred after importation of the merchandise into the United States; therefore, exporter's sale price was used.

We calculated purchase price based on the C&F price to unrelated purchasers. Where appropriate, we made deductions for inland freight, ocean freight, and dock storage.

All exporter's sales price transactions were made from stock. We calculated exporter's sales price based on the price at which Huafang sold the merchandise to unrelated purchasers. Where appropriate, we made deductions from and adjustments to this price for commissions, customs duty, insurance, inland and ocean freight, and for selling expenses incurred by Huafang in the United States.

In the case of purchase price transactions, conversions of Chinese to United States currency were based on the rate of exchange in effect on the date of purchanse. In the case of exporter's sales price transactions, currency conversions were based on the rate of exchange in effect of the date of exportation.

Foreign Market Value

In accordance with section 773 of the Act, we used surrogate country prices to third countries to determine foreign market value. Petitioners alleged that the economy of the People's Republic of China is state-controlled to the extent that sales of the subject merchandise from that country do not permit a determination of foreign market value under 19 U.S.C. 1677b(a). After an analysis of the PRC's economy, and careful consideration of the briefs submitted by the parties, the Commerce Department concluded that the PRC is a state-controlled-economy country for purposes of this investigation.

Some of the factors involved in determining the state-controlled issue are that the major input, cotton, has production targets and prices set or heavily influenced by the state, and that the textile industry has a dual pricing structure that is heavily influenced by the state.

As a result, section 773(c) of the Act requires us to use prices or the constructed value of such or similar merchandise in a "non-state-controlled-economy" country. Our regulations established a preference for foreign market value based upon sales prices. They further stipulated that, to the extent possible, we should determine sales prices on the basis of prices in a "non-state-controlled-economy" country at a stage of economic development comparable to the country with the state-controlled economy.

It was determined, after an analysis of countries which produce printcloth, that Thailand would be the most appropriate surrogate. We then secured the cooperation of a producer of printcloth in Thailand.

We based foreign market value on the prices at which the Thai producer sold printcloth to third country markets, because the producer made no sales of such or similar merchandise for consumption in the home market of Thailand. The terms of sale for all third country sales were C&F. From the C&F price we made deductions, where applicable, for inland freight in Thailand, ocean freight, foreign inland freight in the country of destination, and sales commissions to unrelated parties.

The product sold by the Thai producer to third country markets and the preponderance of the PRC product sold to the United States were both greige printcloth, 50 percent polyester and 50 percent cotton, of construction 78 x 54, with average yarn numbers of 35s, both warp and filling. The only difference in the two products was width. The Thai sales to third countries were in 62 and 64 inch widths, whereas the PRC sales to the United States were of 48 inch width. Therefore, the net foreign market value and the United States prices were converted from a linear yard basis to a square yard basis for the purpose of making our comparisons.

Verification

In accordance with section 776(a) of the Act, we verified all data use in making this determination in this investigation, by using standard verification procedures, including on-site inspection of manufacturer's operations and examination of accounting records and selected documents containing relevant information.

Submitted Comments

Petitioner's Comments

The following written comments were submitted by petitioners in response to our preliminary determination:

Comment 1

Petitioners argue that no adjustment should have been made pursuant to 19 CFR 353.15(c) for certain expenses of the Thai producer.

DOC Position

Our discussion of this comment contains business confidential information submitted by the surrogate producer. A complete discussion appears in a separate memorandum which is in the official file for this investigation.

We agree with the petitioners and have changed our calculations accordingly.

Comment 2

Petitioners argue that "Certain low priced PRC printcloth sales to the United States should not have been excluded from the Department's Dumping calculation."

DOC Position

This comment pertains to the Department's limiting its fair value comparisons to a single fabric construction (78 x 54). This is the only construction that was sold both by Chinatex to the United States and by the Thai producer to third countries. By so limiting our comparisons we avoided the necessity of gathering, verifying and analyzing cost of production data for the purpose of adjusting for differences in the merchandise.

Such adjustments are always difficult and controversial—especially when it is necessary to get information from a surrogate producer. Under 19 CFR 353.38(a), we are required to examine at least 60 percent of the dollar volume of exports to the United States from any country subject to an antidumping investigation. In this case, although we have not made comparisons on two fabric constructions, we have nevertheless still examined over 85 percent of the sales of printcloth from China to the United States during the period of consideration.

Comment 3

Petitioners argue that "The deduction for inland freight for purposes of calculating United States price is significantly understated."

