

UNITED STATES TARIFF COMMISSION

COTTON TYPEWRITER-RIBBON CLOTH

Report to the President on
Investigation No. TEA-IA-8 Under
Section 351(d)(2) of the
Trade Expansion Act of 1962



TC Publication 190

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UNITED STATES TARIFF COMMISSION

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REPORT TO THE PRESIDENT

U.S. Tariff Commission,
December 5, 1966.

To the President:

This report is made pursuant to section 351(d)(2) of the Trade Expansion Act of 1962 (76 Stat. 900), which provides that--

Upon request of the President or upon its own motion, the Tariff Commission shall advise the President of its judgment as to the probable economic effect on the industry concerned of the reduction or termination of the increase in, or imposition of, any duty or other import restriction pursuant to this section or section 7 of the Trade Agreements Extension Act of 1951.

Introduction

Following an investigation by the Tariff Commission and report to the President under section 7 of the Trade Agreements Extension Act of 1951, as amended, the President, by proclamation, 1/ increased the rates of duty applicable to broadwoven cotton typewriter-ribbon cloth; the modified duties became effective after the close of business on September 22, 1960.

In its report to the President in June 1960, 2/ the Commission summarized its conclusions as follows:

The information obtained in this investigation shows that U.S. production of broadwoven cotton typewriter-ribbon cloth declined from 5,018,000 square

1/ Proclamation No. 3365, dated Aug. 23, 1960; 3 CFR, 1959-1963 Comp., p. 86.

2/ Cotton Typewriter-Ribbon Cloth: Report to the President on Escape-Clause Investigation No. 7-85 . . .

yards in 1955 to 2,911,000 square yards in 1959; that the ratio of imports of such cloth to domestic production increased from 87 percent in 1955 to 169 percent in 1959; that the sales of domestic cloth decreased from 4,717,000 square yards, valued at \$2,865,000, in 1955 to 3,365,000 square yards, valued at \$1,917,000, in 1959; that domestic manufacturers' inventories of cloth increased substantially from 1956 to 1958; that such inventories were reduced somewhat in 1959 only because production was curtailed and sales were made by reducing prices to unprofitable levels; that prices received by U.S. manufacturers have declined steadily since 1957; that although one-time-use ribbons and ribbons made of nylon and silk are becoming increasingly important, ribbons made of cotton still meet the requirements of a large segment of the U.S. market; that domestic producers are losing a substantial part of this segment of the market because of the competitive impact of imports; that employment in U.S. plants producing cotton typewriter-ribbon cloth has declined in recent years; that total man-hours worked on the production of cotton typewriter-ribbon cloth dropped from 864,000 in 1955 to 484,000 in 1959; that the domestic producers as a group suffered a net operating loss on their cotton typewriter-ribbon cloth operations in each of the last 3 years; and that the three principal producers each suffered a loss on such operations in 1959.

The Commission concludes that the domestic industry producing broadwoven cotton typewriter-ribbon-cloth is seriously injured and that increased imports of such cloth have contributed substantially toward causing the injury.

On September 21, 1962, the Commission made its first report to the President pursuant to paragraph 1 of Executive Order 10401 (of October 14, 1952)^{1/}, which requires the Commission to keep under review developments with regard to any product respecting which a trade-agreement concession had been withdrawn or modified pursuant to action taken under section 7 of the Trade Agreements Extension Act. Three reports have been made

^{1/} 3 CFR, 1949-1953 Comp., p. 901. See Cotton Typewriter-Ribbon Cloth: Report to the President (1962) Under Executive Order 10401, TC Publication 70, 1962.

pursuant to section 351(d)(1) of the Trade Expansion Act of 1962, 1/
which provides that--

So long as any increase in, or imposition of , any duty or other import restriction pursuant to this section or pursuant to section 7 of the Trade Agreements Extension Act of 1951 remains in effect, the Tariff Commission shall keep under review developments with respect to the industry concerned, and shall make annual reports to the President concerning such developments.

