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

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

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Data which would disclose confidential operations of individual concerns may not be published and, therefore, have been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-103 (Final)

COTTON SHOP TOWELS FROM THE PEOPLE'S
REPUBLIC OF CHINA

## Determination

On the basis of the record 1/ developed in the subject investigation, the Commission unanimously determines, 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 from the People's Republic of China (China) of shop towels of cotton, provided for in item 366.2740 of the Tariff Schedules of the United States Annotated (TSUSA), 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 April 14, 1983, following a preliminary determination by the Department of Commerce that imports of cotton shop towels 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 20, 1983 (48 F.R. 16976). The hearing was held in Washington, D.C. on August 18, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

## VIEWS OF THE COMMISSION

We determine that an industry in the United States is materially injured by reason of imports of cotton shop towels from the People's Republic of China (China) which are being sold at less than fair value. 1/

### The Domestic Industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" in an antidumping investigation as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 2/ "Like product," in turn, is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to [the] investigation." 3/

Shop towels are cloths used for wiping and cleaning in industrial and commercial establishments. They are used primarily for wiping machine parts and cleaning away ink, grease, oil, and other unwanted substances. The primary purchasers of shop towels are industrial laundries, which, in turn, rent them to industrial and commercial establishments. 4/

The imported shop towels are 100 percent cotton and are sold in the greige state. 5/ The domestic shop towels are either all cotton or a cotton-acrylic

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1/ Because there is a well-established domestic shop towel industry, material retardation of the establishment of a domestic industry is not an issue in this investigation. Further, because we have found material injury to exist, we do not discuss the issue of threat of material injury.
2/ 19 U.S.C. § 1677(4)(A).
3/ 19 U.S.C. § 1677(10).
4/ Report at A-2.
5/ The term "greige" is used to describe cloth that is unbleached and uncolored. Report at A-2.

blend. 6/ They are sold in the greige state or, for a small additional cost, are dyed and/or treated with soil-release features at the option of the customer. Domestic producers may also imprint customer names and logos on their towels at no charge. 7/ Both the imported and domestic shop towels are made from osnaburg 8/ and are produced in basically the same size. 9/ Although the yarns used differ, 10/ the imported and domestic towels have the same end uses and are functionally equivalent.

Any differences in characteristics between the imported and domestic products, including domestic blended towels, 11/ are at most minor. 12/ Both the domestic and imported towels have the same end uses and are sold interchangeably in the marketplace. 13/ Thus, considering characteristics and uses together, we determine that the "like product" consists of all

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6/ Report at A-2.

7/ Report at A-2.

8/ Osnaburg is a loosely woven fabric of plain weave.

9/ Most domestic and Chinese shop towels are 18" by 18". Report at A-24.

10/ The construction differences reflect the most efficient manufacturing methods for the U.S. and Chinese producers. Report at A-2.

11/ See n. 24, infra, for a discussion of respondents' argument that any injury experienced by the domestic industry is attributable to the decline in the "blended towel segment" of the shop towel market.

12/ The legislative history of the Trade Agreements Act of 1979, which established the definition of "like product," states:

> The requirement that a product be "like" the imported article should not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not "like" each other, nor should the definition of "like product" be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under investigation. S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

13/ Conference Transcript at 121.

domestically produced shop towels. Therefore, we conclude that the domestic industry consists of the domestic producers of shop towels. 14/

Condition of the Domestic Industry

The pertinent economic and financial indicators show that there is material injury to the domestic industry. 15/ In 1982, domestic production of shop towels declined to 126 million units from 162 million units in 1981 and 161 million units in 1980. In January-May 1983, production declined to 50 million units compared with 55.5 million units in the corresponding period of 1982. 16/ Domestic shipments followed the same trends. 17/

While capacity for shop towel production remained relatively constant, capacity utilization for the domestic industry decreased to 32.8 percent in 1982 from 40.8 percent in 1981. Capacity utilization was 42.2 percent in 1980. There was a decline from 40.1 percent in January-May 1982 to 36.1 percent in the corresponding period of 1983. 18/

U.S. producers' yearend inventories of shop towels more than doubled during the period under investigation. They rose from 1.8 million in 1980 to 2.6 million in 1981, and to 3.8 million towels in 1982. In January-May 1983

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14/ There are five producers of shop towels in the United States--Milliken & Co. and Wikit, Inc., LaGrange, Georgia; Wipo, Inc., Columbus, Georgia; Texel Industries, Inc., Cleburne, Texas; and, Pennsylvania State Manufacturing Co., Clifton Heights, Pennsylvania. Report at A-6.

15/ In the preliminary investigation, Shop Towels of Cotton from the People's Republic of China, Inv. No. 731-TA-103 (Preliminary), USITC Pub. No. 1296 (Oct. 1982), we found that the financial and economic indicators of the condition of the industry showed a relatively stable level of performance through 1981. However, it was noted that there were signs of deterioration in the first half of 1982. Full-year 1982 data, available in this final investigation, reveal that such deterioration has continued and demonstrate that the injury experienced by the domestic industry is present.

16/ Report at A-8.

17/ Report at A-10.

18/ Report at A-9.

there were 2.9 million towels in inventory compared with 2.7 million in the corresponding period of 1982. 19/

The number of production and related workers engaged in the production of shop towels declined from 427 in 1980 to 387 in 1982. It declined further in January-May 1983 compared with the number in the corresponding period of 1982. During this period the actual hours worked also declined from 833,000 to 636,000. 20/

Total net sales of shop towels increased from $26.1 million in 1980 to $27.1 million in 1981, but declined to $24.2 million in 1982. 21/ During the interim period ended March 31, 1983, net sales declined to $11.7 million from $13.3 million in the corresponding period of 1982. 22/ Aggregate operating profit remained steady at $3.3 million, averaging over 12.0 percent of net sales in 1980 and in 1981, but then declined precipitously to $788,000, equivalent to only 3.3 percent of net sales, in 1982. During the interim period ended March 31, 1983, the industry operated at a loss of $130,000, or 1.1 percent of net sales, compared with $91,000, or 0.7 percent of net sales, in the corresponding period of 1982.

Material Injury by Reason of Less Than Fair Value Imports

In determining material injury, section 771(7)(B) of the Tariff Act of 1930 directs the Commission to consider, among other factors, (1) the volume

19/ Report at A-12.
20/ Report at A-13.
21/ Report at A-15.
22/ Comparable financial data were not available from domestic producers for the interim 1981 and 1982 periods because the individual firms use different accounting years. Nevertheless, the aggregate data for these interim periods are useful in analyzing trends.

of imports of merchandise under investigation, (2) the effect of such imports on domestic prices, and (3) the impact of such imports on the domestic industry. 23/ 24/

Imports of shop towels from China increased during the period under investigation both in absolute and relative terms. Imports for consumption from China rose from 45.5 million towels in 1980 to 94.3 million in 1981, and then declined to 83.0 million towels in 1982. 25/ Such imports declined from 33.5 million in January-June 1982 to 31.0 million towels in the corresponding period of 1983. 26/

Apparent U.S. consumption of shop towels increased from 251 million towels in 1980 to 274 million in 1981 and then decreased to 217 million towels in 1982. Consumption increased during January-May 1983 to 90 million towels compared with 86 million in the corresponding period of 1982. The ratio of imports from China to apparent domestic consumption increased from 18.1 percent in 1980 to 34.5 percent in 1981 and to 38.3 percent in 1982, the year

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23/ 19 U.S.C. § 1677(7)(B).

24/ Respondents argue that any injury sustained by the domestic shop towel industry is not caused by imports of shop towels from China but rather by a decline in the "blended towel segment" of the shop towel market. Respondents' Post-Hearing Brief at 1. As noted in our discussion of the domestic industry *supra* at 4, blended towels are part of a single shop towel industry. Because the cotton and blended towels are marketed interchangeably, there is no reason to segment the industry by towel fabric. In fact, there is unrebutted information on the record indicating that domestic producers have no manufacturing or economic preference for producing one fabric over the other. Petitioner's Post-Hearing Brief at 3; Transcript at 8.

25/ Report at A-21.

26/ Report at A-22.

in which consumption decreased by 21 percent. 27/ This ratio increased from 31.1 percent in January-June 1982 to 33.3 percent in January-June 1983. 28/

Price data were requested from both domestic producers and importers and purchasers of shop towels. U.S. producers of shop towels sell to large industrial laundries and to distributors. Some domestic producers sell their product at the same prices to all customers; others sell at varied, negotiated prices. 29/

Domestic selling prices of greige, all-cotton shop towels increased slightly during the period January 1981 to June 1983, while prices of comparable shop towels from China declined. 30/ According to purchaser questionnaire responses, the weighted average prices for shop towels purchased from domestic producers and Chinese importers declined during the period January 1982 to June 1983. 31/ A comparison of prices of greige, all-cotton shop towels supplied by U.S. producers and importers shows that imports from China undersold domestic producers by large margins in every quarter of the period investigated. Purchaser pricing data reveal that imports from China undersold the domestic product by substantial margins. 32/ 33/

27/ Report at A-22.
28/ Report at A-22.
29/ Report at A-24.
30/ Report at A-25 to A-26.
31/ Report at A-26.
32/ Report at A-27.
33/ Commissioner Stern notes that the margins of underselling were such that the LTFV sales were instrumental in allowing the imports to undersell the domestic product.

The Commission was able to confirm that 12 purchasers shifted their purchases to the Chinese product during 1981 and 1982. 34/ The majority of these purchasers noted that the lower prices of the towels imported from China were an important factor in the decision to purchase the Chinese product. 35/

Conclusion

As previously noted, the economic and financial data show that there is material injury. Specifically, domestic production, shipments, capacity utilization, employment, and profitability all declined during the period investigated. Furthermore, U.S. producers' inventories more than doubled during this period. In view of the substantial increase in imports from China, both in absolute and relative terms, together with the large margins of underselling by these imports and evidence of sales lost to the subject imports, we conclude that the material injury sustained by the domestic shop towel industry is by reason of imports of shop towels from China which are being sold at less than fair value.