Petitioners contend that we should not have based our deduction for inland freight in China (in calculating United States Price) on actual costs to the exporter because such costs are state-controlled and do not reflect market-place realities. Petitioner suggests that we should make the deduction based on estimated costs of equivalent transportation in Thailand.

DOC Position

In this case we have based our deduction for inland freight on actual, verified, costs paid by the exporter in China, since this is the best information available to the Department and it represents our best estimation of properly deductible inland freight charges.

Comment 4

Petitioners argue that "The selling expenses deducted from the exporter's sales prices were significantly understated."

DOC Position

This deduction was made pursuant to 19 CFR 353.10(e)(2), which requires, that in calculating exporter's sales price, a deduction will be made for "Expenses generally incurred by or for the account of the exporter in the United States in selling identical or substantially identical merchandise, and attributable under generally accepted accounting principles to the particular merchandise under consideration." Huafang, during the period of investigation, was in the business of selling a number of other products besides printcloth. We calculated the deduction for selling expenses by dividing the total selling, general, and administrative expenses of Huafang by the company's total sales value for all products. Such an allocation is in our opinion an adequate reflection of the expenses generally incurred by or for the account of the exporter in the United States in selling identical or substantially identical merchandise.

Respondent's Comments

The following written comments were submitted by respondents in response to our preliminary determination:

Comment 1

Respondents argue that "Foreign Market Value should be based on contemporaneous Thai sales to the United States."

DOC Position

This argument is split into four sub-arguments which are discussed separately below:

1. The 48" printcloth sold by Thailand to the United States had a "greater degree of similarity" to the PRC merchandise under investigation than did the 54" printcloth sold by Thailand to third countries.

DOC Position

As noted above the merchandise compared was identical in every respect except width, and this width difference was adequately adjusted for by converting all prices from a linear to square yard basis. We think it more important to base foreign market value on sales of similar merchandise which were contemporaneous or reasonably contemporaneous with the PRC sales to the United States then a sales of identical merchandise which were made a year prior to the PRC sales to the United States.

2. The volume of Thai sales to the United States was more than four times that of Thai sales to third countries.

DOC Position

In our opinion, the Thai sales to third countries were of an adequate volume as to constitute a basis for calculating foreign market value, particularly since in the case of this merchandise there is no evidence that quantity has any substantial effect upon price. We think it more important that the Thai sales to third countries are more contemporaneous with the PRC sales to the United States than are the Thai sales to the United States.

3. The United States is the appropriate third country market in terms of organization and development.

DOC Position

In support of this argument respondents cite 19 CFR 353.5(c)(3) which states the criteria for selecting a third country market in non-state-controlled cases where the country whose exports are being investigated does not have a home market adequate for purpose of determining foreign market value.

Section 353.5(c) provides guidance for the selection of third countries, countries other than the United States and the country under investigation. It is clear from the language of paragraph (a) of § 353.5, which applies to the entire section, that, where based on sales to a third country, foreign market value shall be determined by sales "to countries other than the United States". Section 353.5 interprets and applies 19 U.S.C. 1677b(a)(1)(B) which excludes export sales to the United States as a basis for foreign market value. Even by its terms, *"most like* the United States" the regulation obviously intends that countries other than the United States will be considered. An interpretation which makes the United States an equal selection with other countries is not consistent with the intent of the antidumping statute and regulations.

Even if the Department agreed with respondent that sales to the United States were appropriate in this case, there were no sales from Thailand to the United States during the relevant time period under investigation. (See response to comment 4 below.)

4. Surrogate sales compared must be contemporaneous with PRC sales to the United States.

In this argument, respondents state that since the Thai sales to third countries are not perfectly contemporaneous with the PRC sales to the United States during the period of investigation we should change our period of investigation and base our comparison between Thai sales to the United States and PRC sales to the United States during the period of April through August, 1981.

DOC Position

Our discussion of this comment contains business confidential information submitted by the surrogate producer. Therefore our discussion is brief. A complete discussion appears in a separate memorandum which is in the official file for this investigation.

The Thai sales to third countries are perfectly contemporaneous with the exporter's sales price sales (about one-third of the total) and sufficiently contemporaneous with the purchase price sales as to constitute a proper basis for calculating foreign market value.

Comment 2

Respondents argue that "Foreign Market Value should be based on constructed value, using factors of production in China, if Thai sales to the United States are not employed."

DOC Position

The methodology favored by respondents is provided for in 19 CFR 353.8(c), which provides that such a methodology may be employed "If such or similar merchandise is not produced in a non-state-controlled-economy country comparable in terms of economic development to the state-controlled-economy country from which the merchandise is exported." In this investigation as noted above, Thailand is deemed to be comparable in terms of economic development to the PRC and produces such or similar merchandise. Therefore it is our opinion that 19 CFR 353.8(c) does not apply.

Comment 3

Respondents argue "If Foreign Market Value is determined by Thai sales to third countries, an adjustment must be made based on the value of the differences in merchandise between 64" and 48" printcloth.

DOC Position

It is the Department's position that by converting the prices at which both 64" and 48" wide printcloth are sold from a linear to square yard basis we have adjusted for whatever physical differences exist between the products sold to third countries and to the United States.

Comment 4

Respondents argue that "United States price respecting Chinatex's sales to Huafang should be determined based on the prices between the parties."

DOC Position

In this comment, the respondent argues that, for the sales of merchandise by Huafang, we should base United States price on the purchase price of the merchandise as calculated from the intercompany transfer price between Chinatex and Huafang rather than on exporter's sales price as calculated from the price at which Huafang sold the merchandise to an unrelated purchaser after the importation of the merchandise. Respondents base their argument on the contention that Huafang was selling at "going out of business" prices and that therefore such sales were not in the ordinary course of trade and therefore should be ignored by the Department.

The Department has in every case where merchandise is imported by a party related to the producer of the merchandise and not resold to an unrelated party until after the merchandise's importation, based United States price on the exporter's sales price of the merchandise as calculated from the price at which the merchandise was sold to an unrelated party. Whether or not in this instance the sales to unrelated parties were "not in the ordinary course of trade" is irrelevant since the Act permits ignoring such sales only in calculating foreign market value—not United States price.

Suspension of Liquidation

On March 9, 1983, we instructed the United States Customs Service, in accordance with section 733(d) of the Act, to suspend liquidation of all entries of greige polyester/cotton printcloth from the People's Republic of China subject to this investigation. As of the date of publication of this notice in the Federal Register, the liquidation of all entries, or withdrawals from warehouse for consumption of this merchandise will continue to be suspended. The Customs Service shall require a cash deposit or the posting of a bond equal to the estimated average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price. This suspension of liquidation will remain in effect until further notice. The weighted-average margin for greige polyester/cotton printcloth is 22.4 percent.

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will determine whether these imports are materially injuring or threatening to materially injure a U.S. industry, before the latter of 120 days after the Department made its preliminary affirmative determination or 45 days after the Department made its final affirmative determination.

If the ITC determines that material injury or the threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue an antidumping order directing Customs officers to assess an antidumping duty on greige polyester/cotton printcloth from the People's Republic of China, entered, or withdrawn, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value of the merchandise exceeds the United States price.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)).

Lawrence J. Brady,

Assistant Secretary for Trade Administration.

July 22, 1983.

[FR Doc. 83-[illegible] Filed 7-27-83; 8:45 am]

BILLING CODE 3510-25-M

National Bureau of Standards

National Voluntary Laboratory Accreditation Program; Fees for Personnel Dosimetry Laboratory Accreditation Program

AGENCY: National Bureau of Standards, Commerce.

ACTION: Notice of fees for accrediting processors of personnel radiation dosimeters.

SUMMARY: Under the National Voluntary Laboratory Accreditation Program (NVLAP), the National Bureau of Standards (NBS) announces the fees for the laboratory accreditation program (LAP) for processors of personnel radiation dosimeters (the "Dosimetry LAP"). A separate notice appearing in this issue of the Federal Register describes the accreditation process for the Dosimetry LAP. Processors interested in becoming accredited under this LAP may request an application package by contacting the Manager, Laboratory Accreditation, National Bureau of Standards.

EFFECTIVE DATE: August 29, 1983.

FOR FURTHER INFORMATION CONTACT: John W. Locke, Manager, Laboratory Accreditation, National Bureau of Standards, TECH B141, Washington, DC 20234; (301) 921-3431.

SUPPLEMENTARY INFORMATION:

Background. In a separate notice in this issue of the Federal Register, NBS announced the formal establishment of a laboratory accreditation program (LAP) for processors of personnel radiation dosimeters (the "Dosimetry LAP"). Pursuant to paragraph (a) of § 7b.10 of the NVLAP Procedures (15 CFR 7b.10(a)), notice is hereby given of the fees which the Director of the National Bureau of Standards (NBS) has established for the Dosimetry LAP.