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34/ Our investigation revealed that four companies have shifted back to domestic products very recently. In one case, the shift was attributed to the recent availability of a lower priced domestic product. Report at A-28. It has been argued by respondents that the domestic industry's failure to provide the basic, no-frills, all-cotton shop towel has caused the injury that the domestic industry is experiencing. They claim that when the domestic industry offers such a basic shop towel it will be able to effectively compete with the Chinese imports. Respondents' Post-Hearing Brief at 4. We believe that this argument is without merit since it has been established that both the domestic product and imports from China compete with each other in the market. See discussion supra at 4. It is clear that the presence of large volumes of substantially lower priced Chinese shop towels sold at LTFV has caused the domestic industry to lose sales and has prevented the domestic industry from implementing normal price increases for its towels.

35/ Report at A-28.

# INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On August 24, 1982, a petition was filed by counsel on behalf of Milliken & Co. with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of cotton shop towels from the People's Republic of China (China) which are allegedly being sold at less than fair value (LTFV). Accordingly, effective August 24, 1982, the Commission instituted a preliminary investigation under section 733(a) of the Tariff Act of 1930. On October 8, 1982, the Commission determined, on the basis of information developed during the course of investigation No. 731-TA-103 (Preliminary), that there was a reasonable indication that an industry in the United States is 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 28, 1983, the Department of Commerce published a preliminary determination that there is a reasonable basis to believe or suspect that cotton shop towels from China are being sold, or are likely to be sold, in the United States at LTFV, as provided for in section 733 of the Tariff Act of 1930. As a result of this preliminary determination by Commerce, the Commission instituted investigation No. 731-TA-103 (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 cotton shop towels from China. Commerce extended its investigation pursuant to section 735(a)(2)(A) of the Tariff Act of 1930. On August 10, 1983, Commerce made a final determination that such shop towels are being sold in the United States at less than fair value, with a weighted-average margin of 38.8 percent on all sales compared. 1/

Notice of the institution of investigation No. 731-TA-103 (Final) and of the 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 of April 20, 1983 (48 F.R. 16976). 1/ The hearing was held in Washington, D.C., on August 18, 1983. The Commission voted on this case on September 12, 1983, and notified Commerce of its determination on September 23, 1983.

## The Product

### Description and uses

Shop towels are industrial wiping cloths used primarily for wiping machine parts and cleaning away ink, grease, oil, or other unwanted substances. They are usually purchased by industrial laundries, which, in

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1/ Copies of Commerce's and the Commission's notices are presented in app. A. On September 12, 1983, Commerce amended its determination and changed the weighted-average margin to 36.2 percent.

turn, rent them to commercial and industrial establishments. After being used, the towels are returned to the laundry for cleaning and further use.

Shop towels are made from osnaburg, a loosely woven fabric of plain weave, usually ranging in weight from 4.5 to 5.5 ounces per square yard. The most widely used towel sizes are 18 X 18 inches and 18 X 30 inches. Most shop towels are overcast 1/ or finished on three edges with a natural selvage on the fourth.

Imported and domestic shop towels have the same end uses and, according to counsel for the petitioner and the respondents, are competitive. 2/ In terms of construction, imported and domestic shop towels differ in size and quality of the yarn used and the yarn count (threads per inch). The yarns used in imported towels are made of 70 percent waste fibers and 30 percent short staple fibers. The domestic towels are made of 60 percent waste and 40 percent short staple fibers. The yarns in the standard Chinese towel are of number 10 (10s) 3/ in both the length and the width of the fabric. Those used in domestic towels are 10s and 6s or 12s and 5s, the higher number in the warp (length of the goods) and the lower number in the filling (width of the goods). The yarn count in imported towels is usually 34 threads per inch in the warp and 26 threads per inch in the filling. Domestic towels usually have a yarn count of 29 in the warp and 20 in the filling. 4/ These construction differences in and of themselves do not necessarily make one towel better or worse overall than the other. The constructions reflect primarily the most efficient manufacturing methods for foreign and domestic producers.

Imported towels are 100 percent cotton and are usually sold in the greige 5/ state. U.S. producers make 100 percent cotton towels as well as towels that are a blend of 60 percent cotton and 40 percent acrylic. In 1982, cotton shop towels accounted for 58 percent and blended shop towels accounted for 42 percent of domestic production. The blended towels are preferred by some end users, which feel that they are stronger and more chemical resistant than the all-cotton towels. In addition, the blended towels can be washed at a lower temperature than the all-cotton towels and can be dried more quickly. Domestic producers sell towels in the greige state; they also dye them or treat them with a soil-release finish as additional cost options. In addition, domestic producers imprint customer names and logos on their towels without extra charge to their customers. Industry sources indicate that the cost of dyeing is * * * cent per towel; soil release, * * * cent; and imprinting, * * * cent.

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

2/ Postconference brief of the petitioner in investigation No. 731-TA-103 (Preliminary), p. 10, and transcript of the conference, p. 121.

3/ Yarn number describes the diameter of the yarn. The lower the number, the thicker the yarn.

4/ Transcript of the conference, pp. 90-91.

5/ Unbleached and uncolored.

Importers and producers disagree concerning the relative quality and utility of the imported versus the U.S.-produced towels. During the conference in investigation No. 731-TA-103 (Preliminary), the importers frequently alleged that the shop towels imported from China are a cheaper product, inferior in quality, and consequently should sell for less than the U.S.-produced towel. 1/ To support this contention, the importers cited the percentage of cotton waste in the imported towels 2/ and their lighter weight. 3/ They mentioned the additional features provided by U.S. producers that are not available on the Chinese towels, 4/ and stated that Chinese towels do not last as long as U.S.-made towels. 5/

However, the petitioner contends that the U.S. and Chinese shop towels are directly competitive, 6/ and that, although the U.S. towel is a better towel, the degree to which it is better does not warrant the price difference. 7/ The petitioner contended that if it produced a towel like the imported one it would cost roughly 1 cent more than it costs to make its own product because the Chinese use a finer yarn and consequently have to weave more threads per inch to achieve the required weight. 8/ Also, the petitioner states that Chinese shop towels weigh almost exactly the same as the towels that it produces. 9/

Respondents' posthearing brief in investigation No. 731-TA-103 (Final) contained information provided by Milliken & Co. relating to the comparative cost efficiency of the Chinese towel and Milliken's towels for one particular customer. 10/ Milliken's calculations indicate that the higher priced Milliken towel would be more profitable for the customer due to its longer life.

## U.S. tariff treatment

Shop towels are classified under item 366.2740 of the Tariff Schedules of the United States Annotated (TSUSA). The current column 1 or most-favored-nation (MFN) rate of duty for shop towels is 13.5 percent ad valorem, and the

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1/ Transcript of the conference, pp. 72, 74-75, 79, 80, 84, 91, 93, 95, 104, 106, and 129.
2/ Ibid., pp. 82 and 90-91.
3/ Ibid., pp. 80, 91, 106, and 114.
4/ Ibid., pp. 81 and 97.
5/ Ibid., pp. 92, 95, and 113.
6/ Ibid., pp. 16 and 49-50.
7/ Ibid., pp. 26 and 32.
8/ Ibid., pp. 28-30.
9/ Petitioner's postconference brief, app. 1.
10/ The information was provided as part of a sales presentation made by Milliken to Interstate Uniform Services Corp. and was tailored specifically for Interstate.

column 2 rate is 40 percent ad valorem. 1/ This rate reflects the second reduction resulting from concessions granted in the Tokyo round of the Multilateral Trade Negotiations (MTN), conducted under the auspices of the General Agreement on Tariffs and Trade (GATT) during 1973-79. The remaining scheduled reductions for cotton shop towels and their effective dates are as follows:

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

Imports of shop towels are not eligible for duty-free treatment under the Generalized System of Preferences (GSP). 2/ In addition, imports from the least developed developing countries (LDDC's) are not granted preferential tariff treatment. 3/

Cotton shop towels are subject to control under the Multifiber Arrangement (MFA), 4/ which provides the international legal framework within which importing countries can negotiate agreements with exporting countries to limit their shipments of textiles and apparel of cotton, wool, and manmade fibers. The current bilateral agreement with China, 5/ which covers the years 1983-87, provides for specific limits on selected textile and apparel categories; however, the quota category into which shop towels fall ("basket" category 369) has no specific limit. In the event that the U.S. Government believes that imports from China in any category not covered by specific limits

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1/ China was granted MFN treatment on Feb. 1, 1980, joining Hungary, Poland, Romania, and Yugoslavia as the only Communist countries eligible for such treatment. Poland was removed from MFN treatment on Nov. 1, 1982. Imports from all other Communist countries and areas, pursuant to general headnote 3(f) of the TSUSA, are assessed the higher col. 2 rates; imports from all other sources are assessed the MFN rate.

2/ GSP is a program of nonreciprocal tariff preferences granted by developed countries to developing countries to aid their economic development by encouraging greater diversification and expansion of their production and exports. The U.S. GSP program, enacted under title V of the Trade Act of 1974, was implemented by Executive Order No. 11888 in January 1976 and is scheduled to expire on Jan. 4, 1985.

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

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

5/ Although China is not an MFA signatory, the agreement with China is similar to agreements negotiated under the MFA. U.S. authority to enter into textile trade agreements with MFA signatory and nonsignatory countries is provided under sec. 204 of the Agricultural Act of 1956 (7 U.S.C. 624).

are, due to market disruption, threatening to impede the orderly development of trade between the two countries, the United States may request consultations with China for the purpose of establishing specific limits.

Channels of distribution

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

After the towels become soiled, they are returned to the rental source for cleaning. Testimony provided by the petitioner and respondents differs considerably with respect to the useful life of shop towels. Producers have stated that their shop towels are made to withstand over 50 launderings, but due to the high loss rate through pilferage, the average towel life is closer to 20 washings. Importers stated at the conference in investigation No. 731-TA-103 (Preliminary) that the Chinese towel lasts through only 5 washings, whereas laundries and linen suppliers expect a minimum of 9.2 washings from shop towels to get their money's worth. 1/

Industrial laundries indicate that the rental fee ranges from 3 to 8 cents per towel, with the average between 5 and 6 cents. Most establishments have a set delivery schedule, and depending on size and use, receive a specified number of towels per week. In rural areas, delivery may be made biweekly.