Basis of Fees. NVLAP fees are established on the basis of recovering all of the operational costs incurred in evaluating processors seeking accreditation. The accreditation fee consists of several parts which cover handling applications, administering proficiency testing, preparing evaluation reports and certificates, as well as the costs of assessors used in the evaluation process.

Monitoring Visits. The accreditation fee also includes an incremental factor to cover the costs associated with conducting monitoring visits to accredited processors. The purpose of these monitoring visits is to review the performance of the processors between regularly scheduled visits.

Fees for Foreign Processors. Processors located outside the United States will be offered NVLAP accreditation on the same basis and under the same criteria as required of domestic processors. However, the cost of the assessor's travel time and expenses and the cost of mailing proficiency testing materials outside of the continental United States will be added to the normal charges.

Dated: July 18, 1983.

John W. Lyons,

Acting Director, National Bureau of Standards.

Dosimetry Lap Fee Schedule

The accreditation fee for the Dosimetry LAP is composed of several parts. Some parts of the fee are fixed while others very depending on the scope of accreditation desired. The total accreditation fee must be paid before accreditation can be granted: The accreditation fee covers an accreditation period of two years.

LAP Enrollment Fee: This is a one-time fee of $400 for new applicants in the Dosimetry LAP. It covers the extra costs involved in assessing a processor for the first time. The part of the accreditation fee must be paid when an application for accreditation is submitted.

Administrative Fee: This is a fixed fee of $800 which is payable when an application for initial or renewal accreditation is submitted. It covers processing an application, performing monitoring visits, preparing evaluation reports, and preparing accreditation certificates.

Assessment Fee. The assessment fee covers the costs of preparing assessors, performing on-site visits, and completing evaluations. The minimum assessment fee is $1,000 based on a two work day visit, additional time will be charged at a rate of $400/workday for visits expected to extend beyond two workdays. For those processors which have one or more remotely located facilities an additional fee of $400 per location assessed will be charged. The number of remote locations that will be assessed will be determined from information supplied in the application

APPENDIX B

LIST OF WITNESSES APPEARING AT THE COMMISSION'S HEARING

CALENDAR OF PUBLIC HEARING

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

Subject : Greige Polyster/Cotton Printcloth from The People's Republic of China

Inv. No. : 731-TA-101 (Final)

Date and time: July 28, 1983 - 10:00 a.m.

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

<u>In support of the imposition of antidumping duties</u>:

Verner, Liipfert, Bernhard and McPherson--Counsel
Washington, D.C.
<u>on behalf of</u>

Certain Member Companies of The American Textile Manufacturers Institute

E. S. McKissick, Jr., Chairman, Alice Mills

Robert F. Eisen, President, Greenwood Mills Marketing Co.

George H. Cornelson, President, Clinton Mills

James C. Turner, Director of Marketing Services, Dan River

Bruce Greenwald, Professor, Harvard Business School

Dr. Richard Boyce, Economic Consultant

John D. Greenwald)
Elaine M. Frangedakis)--OF COUNSEL

- more -

<u>In opposition to the imposition of antidumping duties</u>:

Weil, Gotshal & Manges--Counsel
New York, N.Y.
<u>on behalf of</u>

China National Textiles, Import and Export Corporation (Chinatex) and Huafang Trading Co., Inc.

ICF Incororated, Washington, D.C.

John G. Reilly, Principal

P. Lance Graef, Project Manager

A. Paul Victor)
Stuart M. Rosen)--OF COUNSEL
Miriam Cutler)

APPENDIX C

U.S. IMPORTS OF GREIGE POLYESTER/COTTON PRINTCLOTH, BY QUARTERS, JANUARY 1980-JUNE 1983

Table 20.--Greige polyester/cotton printcloth: U.S. imports for consumption by principal sources, by quarters and total, 1980

(units in square yards)