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

U.S. Producers

Five firms are known to produce shop towels in the United States; 2/ the petitioner--Milliken & Co.--is by far the largest producer. The shares of total production in 1982 accounted for by each of the four responding firms are shown in the following tabulation:

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

2/ Data received from Pennsylvania State Manufacturing Co., Clifton Heights, Pa., were incomplete and therefore not included. In recent years this firm manufactured shop towels in Puerto Rico; however, * * *. It produced * * * towels in 1980, * * * in 1981, and * * * in 1982. In January-May 1983, production was less than * * *. During the period under investigation, Pennsylvania State never accounted for more than * * * percent of total U.S. production. Shop towels accounted for less than * * * percent of Pennsylvania State's overall business.

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

Milliken & Co. is among the largest textile producers in the country, producing a wide array of textile products. * * *. Milliken's shop towel facility is located in LaGrange, Ga. Texel Industries, Inc., located in Cleburne, Tex., is the smallest domestic producer; shop towels account for * * * of its total sales. Shop towels account for * * * of the total sales of Wikit, Inc., located in LaGrange, Ga., and Wipo, Inc., located in Columbus, Ga.

Milliken and Wipo weave their own fabric and subsequently cut and finish it into shop towels. Texel Industries and Wikit purchase fabric and convert it into shop towels. Wikit and Wipo also purchase imported (primarily Chinese) towels from jobbers and identify them as such on their price lists; these are their lowest priced shop towels. Both firms reported that 1980 was the peak year for buying and selling imported towels, when such towels accounted for * * * of their total shop towel revenues.

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

## U.S. Importers

* * * identified 25 importers of shop towels from China during 1982 and January-April 1983. However, 21 of these firms accounted for less than 10 percent of total imports during the period. Most of these purchases were small quantities imported by firms for their own use, not for resale purposes. The * * * largest importers--* * *-- account for over 85 percent of total shop towel imports. * * *.

## The Chinese Industry

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

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

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

China's foreign trade is a state monopoly controlled by the Ministry of Foreign Trade through a number of foreign trade corporations, which are set up on a product or service basis. Trade in textiles is handled primarily by the China National Textiles Import and Export Corporation (Chinatex), which has a branch office in New York City. Prices of both foreign and domestic goods are fixed centrally by the State Price Bureau to maintain domestic price stability and to protect the domestic industry. Chinatex purchases textiles for export at prices fixed by the bureau for domestic use and then sells the goods abroad at world market prices. 2/

## Nature and Extent of Sales at LTFV

On August 10, 1983, the Department of Commerce made a final determination that cotton shop towels from China are being sold, or are likely to be sold, in the United States at LTFV within the meaning of section 733 of the Tariff Act of 1930. Margins of underselling averaging 38.8 percent were found on all sales examined. Commerce was unable to secure the cooperation of a surrogate country; therefore for purposes of the final determination, the foreign market value was based on the constructed value of the merchandise. 3/

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1/ Meeting with A. Paul Victor and Stuart M. Rosen, counsel for respondents, and Arnold Edelman, Sabtex Ltd., a U.S. importer, Sept. 13, 1982.

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

3/ See app. A.

## Consideration of Material Injury

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

Total U.S. production of shop towels (by reporting producers which accounted for * * * percent of total production in 1982) increased slightly from 161 million towels in 1980 to 162 million in 1981 before decreasing 22 percent to 126 million in 1982. In addition, production declined 10 percent in January-May 1983 compared with that in the corresponding period of 1982 (table 1).

Table 1.--Shop towels: U.S. production, by firms, 1980-82, January-May 1982, and January-May 1983

| Firm | 1980 | 1981 | 1982 | January-May-- | |
|---|---|---|---|---|---|
| | | | | 1982 | 1983 |
| | Quantity (1,000 units) | | | | |
| Milliken & Co------- | *** | *** | *** | *** | *** |
| Texel Industries, Inc---------------- | *** | *** | *** | *** | *** |
| Wikit, Inc---------- | *** | *** | *** | *** | *** |
| Wipo, Inc----------- | *** | *** | *** | *** | *** |
| Total----------- | 160,626 | 161,575 | 125,590 | 55,472 | 50,008 |
| | Percent of total | | | | |
| Milliken & Co------- | *** | *** | *** | *** | *** |
| Texel Industries, Inc---------------- | *** | *** | *** | *** | *** |
| Wikit, Inc---------- | *** | *** | *** | *** | *** |
| Wipo, Inc----------- | *** | *** | *** | *** | *** |
| Total----------- | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

1/ * * *.

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

*  *  *  *  *  *  *

Domestic producers manufacture both cotton and blended shop towels. The following tabulation shows the share of U.S. production of these towels (in percent):

| Type | 1980 | 1981 | 1982 | January-May-- | |
|---|---|---|---|---|---|
| | | | | 1982 | 1983 |
| Cotton------------ | 47 | 51 | 58 | 58 | 65 |
| Blended----------- | 53 | 49 | 42 | 42 | 35 |

Capacity in the shop towel industry remained relatively stable throughout the period under investigation, increasing 4 percent from 380.8 million towels in 1980 to 395.7 million towels in 1981 before decreasing 3 percent to 382.8 million towels in 1982 (table 2). Capacity during January-May 1983 was the same as that in the corresponding period of 1982.

Capacity utilization in the industry decreased from 42.2 percent in 1980 to 40.8 percent in 1981 and to 32.8 percent in 1982. It declined from 40.1 percent in January-May 1982 to 36.1 percent in January-May 1983.

Table 2.--Shop towels: U.S. production capacity and capacity utilization, by firms, 1980-82, January-May 1982, and January-May 1983

| Firm | 1980 | 1981 | 1982 | January-May-- | |
|---|---|---|---|---|---|
| | | | | 1982 | 1983 |
| | Production capacity (1,000 towels) | | | | |
| Milliken & Co------ | *** | *** | *** | *** | *** |
| Texel Industries, Inc-------------- | *** | *** | *** | *** | *** |
| Wikit, Inc--------- | *** | *** | *** | *** | *** |
| Wipo, Inc---------- | *** | *** | *** | *** | *** |
| Total---------- | 380,768 | 395,651 | 382,827 | 138,431 | 138,431 |
| | Capacity utilization (percent) | | | | |
| Milliken & Co------ | *** | *** | *** | *** | *** |
| Texel Industries, Inc-------------- | *** | *** | *** | *** | *** |
| Wikit, Inc--------- | *** | *** | *** | *** | *** |
| Wipo, Inc---------- | *** | *** | *** | *** | *** |
| Average-------- | 42.2 | 40.8 | 32.8 | 40.1 | 36.1 |

1/ * * *.

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

U.S. producers' domestic shipments 1/

The quantity of U.S. producers' shipments declined from about 160 million towels in 1980 and 1981 to 123.9 million in 1982 (table 3). Shipments continued to drop in January-May 1983 compared with those in the corresponding period of 1982, declining 9 percent to 49.8 million towels. The value of shipments increased by 7 percent, or $1.7 million, from 1980 to 1981 and then decreased 20 percent to $20.4 million in 1982. The value in January-May 1983 declined 9 percent to $8.3 million. The unit value of shipments increased from 14.94 cents per towel in 1980 to 16.44 cents in 1982; it decreased slightly in January-May 1983 to 16.42 cents per towel.

Table 3.--Shop towels: U.S. producers' domestic shipments, 1/ by firms, 1980-82, January-May 1982, and January-May 1983

| Firm | 1980 | 1981 | 1982 | January-May-- 1982 | January-May-- 1983 |
|---|---|---|---|---|---|
| | Quantity (1,000 units) | | | | |
| Milliken & Co | *** | *** | *** | *** | *** |
| Texel Industries, Inc | *** | *** | *** | *** | *** |
| Wikit, Inc | *** | *** | *** | *** | *** |
| Wipo, Inc | *** | *** | *** | *** | *** |
| Total | 159,939 | 159,960 | 123,936 | 54,680 | 49,801 |
| | Value (1,000 dollars) | | | | |
| Milliken & Co | *** | *** | *** | *** | *** |
| Texel Industries, Inc | *** | *** | *** | *** | *** |
| Wikit, Inc | *** | *** | *** | *** | *** |
| Wipo, Inc | *** | *** | *** | *** | *** |
| Total | 23,888 | 25,546 | 20,375 | 9,026 | 8,175 |
| | Unit value (cents per towel) | | | | |
| Milliken & Co | *** | *** | *** | *** | *** |
| Texel Industries, Inc | *** | *** | *** | *** | *** |
| Wikit, Inc | *** | *** | *** | *** | *** |
| Wipo, Inc | *** | *** | *** | *** | *** |
| Average | 14.94 | 15.98 | 16.44 | 16.51 | 16.42 |

1/ Excluding shipments of shop towels purchased from importers.
2/ * * *.

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

1/ Excluding shipments of shop towels purchased from importers.

U.S. producers' shipments of imported towels

* * * domestic producers reported domestic shipments of shop towels purchased from importers, as follows:

| | Quantity (1,000 towels) | Value (1,000 dollars) |
|---|---|---|
| 1980 | *** | *** |
| 1981 | *** | *** |
| 1982 | *** | *** |
| January-May-- | | |
| 1982 | *** | *** |
| 1983 | *** | *** |

U.S. producers' exports

* * * of the four U.S. producers * * * reported exports of shop towels, which went mainly to Europe. * * * exports represented approximately * * * percent of * * * total shipments (table 4).

Table 4.--Shop towels: U.S. producers' exports, 1980-82, January-May 1982, and January-May 1983

| Period | Quantity | Value | Unit value | Share of total quantity of shipments |
|---|---|---|---|---|
| | 1,000 towels | 1,000 dollars | Cents per towel | Percent |
| 1980 | *** | *** | *** | *** |
| 1981 | *** | *** | *** | *** |
| 1982 | *** | *** | *** | *** |
| January-May-- | | | | |
| 1982 | *** | *** | *** | *** |
| 1983 | *** | *** | *** | *** |

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

U.S. producers' inventories

Historically, shop towel producers have maintained little inventory because towels can be cut and sewn quickly to fill orders. U.S. producers' yearend inventories of shop towels more than doubled in the period under investigation, from 1.8 million towels in 1980 to 3.8 million in 1982 (table 5). There were 2.9 million towels in inventory at the end of May 1983, compared with 2.7 million at the end of May 1982. The ratio of inventories to production increased from 1.1 percent in 1980 to 3.0 percent in 1982; it decreased to 2.4 percent in January-May 1983.

Table 5.--Shop towels: U.S. producers' inventories held as of Dec. 31 of 1980-82, May 31, 1982, and May 31, 1983

| Period | Producers' inventories | Ratio of inventories to production |
|---|---|---|
| | 1,000 units | Percent |
| Dec. 31-- | | |
| 1980 | 1,760 | 1.10 |
| 1981 | 2,646 | 1.64 |
| 1982 | 3,779 | 3.01 |
| May 31-- | | |
| 1982 | 2,731 | 1/ 2.05 |
| 1983 | 2,931 | 1/ 2.44 |

1/ Based on annualized January-May production.

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

* * * producers reported inventories of shop towels purchased from importers. These inventories are shown in the following tabulation:

| Period | Quantity (1,000 towels) |
|---|---|
| Dec. 31-- | |
| 1980 | *** |
| 1981 | *** |
| 1982 | *** |
| May 31-- | |
| 1982 | *** |
| 1983 | *** |

Employment, productivity, and wages

The number of production and related workers engaged in the production of shop towels decreased from 427 in 1980 to 387 in 1982 (table 6). Hours worked declined more sharply during 1980-82, from 833,000 to 636,000; output per worker-hour remained stable, averaging 192 towels annually during the period. However, during January-May 1983, employment and hours worked dropped sharply while output per worker-hour increased 61 percent over what it was in 1980-82. These changes are attributed largely to one producer, * * * whose output per production hour was * * * during 1980-82, but * * * during January-May 1983. * * * attributes these changes * * *.

Table 6 provides data on employment and productivity for the four major U.S. producers and for comparison, data is also provided * * *.

Table 6.--Average number of production and related workers engaged in the production of shop towels, hours worked by such workers, and output per hour, 1980-82, January-May 1982, and January-May 1983

| Period | Number of production and related workers | | Hours worked by production and related workers | | Output per worker-hour | |
|---|---|---|---|---|---|---|
| | * * * | * * * | * * * | * * * | * * * | * * * |
| | | | | | Units | |
| 1980 | *** | 427 | *** | 833,000 | *** | 193 |
| 1981 | *** | 420 | *** | 868,000 | *** | 186 |
| 1982 | *** | 387 | *** | 636,000 | *** | 197 |
| Jan.-May-- | | | | | | |
| 1982 | *** | 405 | *** | 297,000 | 1/ *** | 2/ 198 |
| 1983 | *** | 234 | *** | 163,000 | 1/ *** | 2/ 310 |

1/ * * *.
2/ * * *.

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

Wages paid to production and related workers engaged in the production of shop towels are shown in table 7. Total compensation increased from $4.5 million in 1980 to $5.0 million in 1981 before decreasing nearly 20 percent to $4.0 million in 1982. Total compensation was $1.1 million in January-May 1983, compared with $2.0 million in the corresponding period of 1982. During the period under investigation, fringe benefits accounted for 6 to 10 percent of total compensation in the shop towel industry.

Table 7.--Total compensation paid to production and related workers engaged in the production of shop towels, wages paid to such workers excluding fringe benefits, and average hourly wages, 1980-82, January-May 1982, and January-May 1983

| Period | Total compensation | Wages paid excluding fringe benefits | Average hourly wage 1/ |
|---|---|---|---|
| | 1,000 dollars | | |
| 1980 | 4,459 | 4,163 | $5.35 |
| 1981 | 5,003 | 4,657 | 5.76 |
| 1982 | 3,969 | 3,592 | 6.24 |
| Jan.-May-- | | | |
| 1982 | 1,957 | 1,767 | 6.59 |
| 1983 | 1,122 | 1,018 | 6.88 |

1/ Calculated on the basis of total compensation.

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

Financial experience of U.S. producers

Profit-and-loss data, on an establishment basis and for shop towels alone, were received from four U.S. firms, which accounted for virtually all the value of total U.S. shipments of shop towels in 1982.

The data for U.S. producers' shop towel operations are presented in table 8. Total net sales of shop towels increased by 4 percent from $26.1 million in 1980 to $27.1 million in 1981 and then declined by 11 percent to $24.2 million in 1982. During the interim period ended March 31, 1983, total net sales declined by 12 percent to $11.7 million, compared with $13.3 million in the corresponding period of 1982.

During 1980 and 1981, two and three firms, respectively, reported a pretax profit on their shop towel operations. In 1982, * * * reported a pretax profit. During the interim period ended March 31, 1983, * * * earned a pretax profit, * * * just broke even, and * * * sustained pretax losses ranging from * * *. Aggregate operating profit remained steady at $3.3 million, averaging over 12.0 percent of net sales, in 1979 and in 1980, but then declined precipitously to $788,000, equivalent to only 3.3 percent of net sales, in 1982. During the interim period ended March 31, 1983, 1/ aggregate operating loss increased by 43 percent to $130,000, or 1.1 percent of net sales, compared with $91,000, or 0.7 percent of net sales, in the corresponding period of 1982. The ratio of net profit or loss before taxes to sales closely tracked the ratio of operating profit or loss to sales.

1/ * * *.

Table 8.--Profit-and-loss experience of 4 U.S. producers on their shop towel operations, by firms, accounting years 1980-82, 1/ and interim periods ended Mar. 31, 1982, and Mar. 31, 1983

| Period and firm | Net sales | Cost of goods sold | Gross profit or (loss) | General, selling, and administrative expenses | Operating profit or (loss) | Interest expense | Other income or (expense) | Net profit or (loss) before income taxes | Ratio of gross profit or (loss) to net sales | Ratio of operating profit or (loss) to net sales | Ratio of net profit or (loss) before income taxes to net sales | Cash flow (deficit) from operations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1,000 dollars | | | | | | | | Percent | | | 1,000 dollars |
| 1980: | | | | | | | | | | | | |
| Milliken & Co------ | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Texel Industries 2/--------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wikit, Inc--------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wipo, Inc---------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average------------ | 26,114 | 19,482 | 6,632 | 3,357 | 3,275 | 179 | (10) | 3,086 | 25.4 | 12.5 | 11.8 | 3,726 |
| 1981: | | | | | | | | | | | | |
| Milliken & Co------ | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Texel Industries--- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wikit, Inc--------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wipo, Inc---------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average------------ | 27,066 | 20,046 | 7,020 | 3,748 | 3,272 | 200 | 41 | 3,113 | 25.9 | 12.1 | 11.5 | 3,722 |
| 1982: | | | | | | | | | | | | |
| Milliken & Co------ | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Texel Industries--- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wikit, Inc--------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wipo, Inc---------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average------------ | 24,224 | 19,755 | 4,469 | 3,681 | 788 | 463 | 43 | 368 | 18.4 | 3.3 | 1.5 | 1,142 |
| Interim period ended Mar. 31, 1982: | | | | | | | | | | | | |
| Milliken & Co------ | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Texel Industries 3/--------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wikit, Inc--------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wipo, Inc---------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average------------ | 13,303 | 11,650 | 1,653 | 1,744 | (91) | 324 | 30 | (385) | 12.4 | (0.7) | (2.9) | 19 |
| Interim period ended Mar. 31, 1983: | | | | | | | | | | | | |
| Milliken & Co------ | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Texel Industries 3/--------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wikit, Inc--------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wipo, Inc---------- | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average------------ | 11,718 | 9,893 | 1,825 | 1,955 | (130) | 290 | 51 | (369) | 15.6 | (1.1) | (3.1) | (37) |

1/ Accounting year ended June 30 for * * *, Nov. 30 for * * *, and Mar. 31 for * * *.
2/ * * *.
3/ * * *.

The primary reason for the declining profitability in 1982 was a drop in sales volume, which contributed to rising unit costs, coupled with selling prices which did not keep pace with increasing unit costs and expenses. As a share of net sales, the cost of goods sold rose from 74.6 percent in 1980 to 81.6 percent in 1982. This share was 84.4 percent during the interim period ended March 31, 1983, compared with a peak of 87.6 percent in the corresponding period of 1982. General, selling, and administrative expenses, as a percentage of net sales, increased from 12.9 percent in 1980 to 15.2 percent in 1982 and to 16.7 percent in the interim period ended March 31, 1983.

Cash flow generated from U.S. producers' shop towel operations declined from $3.7 million in 1980 and 1981 to $1.1 million in 1982. The four firms reported a deficit of $37,000 for the interim period ended March 31, 1983, compared with a marginal cash flow of $19,000 in the corresponding period of 1982.

*       *       *       *       *       *       *

The profit-and-loss data for U.S. producers' establishments in which shop towels are produced are shown in table 9. Shop towel sales accounted for half or slightly more than half of establishment sales during 1980-82 and the interim period ended March 31, 1983. The trends for overall establishment net sales and operating profit ratios are similar to those for shop towel operations during the period. During 1982, however, operating profit on overall establishment operations declined much more slowly than that on shop towel operations. From 1981 to 1982, operating profit (as a percent of net sales) declined from 13.9 to 10.2 percent for establishment operations but from 11.5 to 1.5 percent for shop towels. During the interim period ended March 31, 1983, the U.S. producers reported increasing operating losses on shop towel operations and declining profitability on establishment operations.