Country	1980				
	January-March	April-June	July-September	October-December	Total
	(Quantities, in thousands of units)				
CHINA	-	-	2,955	8,412	11,368
THAILAND	235	731	157	549	1,672
TAIWAN	404	113	1,733	6,796	9,046
KOREA	-	-	267	4,506	4,773
SINGAPORE	333	200	542	1,230	2,305
HONG KONG	-	-	-	620	620
ALL OTHER	28	46	121	381	575
Total	999	1,091	5,774	22,495	30,359
	(In thousands of dollars; customs value basis)				
CHINA	0	0	878	2,494	3,372
THAILAND	100	306	68	180	654
TAIWAN	146	38	493	2,125	2,801
KOREA	0	0	80	1,363	1,443
SINGAPORE	106	57	156	328	647
HONG KONG	0	0	0	193	193
ALL OTHER	11	22	70	239	342
Total	363	422	1,743	6,923	9,451
	(Unit values; dollars per item)				
CHINA	-	-	0.2971	0.2965	0.2967
THAILAND	0.4257	0.4181	.4324	.3285	.3911
TAIWAN	.3619	.3315	.2842	.3127	.3097
KOREA	-	-	.2983	.3025	.3023
SINGAPORE	.3170	.2869	.2873	.2669	.2807
HONG KONG	-	-	-	.3107	.3107
ALL OTHER	.3946	.4688	.5789	.6283	.5939
Total	.3628	.3872	.3019	.3078	.3113
	(Percent of quantity)				
Total	100.00C0	1C0.6000	100.0000	100.0000	100.0000
CHINA	-	-	51.1779	37.3976	37.4437
THAILAND	23.5123	67.0243	2.7132	2.4401	5.5063
TAIWAN	40.3821	10.3898	30.0187	30.2123	29.7980
KOREA	-	-	4.6183	20.0333	15.7221
SINGAPORE	33.3507	18.3349	9.3809	5.4680	7.5925
HONG KONG	-	-	-	2.7572	2.0429
ALL OTHER	2.7548	4.2510	2.0911	1.6916	1.8945

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

Table 21.--Greige polyester/cotton printcloth: U.S. imports for consumption by principal sources, by quarters and total, 1981

(units in square yards)

Country	1981				
	January-March	April-June	July-September	October-December	Total
	(Quantities, in thousands of units)				
CHINA	17,224	11,884	16,387	11,538	57,032
THAILAND	1,498	3,831	9,024	6,071	20,424
TAIWAN	9,484	3,504	2,116	3,539	18,643
KOREA	8,432	7,833	2,760	326	19,351
SINGAPORE	1,899	1,254	1,703	591	5,447
HONG KONG	4,635	762	2,330	933	8,661
ALL OTHER	1,887	2,170	1,044	1,894	6,995
Total	45,059	31,239	35,363	24,892	136,553
	(In thousands of dollars; customs value basis)				
CHINA	5,153	3,669	5,651	4,151	18,624
THAILAND	503	1,291	3,200	2,158	7,152
TAIWAN	2,935	1,299	732	1,207	6,174
KOREA	2,663	2,664	926	110	6,363
SINGAPORE	517	395	548	188	1,648
HONG KONG	1,577	272	851	341	3,041
ALL OTHER	858	913	505	760	3,035
Total	14,206	10,502	12,415	8,915	46,038
	(Unit values; dollars per item)				
CHINA	0.2992	0.3667	0.3449	0.3598	0.3266
THAILAND	.3359	.3370	.3546	.3555	.3502
TAIWAN	.3095	.3707	.3462	.3411	.3312
KOREA	.3158	.3401	.3356	.3381	.3288
SINGAPORE	.2724	.3150	.3216	.3186	.3026
HONG KONG	.3403	.3569	.3653	.3651	.3512
ALL OTHER	.4544	.4205	.4843	.4012	.4339
Total	.3153	.3362	.3511	.3582	.3371
	(Percent of quantity)				
Total	100.0000	100.0000	100.0000	100.0000	100.0000
CHINA	38.2254	38.0414	46.3377	46.3513	41.7654
THAILAND	3.3241	12.2647	25.5191	24.3887	14.9571
TAIWAN	21.0479	11.2164	5.9830	14.2179	13.6524
KOREA	18.7135	25.0746	7.8043	1.3092	14.1709
SINGAPORE	4.2149	4.0146	4.8143	2.3736	3.9887
HONG KONG	10.2860	2.4407	6.5899	3.7501	6.3426
ALL OTHER	4.1883	6.9475	2.9516	7.6093	5.1228

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

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Table 22.--Greige polyester/cotton printcloth: U.S. imports for consumption by principal sources, by quarters and total, 1982

(units in square yards)