Investment in productive facilities.--To provide an additional measure of profitability, the ratios of operating profit or loss to original cost and book value of fixed assets in overall establishment operations and shop towel operations are presented in table 10. These ratios followed the same trend as did the ratios of operating profit or loss to net sales for both establishment and shop towel operations.

Table 9.--Profit-and-loss experience of 4 U.S. producers on the overall operations of the establishments in which shop towels are produced, by firms, accounting years 1980-82, 1/ and interim periods ended Mar. 31, 1982, and Mar. 31, 1983

| Period and firm | Net sales | Cost of goods sold | Gross profit or (loss) | General, selling, and administrative expenses | Operating profit or (loss) | Interest expense | Other income or (expense) | Net profit or (loss) before income taxes | Ratio of gross profit or (loss) to net sales | Ratio of operating profit or (loss) to net sales | Ratio of net profit or (loss) before income taxes to net sales |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1,000 dollars | | | | | | | | Percent | | |
| 1980: | | | | | | | | | | | |
| Milliken & Co | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Texel Industries | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wikit, Inc | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wipo, Inc | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 48,214 | 34,054 | 14,160 | 6,450 | 7,710 | 252 | (19) | 7,439 | 29.4 | 16.0 | 15.4 |
| 1981: | | | | | | | | | | | |
| Milliken & Co | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Texel Industries | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wikit, Inc | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wipo, Inc | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 50,750 | 36,298 | 14,452 | 7,384 | 7,068 | 237 | 52 | 6,883 | 28.5 | 13.9 | 13.6 |
| 1982: | | | | | | | | | | | |
| Milliken & Co | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Texel Industries | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wikit, Inc | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wipo, Inc | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 48,628 | 35,992 | 12,636 | 7,693 | 4,943 | 492 | (31) | 4,420 | 26.0 | 10.2 | 9.1 |
| Interim period ended Mar. 31, 1982: | | | | | | | | | | | |
| Milliken & Co | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Texel Industries 2/ | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wikit, Inc | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wipo, Inc | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 25,516 | 19,898 | 5,618 | 3,670 | 1,948 | 380 | (29) | 1,539 | 22.0 | 7.6 | 6.0 |
| Interim period ended Mar. 31, 1983: | | | | | | | | | | | |
| Milliken & Co | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Texel Industries 2/ | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wikit, Inc | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Wipo, Inc | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 22,350 | 16,955 | 5,395 | 4,321 | 1,074 | 386 | 94 | 782 | 24.1 | 4.8 | 3.5 |

1/ Accounting year ended June 30 for * * * Nov. 30 for * * * and Mar. 31 for * * *.
2/ * * *.

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

Table 10.--Shop towels: Investment in productive facilities by 4 U.S. producers, as of the end of accounting years 1980-82, and interim periods ended Mar. 31, 1982, and Mar. 31, 1983

| Item | 1980 | 1981 | 1982 | Interim period ended Mar. 31-- 1982 | Interim period ended Mar. 31-- 1983 |
|---|---|---|---|---|---|
| Overall establishment operations: | | | | | |
| Original cost 1,000 dollars-- | 10,428 | 11,187 | 12,097 | 11,790 | 12,071 |
| Book value----------do---- | 4,297 | 4,328 | 4,563 | 4,489 | 4,127 |
| Ratio of operating profit or (loss) to-- | | | | | |
| Net sales------percent-- | 16.0 | 13.9 | 10.2 | 7.6 | 4.8 |
| Original cost-----do---- | 73.9 | 63.2 | 40.9 | 16.5 | 8.9 |
| Book value---------do---- | 179.4 | 163.3 | 108.3 | 43.4 | 26.0 |
| Shop towel operations: | | | | | |
| Original cost 1,000 dollars-- | 7,696 | 8,056 | 8,841 | 8,743 | 8,984 |
| Book value----------do---- | 2,790 | 2,715 | 3,171 | 3,083 | 2,963 |
| Ratio of operating profit or (loss) to-- | | | | | |
| Net sales------percent-- | 12.5 | 12.1 | 3.3 | (0.7) | (1.1) |
| Original cost-----do---- | 42.6 | 40.6 | 8.9 | (0.1) | (1.4) |
| Book value---------do---- | 117.4 | 120.5 | 24.9 | (3.0) | (4.4) |

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

Capital expenditures.--Four firms furnished data on their capital expenditures for buildings and machinery and equipment used in the manufacture of all products of the reporting establishments and in the manufacture of shop towels. As shown in table 11, overall establishment capital expenditures rose from $812,000 in 1980 to $1.1 million in 1981 and then declined 21 percent to $884,000 in 1982. Capital expenditures declined from $368,000 in January-March 1982 to $118,000 in the corresponding period of 1983, representing a decrease of 68 percent.

Table 11.--Shop towels: Capital expenditures by 4 U.S. producers for building and leasehold improvements and machinery and equipment, 1980-82, January-March 1982, and January-March 1983

(In thousands of dollars)

| Year | Building and leasehold improvements | Machinery and equipment | Total |
|---|---|---|---|
| All products of establishments: | | | |
| 1980 | 35 | 777 | 812 |
| 1981 | 150 | 970 | 1,120 |
| 1982 | 28 | 856 | 884 |
| January-March-- | | | |
| 1982 | 23 | 345 | 368 |
| 1983 | 5 | 113 | 118 |
| Shop towels: | | | |
| 1980 | 31 | 417 | 448 |
| 1981 | 76 | 657 | 733 |
| 1982 | 28 | 769 | 797 |
| January-March-- | | | |
| 1982 | 18 | 310 | 328 |
| 1983 | 2 | 52 | 54 |

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

Capital expenditures relative to shop towels increased from $448,000 in 1980 to $797,000 in 1982. During January-March 1983, capital expenditures dropped by 84 percent, to $54,000 from $328,000 in the corresponding period of 1982. * * *.

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

| Period | Value (1,000 dollars) |
|---|---|
| 1980 | *** |
| 1981 | *** |
| 1982 | *** |
| January-March-- | |
| 1982 | *** |
| 1983 | *** |

* * * * * * *

Impact of imports on U.S. producers' growth, investment, and ability to raise capital

The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of cotton shop towels from China on their firms' growth, investment, and ability to raise capital. Their responses are presented below.

* * * * * * *

## Consideration of the Threat of Material Injury

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

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

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

| Period | Quantity (1,000 units) |
|---|---|
| 1980 | *** |
| 1981 | *** |
| 1982 | *** |
| 1983 (January-June) | *** |

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

## Consideration of the Causal Relationship Between LTFV imports and Alleged Injury

U.S. imports

Imports of cotton shop towels from all sources, after increasing 25 percent from 91 million towels in 1980 to about 114 million in 1981, decreased

18 percent in 1982 to 93 million towels (table 12). Imports in January-June 1983 were 16 percent higher than those in the corresponding period of 1982. Imports from China accounted for almost all the increase; their share of the total climbed from 50 percent in 1980 to 83 percent in 1981 and to 89 percent in 1982. Shipments from China rose from 45 million towels in 1980 to 94 million in 1981 before decreasing to 83 million towels in 1982. In 1980, Hong Kong was by far the second largest supplier, with about 34 percent of the imports, and Singapore supplied an additional 10 percent. In 1982, Hong Kong's share of total imports declined to 2 percent, as its shipments decreased to less than 2 million towels from 31 million in 1980. During 1980-82, imports from Pakistan rose annually from 4 million to almost 7 million towels, making it the second largest supplier in 1982. There have been no imports from Singapore recorded since January 1981.

Table 12.--Shop towels: U.S. imports for consumption, by principal sources, 1980-82, January-June 1982, and January-June 1983

| Source | 1980 | 1981 | 1982 | January-June-- | |
|---|---|---|---|---|---|
| | | | | 1982 | 1983 |
| | Quantity (1,000 units) | | | | |
| China | 45,460 | 94,329 | 83,013 | 33,544 | 31,006 |
| Pakistan | 4,349 | 6,053 | 6,607 | 2,820 | 11,976 |
| Hong Kong | 30,714 | 12,491 | 1,779 | 1,229 | 2,451 |
| Taiwan | 1,250 | 625 | 1,600 | 1,550 | 0 |
| Singapore | 8,782 | 250 | 0 | 0 | 0 |
| All other | 725 | 75 | 60 | 0 | 44 |
| Total | 91,280 | 113,823 | 93,059 | 39,143 | 45,477 |
| | Value (1,000 dollars) | | | | |
| China | 3,148 | 7,199 | 6,764 | 2,761 | 2,503 |
| Pakistan | 412 | 492 | 594 | 266 | 896 |
| Hong Kong | 2,984 | 1,377 | 178 | 120 | 202 |
| Taiwan | 98 | 43 | 153 | 115 | - |
| Singapore | 758 | 20 | - | - | - |
| All other | 50 | 9 | 4 | - | 11 |
| Total | 7,450 | 9,140 | 7,692 | 3,262 | 3,612 |
| | Unit value (cents per towel) | | | | |
| China | 6.93 | 7.63 | 8.15 | 8.23 | 8.07 |
| Pakistan | 9.47 | 8.14 | 8.98 | 9.42 | 7.48 |
| Hong Kong | 9.72 | 11.02 | 9.98 | 9.73 | 8.24 |
| Taiwan | 7.84 | 6.90 | 9.56 | 7.44 | - |
| Singapore | 8.63 | 8.03 | - | - | - |
| All other | 6.85 | 12.22 | 6.50 | - | 25.90 |
| Average | 8.16 | 8.03 | 8.27 | 8.33 | 7.94 |

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

The increase in imports in January-June 1983 was accounted for mainly by Pakistan and Hong Kong. Pakistan's shipments increased from 2.8 million to nearly 12 million towels, and Hong Kong's shipments increased from 1.2 million to 2.5 million towels. China's shipments decreased 8 percent, or by about 2.5 million towels. There were no imports from Taiwan recorded in January-June 1983.

The shop towels imported from China have remained less expensive than those from most other major suppliers despite an increase in unit value of 17 percent from 6.93 cents each in 1980 to 8.08 cents in January-June 1983. The towels imported from Pakistan in January-June 1983 were valued at an average of 7.49 cents each, and those from Hong Kong, at 8.25 cents each.

## U.S. consumption and market penetration

Apparent U.S. consumption of shop towels (producers' domestic shipments including shipments from inventory plus total imports) increased from 251 million towels in 1980 to 274 million in 1981 and then decreased 21 percent to 217 million towels in 1982 (table 13). Consumption during January-May 1983 increased by 4 percent to nearly 90 million towels from the level reported in the corresponding period of 1982.

Table 13.--Shop towels: Apparent U.S. consumption, 1980-82, January-May 1982, and January-May 1983

| Period | Apparent U.S. consumption | Ratio of imports to consumption | Ratio of imports from China to consumption |
|---|---|---|---|
| | 1,000 towels | Percent | |
| 1980 | 251,219 | 36.3 | 18.1 |
| 1981 | 273,783 | 41.6 | 34.5 |
| 1982 | 216,995 | 42.9 | 38.3 |
| January-May-- | | | |
| 1982 | 85,819 | 36.3 | 31.1 |
| 1983 | 89,635 | 44.4 | 33.3 |

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

Imports of shop towels from all sources increased from 36.3 percent of apparent U.S. consumption in 1980 to 42.9 percent in 1982 and to 44.4 percent in January-May 1983. Imports from China as a share of U.S. consumption increased from 18.1 percent in 1980 to 38.3 percent in 1982 and then declined slightly to 33.3 percent in January-May 1983. A comparison of China's market share with the market shares of the four domestic producers responding to the Commission's questionnaire is shown in table 14.

Table 14.--Shop towels: U.S. producers' domestic shipments, by firms, and imports from China and all other sources, 1980-82, January-May 1982, and January-May 1983

| Item | 1980 | 1981 | 1982 | January-May-- 1982 | January-May-- 1983 |
|---|---|---|---|---|---|
| | Quantity (1,000 units) | | | | |
| Producers' domestic shipments: | | | | | |
| Milliken & Co---- | *** | *** | *** | *** | *** |
| Texel Industries----- | *** | *** | *** | *** | *** |
| Wikit, Inc-------- | *** | *** | *** | *** | *** |
| Wipo, Inc--------- | *** | *** | *** | *** | *** |
| Subtotal-------- | 159,939 | 159,960 | 123,936 | 54,680 | 49,801 |
| Imports from-- | | | | | |
| China------------- | 45,460 | 94,329 | 83,013 | 26,720 | 29,863 |
| All other--------- | 45,820 | 19,494 | 10,046 | 4,419 | 9,971 |
| Subtotal-------- | 91,280 | 113,823 | 93,059 | 31,139 | 39,834 |
| Total--------- | 251,219 | 273,783 | 216,995 | 85,819 | 89,635 |
| | Percent of total | | | | |
| Producers' domestic shipments: | | | | | |
| Milliken & Co---- | *** | *** | *** | *** | *** |
| Texel Industries----- | *** | *** | *** | *** | *** |
| Wikit, Inc-------- | *** | *** | *** | *** | *** |
| Wipo, Inc--------- | *** | *** | *** | *** | *** |
| Subtotal-------- | 63.7 | 58.4 | 57.1 | 63.7 | 55.6 |
| Imports from-- | | | | | |
| China------------- | 18.1 | 34.5 | 38.3 | 31.1 | 33.3 |
| All other--------- | 18.2 | 7.1 | 4.6 | 5.1 | 11.1 |
| Subtotal-------- | 36.3 | 41.6 | 42.9 | 36.3 | 44.4 |
| Total--------- | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

1/ * * *.

Source: Producers' shipments, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

Prices

U.S. producers of shop towels in the United States sell to large industrial laundries and to distributors. The laundries then rent the shop towels to the industries that use them and exchange them for clean ones when needed. * * *, a large importer of shop towels, sells them through linen jobbers, which sell towels as well as other laundry supplies to the trade. These jobbers usually work on a 12 to 15 percent commission. The industrial laundries, also called laundry suppliers, usually handle a large number of other laundry items, e.g., table cloths and table napkins (rented to restaurants), as well as commercial uniforms and other items. The shop towels are usually sold in bales containing 3,000 towels, 1/ and are usually shipped by truck.

The largest U.S. producer of shop towels, Milliken & Co., * * * sells its shop towels exclusively under the trade name of Kex, as well as dustmops and entrance mats; * * *.

Some domestic producers sell their products at the same prices to all customers; others sell at varied, negotiated prices. * * *. Prices are quoted on an f.o.b. plant basis, with the purchaser paying for the cost of transportation. A large part of shop towels sold by domestic producers are sold on a spot-price basis, but some are sold on contracts providing price guarantees for 1 to 3 months.

The Commission's questionnaires requested domestic producers and importers to provide prices for sales of cotton and cotton blend shop towels to their three largest customers for the period January 1981 through June 1983. Four domestic producers and two importers responded with usable data. In addition, questionnaires were sent to purchasers of domestic and imported shop towels; 15 purchasers returned questionnaires with usable price data. Although shop towels are produced in various sizes, the 18-inch X 18-inch size is discussed in this section because it accounts for over 85 percent of domestic production and for about 95 percent of imports.

Price trends.--The weighted-average price of domestically produced greige, all-cotton shop towels climbed steadily from $145.64 in January 1981 to $154.10 in June 1983, for a total increase of $8.46 per 1,000 towels, or 5.8 percent (table 15). The weighted-average price for greige all-cotton shop towels imported from the People's Republic of China * * * gradually from * * * per 1,000 towels in * * * to * * *, representing a total price * * * of * * * or * * * percent for the * * * period.

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1/ A bale of imported shop towels contains 2,500 towels.

Table 15.--Shop towels: Domestic producers' and importers' weighted-average prices to their 3 largest customers, f.o.b. U.S. point of shipment, and margins of underselling, by types and by quarters, January 1981-June 1983

| Period | Domestic producers' prices for greige, all-cotton 18" X 18" | Importers' prices for greige, all-cotton, 18" X 18" | Margin of overselling or underselling | |
|---|---|---|---|---|
| | | | Value | Percent |
| | Per 1,000 towels | | | |
| 1981: | | | | |
| Jan.-Mar--- | $145.64 | *** | *** | *** |
| Apr.-June-- | 146.63 | *** | *** | *** |
| July-Sept-- | 149.93 | *** | *** | *** |
| Oct.-Dec--- | 151.01 | *** | *** | *** |
| 1982: | | | | |
| Jan.-Mar--- | 150.88 | *** | *** | *** |
| Apr.-June-- | 151.49 | *** | *** | *** |
| July-Sept-- | 153.08 | *** | *** | *** |
| Oct.-Dec--- | 153.42 | *** | *** | *** |
| 1983: | | | | |
| Jan.-Mar--- | 153.43 | *** | *** | *** |
| Apr.-June-- | 154.10 | *** | *** | *** |

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

Price data were also requested from purchasers of domestic and imported shop towels. The purchasers are all suppliers of towels and other linens to the trade on a rental basis. They provide clean towels to users and pick up the dirty towels on a regular basis. The users pay a set charge for cleaning the towels (the price ranges from $0.03 to $0.08 per towel, per washing, depending on volume and other considerations). The towel supply business is highly price competitive, and the towel rental companies generally cannot charge more if they use more expensive domestically produced towels rather than imports. Therefore, the less the supply houses pay for serviceable shop towels, the higher their potential profit. Users are billed for replacement of lost towels, and generally the cost of wornout towels is amortized in the cleaning charge. Certain laundries stated that the loss rate for shop towels is approximately 5 to 6 percent. That is, a user will lose about 5 towels for every 100 in use between servicings (launderings).

The weighted-average price for greige, all-cotton shop towels purchased from domestic producers fluctuated during January 1982-June 1983, first rising from $163.69 per 1,000 towels in January 1982 to $166.20 in April 1982 and then dropping to $155.49 in July 1982. A partial recovery to $160.86 and $160.34 was noted during October-December 1982 and January-March 1983, respectively. The price then declined again to $157.22 during April-June 1983, representing a decline of $6.47 or 4.0 percent for the 6-quarter period (table 16).

The weighted-average price paid by purchasers to importers of Chinese greige, all-cotton shop towels increased from $108.19 per 1,000 towels during January-March 1982 to $109.92 during April-June 1982 and then declined irregularly to $107.30 in April-June 1983, representing a total decline of $0.89 or 0.8 percent for the 6-quarter period.

Table 16.--Shop towels: Purchasers' weighted-average prices, f.o.b. U.S. point of shipment, and margins of underselling, by types and by quarters, January 1982-June 1983

(Per 1,000 towels)

| Period | Domestic greige, all-cotton, 18" X 18" | Imported greige, all-cotton, 18" X 18" | Margin of underselling | |
|---|---|---|---|---|
| | | | Value | Percent |
| | Per 1,000 towels | | | |
| 1982: | | | | |
| January-March | $163.69 | $108.19 | $55.50 | 34 |
| April-June | 166.20 | 109.92 | 56.28 | 34 |
| July-September | 155.49 | 108.36 | 47.13 | 30 |
| October-December | 160.86 | 108.51 | 52.35 | 33 |
| 1983: | | | | |
| January-March | 160.34 | 108.10 | 52.24 | 33 |
| April-June | 157.22 | 107.30 | 49.92 | 32 |

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

Although imports are entirely of greige, all-cotton manufacture, several different types of domestic shop towels are available. Table 17 presents prices of the major types of shop towels compiled from questionnaire responses of domestic producers.