Country	1982				
	January-March	April-June	July-September	October-December	Total
	(Quantities, in thousands of units)				
CHINA	20,325	9,653	21,447	13,363	64,788
THAILAND	11,090	6,631	1,310	1,054	20,066
TAIWAN	4,180	293	2,711	4,212	11,395
KOREA	1,455	3,283	1,730	1,000	7,468
SINGAPORE	975	175	-	-	1,150
HONG KONG	79	-	5	-	84
ALL OTHER	325	52	13	36	425
Total	38,428	20,086	27,216	19,666	105,396
	(In thousands of dollars: customs value basis)				
CHINA	6,904	2,818	6,037	3,881	19,640
THAILAND	4,150	2,530	467	416	7,564
TAIWAN	1,461	89	761	1,124	3,434
KOREA	599	1,553	807	422	3,380
SINGAPORE	308	82	0	0	390
HONG KONG	46	0	9	0	55
ALL OTHER	117	24	10	24	175
Total	13,585	7,095	8,090	5,866	34,637
	(Unit values: dollars per item)				
CHINA	0.3397	0.2919	0.2815	0.2904	0.3031
THAILAND	.3742	.3815	.3567	.3948	.3766
TAIWAN	.3495	.3026	.2806	.2668	.3013
KOREA	.4117	.4729	.4665	.4218	.4526
SINGAPORE	.3154	.4694	-	-	.3388
HONG KONG	.5826	-	1.7048	-	.6492
ALL OTHER	.3604	.4692	.7739	.6536	.4111
Total	.3535	.3532	.2973	.2983	.3286
	(Percent of quantity)				
Total	100.0000	100.0000	100.0000	100.0000	100.0000
CHINA	52.8900	48.0566	78.8032	67.9519	61.4707
THAILAND	28.8598	33.0145	4.8134	5.3604	19.0574
TAIWAN	10.8768	1.4562	9.9614	21.4170	10.8118
KOREA	3.7852	16.3445	6.3560	5.0872	7.0855
SINGAPORE	2.5372	.8712	-	-	1.0911
HONG KONG	.2061	-	.0183	-	.0799
ALL OTHER	.8449	.2570	.0476	.1835	.4036

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

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Table 23.--Greige polyester/cotton princloth: U.S. imports for consumption by principal sources, by quarters and total, January-June 1983
(units in square yards)

Country	1983 January-March	April-June	July-September	October-December	Total
	(Quantities, in thousands of units)				
CHINA	12,483	9,643	-	-	22,127
THAILAND	2,115	1,218	-	-	3,333
TAIWAN	10,578	12,226	-	-	22,804
KOREA	4,065	8,232	-	-	12,298
ALL OTHER	51	4,562	-	-	4,613
Total	29,293	35,882	-	-	65,175
	(In thousands of dollars; customs value basis)				
CHINA	3,328	2,450	0	0	5,778
THAILAND	642	335	0	0	977
TAIWAN	2,867	3,779	0	0	6,647
KOREA	1,287	2,524	0	0	3,810
ALL OTHER	33	1,136	0	0	1,169
Total	8,157	10,224	0	0	18,381
	(Unit values; dollars per item)				
CHINA	0.2666	0.2541	-	-	0.2611
THAILAND	.3036	.2748	-	-	.2931
TAIWAN	.2711	.3091	-	-	.2915
KOREA	.3165	.3066	-	-	.3099
ALL OTHER	.6374	.2490	-	-	.2533
Total	.2785	.2849	-	-	.2820
	(Percent of quantity)				
Total	100.0000	100.0000	-	-	100.0000
CHINA	42.6158	26.8745	-	-	33.9495
THAILAND	7.2194	3.3946	-	-	5.1137
TAIWAN	36.1116	34.0732	-	-	34.9894
KOREA	13.8784	22.9430	-	-	18.8689
ALL OTHER	.1748	12.7147	-	-	7.0786

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

APPENDIX D

SUPPLEMENTAL DATA

A.--Production data (in 1,000 square yards) which supplements table 1 (page A-13 of the final staff report) are as follows:

Firm	2nd quarter 1982	1st quarter 1983	2nd quarter 1983
Alice Manufacturing	***	***	***
Dan River	-	***	***
Greenwood Mills	-	***	***
Hamrick Mills	***	***	***
Mayfair Mills	***	***	***
Mount Vernon Mills	***	***	***

B.--Capacity (in 1,000 square yards) to supplement table 2 (page A-15) is as follows:

Firm	2nd quarter 1982	1st quarter 1983	2nd quarter 1983
Greenwood Mills	***	***	***
Hamrick Mills	***	***	***
Mayfair Mills	***	***	***
Mount Vernon Mills	***	***	***

C.--Domestic shipments (in 1,000 square yards) to supplement table 3 (page A-16) are as follows:

Firm	2nd quarter 1982	1st quarter 1983	2nd quarter 1983
Alice Manufacturing	***	***	***
Dan River	-	***	***
Greenwood Mills	-	***	***
Mayfair Mills	***	***	***
Mount Vernon Mills	-	***	1/

1/ ***.

D.--Only *** reported exports of the subject fabric during the second quarter of 1983. *** exported *** (see table 4, page A-18).

E.--Employment data (number of production workers) to supplement table 6 (page A-19) was provided as follows:

Firm	2nd quarter 1982	1st quarter 1983	2nd quarter 1983
Alice Manufacturing	***	***	***
Clinton Mills	-	***	***
Dan River	-	***	***
Greenwood Mills	-	***	***
Mayfair Mills	-	***	***

F.--Pre-tax financial data for greige polyester/cotton printcloth operations were provided by five of the original seven reporting firms to supplement table 10 (page A-26). All five firms showed losses for the second quarter of 1983. These firms and the amount of loss for each are as follows:

Firm	Amount of loss
Alice Manufacturing	***
Clinton Mills	***
Dan River	***
Greenwood Mills	***
Mayfair Mills	***

G.--Selected data regarding imports of the subject fabric to supplement table 13 (pages A-38-39) are presented in the following tabulation:

	January-June	
	1982	1983
Imports:		
From China----------1,000 square yards	29,978	22,127
Total----------do	58,514	65,175
Unit value:		
From China-------cents per square yard	32.4	26.1
Average all sources---------do	35.3	28.2
China's percent of total quantity	51.2	33.9

H.--Imports of greige polyester/cotton printcloth from China in bonded Customs warehouses, at the beginning of each quarter, October 1981-July 1983, to supplement the data in appendix 2 of the petitioners postconference brief for investigation No. 731-TA-101 (Preliminary), were as follows:

Date	Amount
	(million square yards)
October 1981	0.13
January 1982	2.30
April 1982	4.78
July 1982	5.38
October 1982	3.43
January 1983	2.07
April 1983	0.53
July 1983	2.00

APPENDIX E

VOLUME OF SALES BOOKED BY DOMESTIC PRODUCERS AND IMPORTERS USED AS THE BASIS FOR PRICE COMPARISONS

Table 24.--Greige polyester/cotton printcloth, 48" 78x54 50% polyester/50% cotton: Volume of sales booked by domestic producers and importers that are the basis for price and margins of underselling analysis, quantity and percentage share, by quarters, January 1981-March 1983

Period and Percentage share	Total	From China	From Domestic
1981:			
January-March	18,198,000	5,313,000	12,885,000
Percent	100.00	29.20	70.80
April-June	18,738,000	4,559,000	14,179,000
Percent	100.00	24.33	75.67
July-September	4,665,000	310,000	4,355,000
Percent	100.00	6.65	93.35
October-December	5,434,000	2,180,000	3,254,000
Percent	100.00	40.12	59.88
1982:			
January-March	11,547,000	3,774,000	7,773,000
Percent	100.00	32.68	67.32
April-June	17,182,700	7,923,000	9,259,700
Percent	100.00	46.11	53.89
July-September	13,951,800	2,033,000	11,918,800
Percent	100.00	14.57	85.43
October-December	15,911,300	786,000	15,125,300
Percent	100.00	4.94	95.06
1983:			
January-March	15,865,000	1,150,000	14,715,000
Percent	100.00	7.25	92.75

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

Table 25.--Greige polyester/cotton printcloth, 48" 78x54 50% polyester/50% cotton: Volume of forward sales booked by domestic producers and importers that are the basis for price and margins of underselling analysis, quantity and percentage share by quarters, January 1981-March 1983

Period and Percentage share	Total	From China	From Domestic
1981:			
January-March	17,898,000	5,013,000	12,885,000
Percent	100.00	28.01	71.99
April-June	18,493,000	4,439,000	14,054,000
Percent	100.00	24.00	76.00
July-September	4,415,000	310,000	4,105,000
Percent	100.00	7.02	92.98
October-December	5,114,000	1,880,000	3,234,000
Percent	100.00	36.76	63.24
1982:			
January-March	9,190,000	2,132,000	7,058,000
Percent	100.00	23.20	76.80
April-June	15,223,700	7,023,000	8,200,700
Percent	100.00	46.13	53.87
July-September	13,616,800	1,753,000	11,863,800
Percent	100.00	12.87	87.13
October-December	15,675,300	550,000	15,125,300
Percent	100.00	3.51	96.49
1983:			
January-March	15,115,000	950,000	14,165,000
Percent	100.00	6.29	93.71