Table 17.--Shop towels: Domestic producers' weighted-average prices to their 3 largest customers, f.o.b. U.S. point of shipment, by types and by quarters, January 1981-June 1983

| Period | Greige, all-cotton, 18" X 18" | Other 1/ all-cotton, 18" X 18" | Greige, blends, 18" X 18" | Other blends 1/ 18" X 18" |
|---|---|---|---|---|
| 1981: | | | | |
| January-March | $145.64 | $154.37 | $150.22 | $156.50 |
| April-June | 146.63 | 153.32 | 153.23 | 164.05 |
| July-September | 149.93 | 158.74 | 155.60 | 167.05 |
| October-December | 151.01 | 162.67 | 154.83 | 167.74 |
| 1982: | | | | |
| January-March | 150.88 | 162.19 | 156.11 | 168.49 |
| April-June | 151.49 | 163.53 | 153.70 | 166.24 |
| July-September | 153.08 | 163.38 | 155.65 | 164.95 |
| October-December | 153.42 | 163.39 | 155.84 | 166.81 |
| 1983: | | | | |
| January-March | 153.43 | 165.78 | 156.70 | 164.33 |
| April-June | 154.10 | 160.47 | 156.37 | 160.82 |

1/ Dyed or imprinted or soil-release treated, or combinations thereof.

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

Margins of underselling.--A comparison of prices of greige, all-cotton shop towels supplied by U.S. producers and importers shows that imports from China undersold domestic producers in every quarter during January 1981-June 1983. Margins of underselling ranged from * * * per 1,000 shop towels (* * * percent) to * * * (* * * percent) (table 15). The margins increased gradually over the period, reaching their highest level in * * *.

The margins of underselling based on price data supplied by purchasers were above 30 percent, and varied between a high of $56 (34 percent) during January-June 1982 and a low of $47 (30 percent) during July-September 1982 (table 16).

## Lost sales

* * *, provided specific information on alleged lost sales as a result of imports of shop towels from China. * * * supplied the names of 32 firms or establishments where * * * stated that * * * lost sales amounting to over * * * million towels, valued at * * * million, during 1981-82. * * * alleged lost sales but provided no details. For the preliminary investigation, * * * supplied the names of 34 purchasers to which they allegedly lost sales.

The Commission staff contacted 12 establishments which purchase shop towels. The responses of these firms are summarized as follows.

Purchases.--All those surveyed confirmed increased purchases of imports from China during 1981 and 1982. However, four companies shifted back to domestic products very recently. In one case, the shift was attributed to the recent availability of a lower priced domestic product. At the hearing, a witness for the respondents stated that two domestic producers have either introduced or intend to introduce a towel that will compete with imports. * * *.

Prices.--Nearly all purchasers reported a substantial difference in the prices of Chinese and domestic towels, with the imported towel underselling the domestic towel by an average of 30 percent, or about 5 to 6 cents per towel, during much of 1981 and 1982. Two purchasers reported recent offerings by a domestic producer of towels priced as low as imports; other purchasers were not aware of any such offerings. Four purchasers indicated that the price of towels from China had increased by as much as 2 cents each or more during the last 6 months, in part due to the suspension of liquidation of entries from China following Commerce's preliminary determination of sales at LTFV in March 1983.

Quality.--The domestic products, * * * are generally regarded as being of a better quality than imports. The quality factor primarily concerns how long a towel lasts. The laundries felt that for most uses the imported towel and domestic towel performed satisfactorily for the user, but the domestic towel endures more launderings and lasts longer.

There are differences of opinion among purchasers as to how significant this quality difference is, in view of the way most towels are used and the high loss rate, which reduces the value of durability. Both have good absorbency, an important attribute. Good quality seems to be more important for certain users, such as high-technology industries and retail auto dealers, and in certain geographic areas, such as the Midwest, where loss rates are lower. Most purchasers indicated that their customers are not aware of the towels' origin and that there is no difference in the price of service.

The reported lower priced domestic product is of a construction different from that of previous domestic products and similar to imports in quality. With the increase in the price of imports, both the lower priced domestic product and imports would be available at about 12 cents each.

Availability.--Several purchasers indicated some uncertainty in the market as regards availability of imports, but most large users of imports said that, until now, there have been no specific instances when they were unable to get them. Freight rates are a factor in many locations; in some, freight is less for imports, but in others, it is less for the domestic product.

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1/ Telephone coversation between * * *, and Marilyn Borsari on Aug. 29, 1983.

Special features.--Features offered by U.S. shop towel producers, i.e., soil release, dyeing, and imprinting, are considered useful but not nearly important enough to offset the large price difference between the imported and domestic towels in most segments of the market.

# APPENDIX A

## FEDERAL REGISTER NOTICES

## Final Determination of Sales at Less Than Fair Value: Shop Towels of Cotton From the People's Republic of China

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

**ACTION:** Notice of final determination of sales at less than fair value: Shop towels of cotton from the People's Republic of China.

**SUMMARY:** We have determined that shop towels of cotton from the People's Republic of China are being sold, or are 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 28, 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:** August 16, 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) 377-3963 or 377-2613.

**SUPPLEMENTARY INFORMATION:**

### Final Determination

We have determined that shop towels of cotton (shop towels) from the People's Republic of China (PRC) are being sold, or are 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 shop towels sold by China National Textiles Import and Export Corporation (Chinatex) and China National Arts and Crafts Import and Export Corporation (CNART) the only exporters 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 2.6 percent to 52.6 percent. The weighted-average margin on all sales compared is 38.8 percent.

### Case History

On August 24, 1982, we received a petition in proper form from Counsel for Milliken and Company filed on behalf of the United States industry producing shop towels of cotton. The petitioner alleged that shop towels of cotton from the People's Republic of China are 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 shop towels of cotton. We notified the ITC of our action and initiated this investigation on September 13, 1982 (47 FR 41149). The ITC informed the Department on October 8, 1982, that there is a reasonable indication that imports of shop towels of cotton 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 31, 1983, until March 22, 1983 (47 FR 56377).

On March 28, 1983, we preliminarily determined that cotton shop towels from the People's Republic of China are being, or are likely to be, sold in the United States at less than fair value (48 FR 12764). On April 19, 1983, we postponed the date for making a final determination in this investigation until August 10, 1983 (48 FR 16729).

### Scope of Investigation

The product covered by this investigation is shop towels of cotton from the People's Republic of China, which are currently classified under item number 366.2740 of the Tariff Schedules of the United States Annotated. Since Chinatex and CNART are the only exporters of shop towels from the People's Republic of China we limited our investigation to them.

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 the purchase price of the subject merchandise to represent United States price because sales by both Chinatex and CNART were made to unrelated purchasers prior to the importation of the merchandise into the United States. We calculated purchase price based on the C & F or CIF price to the unrelated purchasers. Where appropriate, we made deductions for inland freight, ocean freight, warehousing, and marine insurance.

**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.

Among the factors that were involved in determining the state-controlled issue were the fact the major raw material, 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, § 353.8 of the Commerce Regulations requires us to use prices or the constructed value of such or similar merchandise in a "non-state-controlled-economy" country or the constructed value of such or similar merchandise based on the factors of production in the state-controlled-economy country valued in a non-state-controlled economy country to determine foreign market value.

For purposes of the preliminary determination, we attempted to secure the cooperation of a surrogate country whose home market sales (or in the absence of home market sales, export sales) we could use to determine foreign market value. It was determined, after an analysis of countries which produce shop towels, that Pakistan would be the most appropriate surrogate. However we were unable to obtain information on Pakistani home market sales of the product.

Other countries which we considered as possible surrogates were India, Indonesia, Thailand, Singapore, the Dominican Republic, Colombia, and Hong Kong. We were unable to obtain information on prices or costs of manufacture of shop towels in India, Indonesia, Thailand, Singapore, the Dominican Republic, Colombia or Hong Kong. In many of those countries no shop towels were produced during the period of investigation.

Therefore, for purposes of the preliminary determination pursuant to § 353.8(a)(1) of our Regulations, we based foreign market value on the average fob price of all imports of shop towels into the United States from May 1982 through October 1982, except those imported from the PRC. This information was gathered from Department of Commerce imports statistics, which was the best information available.

Since we were unable to secure the cooperation of a surrogate who produced shop towels during the period of investigation, for purposes of the final determination, we based foreign market value on the constructed value of the Merchandise, which was calculated pursuant to the provisions of § 353.8(c) of the Commerce regulations. Specifically, we gathered and verified information concerning the factors of production pertinent to the production of shop towels in the PRC. We then valued these factors in a non-state-controlled economy country (Indonesia) which we determined to be reasonably comparable in economic development to the PRC. To these values we added an amount for general expenses and profit as required by section 773(e)(1)(B) of the Act, and the cost of all containers and coverings and other expenses, as required by section 773(e)(1)(C) of the Act.

**Verification**

In accordance with section 776(a) of the Act, we verified data used in making this determination in this investigation, by using verification procedures, which included on-site inspection of manufacturer's facilities and examination of company records and selected original source documentation 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 for the final determination, the Department should base foreign market value on United States producer costs.

The petitioner bases this argument on the following points:

(1) "The U.S. antidumping law expressly provides for the use of U.S. producer prices/costs to establish foreign market value in a non-market-economy."

*DOC Position*

We agree that the Act does provide for the use of United States producer prices or costs as a basis for foreign market value, but it is our opinion that such prices or costs should be used only as a last resort when no other information is available. Such is not the case here.

(2) "Petitioner has produced the only detailed and verifiable information on the record."

*DOC Position*

We disagree. In our opinion the information we have gathered and verified in the PRC concerning factors of production is sufficient to form the basis for foreign market value.

(3) "In this case, it is particularly appropriate to determine foreign market value on the basis of U.S. Cost of Production Data." In support of this allegation petitioner alleges that "prices now being offered by all major foreign suppliers are substantially below fully allocated production costs."

*DOC Position*

The allegation of sales below cost is unsubstantiated and unverified. Moreover, even if the allegation were proven true, such fact would not affect our methodology in this investigation. As noted above we are basing foreign market value on *constructed value*, not selling prices.

*Comment 2*

"The reliance on section 353.8(c) of the Department's regulations would raise serious legal and practical problems." The petitioner argues agains the constructed value methodology outlined in section 353.8(c) on the grounds that it is not provided for in the Act itself.

*DOC Position*

This methodology was provided for by regulation and was used in investigations prior to enactment of the Trade Agreements Act of 1979, the most recent version of the antidumping law. Inasmuch as Congress did not express disapproval of this methodology when it enacted the Trade Agreements Act, we consider this methodology legally valid.

*Comment 3*

The petitioner argues that we cannot use the § 353.8(c) methodology because the respondent's information on PRC production is inadequate.

*DOC Position*

The information submitted by the respondent together with information we gathered and verified in the PRC is sufficient to form the basis for foreign market value.

*Comment 4*

Petitioner argues that if the Department does use the § 353.8(c) methodology it should add amounts for general expenses and profit experienced by a company in a surrogate country if said amounts are greater than the statutory minimums of 10 percent and 8 percent respectively.

*DOC Position*

We agree with this comment. However, we found that the surrogate producer in Indonesia experienced general expenses and profit of less than the statutory minimums of 10 and 8 percent. We therefore added the statutory minimums.

*Comment 5*

The petitioner argues that if the Department uses the § 353.8(c) methodology it should adjust upward the yarn input factor supplied by the PRC and make allowance (an addition) for machinery "wear and tear" in the PRC. According to the petitioner, machinery wear and tear should be accounted for by factors for depreciation and long- and short-life supplies.

*DOC Position*

We agree with this comment and have increased the yarn input factor and developed factors for depreciation and long- and short-life supplies.

*Comment 6*

The petitioner argues that an "allocation must be made for indirect material cost not reported, or understated by respondents." Specifically the petitioner asserts that the respondents have omitted any factor for ink usage (ink used to mark each towel "made in China") and have provided incomplete information concerning packing materials.

*DOC Position*

We agree with this comment and have made allowance for ink usage and have adjusted the production factor submitted by the respondent for packing materials to include each item of material observed as part of PRC shop towel packing.

*Comment 7*

The petitioner argues that "allocations for internal and transoceanic freight must be based on surrogate country prices."

The petitioner goes on to state there are three items of freight which should be valued in a surrogate country: transportation of raw materials to the mills, transportation of finished towels from the mills to the ports of export (inland freight), and transportation of the towels from the ports of export to the ports of entry in the United States (ocean freight).

*DOC Position*

Only the first category, raw material transportation, is a factor to be considered in calculating foreign market value. We have accounted for this factor by valuing all raw material factors in Indonesia on a delivered price basis. With regard to the other types of transportation cited by the petitioner, inland and ocean freight, these are items which are deducted in the calculation of United States price pursuant to section 772(d)(2)(A) of the Act. There is no provision in this section or elsewhere in the Act which authorizes the use of surrogate country information in determining deductions for inland and ocean freight.

*Respondent's Comments*

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

*Comment 1*

The respondent argues that "foreign market value should be based on Pakistani sales to the United States".

*DOC Position*

Information gathered by the American Consulate in Karachi, Pakistan, from the Towel Manufacturers Association of Pakistan indicates that there may be significant sales of shop towels for consumption in the home market of Pakistan. The Act and Regulations establish an order of preference according to which we must examine a surrogate country producer's home market sales before examining their sales to other countries, including the United States. However, the Government of Pakistan did not grant the Department permission to contact Pakistani shop towel producers. It is the Department's policy not to make such contacts without government permission. The refusal of the Government of Pakistan to grant us permission to contact Pakistani shop towel producers precludes us from examining home market sales in Pakistan. Because of the statutory and regulatory preference for home market as opposed to export sales, in the absence of information concerning home market sales of shop towels in Pakistan, it is inappropriate to use Pakistani sales of shop towels to the United States as the basis for foreign market value in this investigation.

*Comment 2*

The petitioner argues that in the absence of information concerning home market sales in Pakistan, we should use information regarding Pakistani sales to the United States as the basis for foreign market value because such information would qualify as the best information available within the meaning of section 776(b) of the Act.

*DOC Position*

It is inappropriate to use information regarding Pakistani sales of shop towels to the United States as the best information available in view of the recent determination by the Commerce Department that the Government of Pakistan subsidizes exports of textile mill products *(Certain Textiles and Textile Mill Products from Pakistan; Final Countervailing Duty Determination 45 FR 37873, June 5, 1980).*

Foreign market value based on subsidized export prices would not be an accurate reflection of the normal costs, expenses, and profits of the producer as required by section 773(c) of the Act.

Moreover, the constructed value methodology employed by the Department in this current investigation is in accordance with section 773(c) of the Act and § 353.8 of the Regulations, and the information relied upon has been verified in accordance with section 776(a) of the Act. Therefore, we have no need to resort to use of best information available (under section 776(b) of the Act) here.

*Comment 3*

The respondent argues that "Commerce is under an affirmative obligation to seek available information respecting Pakistani sales to the United States". The respondent suggests that Department should obtain such information from the import records of the United States Customs Service.

*DOC Position*

As explained above, the methodology employed by the Department is in accordance with the Act and Regulations and the information used has been verified. In addition, as noted above in our response to respondent's comment 1, we consider Pakistani sales of shop towels to the United States an inappropriate basis for foreign market value for purposes of this final determination.

*Comment 4*

The respondent argues that "In valuing the PRC production factors, Commerce must ensure that costs reflect production at a level of economic development comparable to that in PRC shop towel factories".

Specifically, the respondent argues that not only must the surrogate country from which information is gathered be at a level of economic development comparable to the PRC, but that also the sector in the surrogate country from which information is gathered must be comparable in economic development to the PRC shop towel industry.

*DOC Position*

Under § 353.8(c) of the Commerce Regulations, the Department must determine that a non-state-controlled-economy country is comparable in terms of economic development to the state-controlled economy country. We therefore compared the sectoral infrastructure development in the PRC with the sectoral infrastructure development in Indonesia in the course of determining that Indonesia is at a stage of economic development comparable to the PRC. Under § 353.8(c), after a country is determined to be at a comparable level of economic development to the state-controlled-economy country under investigation, no separate analysis of the shop towel industry in the two countries is required.

*Suspension of Liquidation*

On March 28, 1983, we instructed the United States Customs Service, in accordance with section 733(d) of the Act, to suspend liquidation of all entries of shop towels of cotton 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 margins, shown as percentages of the FOB China price, are as follows:

| Exporter | Weighted-average margin (percent) |
| --- | --- |
| China National Textiles Import & Export Corp. | 31.3 |
| China National Arts & Crafts Import & Export Corp. | 40.0 |
| All Others | 38.8 |

**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 shop towels of cotton 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.*

August 10, 1983.

[FR Doc. 83-22378 Filed 8-15-83; 8:45 am]

BILLING CODE 3510-25-M

## Shop Towels of Cotton From the People's Republic of China; Amended Final Determination of Sales at Less Than Fair Value

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

**ACTION:** Amendment to the notice of final determination of sales at less than fair value.

**SUMMARY:** On August 16, 1983, we published a Notice of Final Determination of Sales at Less than Fair Value with respect to shop towels of cotton from the People's Republic of China (48 FR 37055, August 16, 1983). That notice is hereby amended as follows: 1) In the section entitled "Final Determination," the last two sentences of the second paragraph are amended as follows: "These margins ranged from 16.7 percent to 41.6 percent. The weighted-average margin on all sales compared is 36.2 percent."; and 2) in the section entitled "Suspension of Liquidation," the last sentence is amended as follows: "The weighted-average margins, shown as percentage of the FOB China price, are as follows:

| Export | Weighted-average margin (percent) |
|---|---|
| China National Textile Import & Export Corporation. | 30.1 |
| China National Arts & Crafts Import & Export Corporation. | 37.2 |
| All Others | 36.2 |

These changes are due to a mathematical error in the calculation of constructed value.

**EFFECTIVE DATE:** September 16, 1983.

**FOR FURTHER INFORMATION CONTACT:** Michael Ready, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. (202) 377-2613.

**Lawrence J. Brady,**

*Assistant Secretary for Trade Administration.*

September 12, 1983.

[FR Doc. 83-25380 Filed 9-15-83; 8:45 am]

BILLING CODE 3510-25-M

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

## Cotton Shop Towels From the People's Republic of China; Antidumping Investigation

**AGENCY:** International Trade Commission.

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

**EFFECTIVE DATE:** April 14, 1983.

**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 shop towels of cotton, provided for in item 366.2740 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-103 (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 August 10, 1983. The Commission will make its final injury determination by September 23, 1983 (19 CFR 207.25).

**FOR FURTHER INFORMATION CONTACT:** Ms. Marilyn C. Borsari (202-523-5703), Office of Industries, U.S. International Trade Commission.

**SUPPLEMENTARY INFORMATION:**

*Background.*—On October 8, 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 threatened with material injury by reason of imports of cotton shop towels from China which are alleged to be sold at LTFV. The preliminary investigation was instituted in response to a petition filed on August 24, 1982, by counsel of Milliken and Company.

*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 August 5, 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 August 18, 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 August 5, 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 August 9, 1983, in room 117 of the U.S International Trade Commission Building. The deadline for filing prehearing briefs is August 15, 1983.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23, as amended by 47 FR 33682, Aug. 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and factual materials relevent 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 25, 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 25, 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 and 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: April 15, 1983.

Kenneth R. Mason,

*Secretary.*

[FR Doc. 83-10496 Filed 4-19-83; 8:45 am]

BILLING CODE 7020-02-M

## 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 : Cotton Shop Towels from The People's Republic of China

Inv. No. : 731-TA-103 (Final)

Date and time: August 18, 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>

Milliken and Company

Brogdon Nichols, Assistant General Manager, Kex Division

Terry Topp, Towel Production Director

John D. Greenwald)
Ann K. H. Simon )--OF COUNSEL

<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 & Export Corporation, Chinatex America, Inc., China National Arts & Crafts Import & Export Corporation, and China Arts & Crafts (U.S.A.) Inc.

P. Lance Graef, Project Manager, ICF Incorporated

Barry Feinberg, Federal Textiles Corporation

- more -

Weil, Gotshal & Manger--Counsel
(Continued)

Stephen A. Gaykan, Director of Manufacturing,
Interstate Uniform Services Corporation,
Woburn, Massachusetts

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