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

Table 26.--Greige polyester/cotton printcloth, 48" 78x54 50% polyester/50% cotton: Volume of spot sales booked by domestic producers and importers that are the basis for price and margins of underselling analysis, quantity and percentage share, by quarters, January 1981-March 1983

Period and Percentage share	Total	From China	From Domestic
1981:			
January-March	300,000	300,000	-
Percent	100.00	100.00	-
April-June	245,000	120,000	125,000
Percent	100.00	48.98	51.02
July-September	250,000	-	250,000
Percent	100.00	-	100.00
October-December	320,000	300,000	20,000
Percent	100.00	93.75	6.25
1982:			
January-March	2,357,000	1,642,000	715,000
Percent	100.00	69.66	30.34
April-June	1,959,000	900,000	1,059,000
Percent	100.00	45.94	54.06
July-September	335,000	280,000	55,000
Percent	100.00	83.58	16.42
October-December	236,000	236,000	-
Percent	100.00	100.00	-
1983:			
January-March	750,000	200,000	550,000
Percent	100.00	26.67	73.33

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

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Table 27.--Greige polyester/cotton printcloth, 51" 73x52 50% polyester/50% cotton: Volume of sales booked by domestic producers and importers that are the basis for price and margins of underselling analysis, quantity and percentage share, by quarters, January 1981-March 1983

Period and Percentage share	Total	From China	From Domestic
1981:			
January-March	10,205,000	1,595,000	8,610,000
Percent	100.00	15.63	84.37
April-June	9,894,500	600,000	9,294,500
Percent	100.00	6.06	93.94
July-September	3,253,000	500,000	2,753,000
Percent	100.00	15.37	84.63
October-December	5,752,900	150,000	5,602,900
Percent	100.00	2.61	97.39
1982:			
January-March	13,635,000	1,364,000	12,271,000
Percent	100.00	10.00	90.00
April-June	3,876,000	430,000	3,446,000
Percent	100.00	11.09	88.91
July-September	10,770,000	587,000	10,183,000
Percent	100.00	5.45	94.55
October-December	6,250,300	1,111,000	5,139,300
Percent	100.00	17.78	82.22
1983:			
January-March	7,942,000	770,000	7,172,000
Percent	100.00	9.70	90.30

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

Table 28.--Greige polyester/cotton printcloth, 51" 73x52 50% polyester/50% cotton: Volume of forward sales booked by domestic producers and importers that are the basis for price and margins of underselling analysis, quantity and percentage share, by quarters, January 1981-March 1983

Period and Percentage share	Total	From China	From Domestic
1981:			
January-March	10,185,000	1,575,000	8,610,000
Percent	100.00	15.46	84.54
April-June	9,632,000	600,000	9,032,000
Percent	100.00	6.23	93.77
July-September	2,450,000	500,000	1,950,000
Percent	100.00	20.41	79.59
October-December	5,395,000	-	5,395,000
Percent	100.00	-	100.00
1982:			
January-March	13,350,000	1,089,000	12,261,000
Percent	100.0(	8.16	91.84
April-June	3,390,000	330,000	3,060,000
Percent	100.00	9.73	90.27
July-September	10,560,000	427,000	10,133,000
Percent	100.00	4.04	95.96
October-December	4,800,000	30,000	4,770,000
Percent	100.00	.63	99.38
1983:			
January-March	7,472,000	300,000	7,172,000
Percent	100.00	4.01	95.99

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

Table 29.--Greige polyester/cotton printcloth, 51" 73x52 50% polyester/50% cotton: Volume of spot sales booked by domestic producers and importers that are the basis for price and margins of underselling analysis, quantity and percentage share, by quarters, January 1981-March 1983

Period and Percentage share	Total	From China	From Domestic
1981:			
January-March	20,000	20,000	-
Percent	100.00	100.00	-
April-June	262,500	-	262,500
Percent	100.00	-	100.00
July-September	803,000	-	803,000
Percent	100.00	-	100.00
October-December	357,900	150,000	207,900
Percent	100.00	41.91	58.09
1982:			
January-March	285,000	275,000	10,000
Percent	100.00	96.49	3.51
April-June	486,000	100,000	386,000
Percent	100.00	20.58	79.42
July-September	210,000	160,000	50,000
Percent	100.00	76.19	23.81
October-December	1,450,300	1,081,000	369,300
Percent	100.00	74.54	25.46
1983:			
January-March	470,000	470,000	-
Percent	100.00	100.00	-

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

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