On June 16, 1966, the Tariff Commission announced the current investigation under the provisions of section 351(d)(2) of the Trade Expansion Act of 1962. 2/ A hearing in connection with the investigation was held on September 12, 1966; all interested parties were given opportunity to be present, to produce evidence, and to be heard. The information used in this report was obtained from the Commission's files, from other agencies of the U.S. Government, and from correspondence, testimony and briefs, field conferences, and responses to questionnaires sent to U.S. producers and importers.

Under section 351(c)(1)(B) of the Trade Expansion Act of 1962 the escape-clause increases in the rates of duty on cotton typewriter-

1/ These three reports are as follows:

- (1) Cotton Typewriter-Ribbon Cloth: Report to the President (No. TEA-IR-6-63) Under Section 351(d)(1) of the Trade Expansion Act of 1962, TC Publication 108, 1963;
- (2) Cotton Typewriter-Ribbon Cloth: Report to the President (No. TEA-IR-6-64), TC Publication 139, 1964; and
- (3) Cotton Typewriter-Ribbon Cloth: Report to the President (No. TEA-IR-6-65), TC Publication 161, 1965.

2/ Ordinarily, an annual review on cotton typewriter-ribbon cloth would have been submitted on Sept. 23, 1966. However, a report on developments in the industry would have served only a limited purpose while an investigation under sec. 351(d)(2) was in progress; therefore, the Commission on Sept. 23, 1966 advised the President that, in view of the pendency of the investigation under sec. 351(d)(2), no report under sec. 351(d)(1) was being submitted. The present report is also submitted as the Commission's annual report under sec. 351(d)(1).

ribbon cloth will automatically terminate on October 11, 1967 unless extended under the authority of section 351(c)(2) or unless they are previously terminated pursuant to section 351(c)(1)(A).

Before an escape-clause duty increase may be extended under section 351(c)(2) the requirements of section 351(d)(3) of the Trade Expansion Act must be fulfilled. If the President does not terminate the escape-clause duty increases on cotton typewriter-ribbon cloth before January 12, 1967, or takes no action by that date, the right of the industry concerned to file a petition under section 351(d)(3) will accrue. If such petition is filed at any time between January 12 and April 12, 1967, the Commission must institute a new investigation, hold a new hearing, and advise the President of its judgment as to the probable economic effect of the automatic termination (on October 11, 1967) of the increased duties.

Probable Economic Effect of Reduction or Termination
of the Increase in Duty

Restoration of the concession rates of duty on cotton typewriter-ribbon cloth is not likely to jeopardize the economic position of the domestic industry because the reduction in duty that it would produce is not large enough to upset other more dominant forces. The Long-Term Arrangement Regarding International Trade in Cotton Textiles, one of those forces, authorizes the United States to request a foreign country to impose export restrictions on any cotton product that is causing serious market disruption. If the exporting country does not accede to such request, the United States is authorized to apply unilateral restrictions on the respective imports. Japan, the predominant U.S. supplier of cotton typewriter-ribbon cloth, limits its exports of such fabrics to the United States pursuant to a bilateral agreement negotiated under the provisions of the Long-Term Arrangement.

Termination of the escape-clause increase in the rates of duty probably would cause no substantial increase in imports of typewriter-ribbon cloth, particularly in the immediate future. The reduced rates would not afford Japan, the major supplier, opportunity to increase exports; in recent years, that country has completely filled its quota for exports of cotton typewriter-ribbon cloth to the United States. Market conditions restrict the ability of other major producing countries to expand their exports in response to the restored concession rates. Fabrics produced in the Netherlands, once a major supplier,

are generally higher priced in the U.S. market than those produced in either the United States or Japan. In 1965, U.S. imports from the Netherlands were less than a tenth those in 1959. Restoration of the concession rates of duty is not likely to result in such price reductions on fabrics from the Netherlands as to favor substantially increased imports from that country. U.S. imports of cotton typewriter-ribbon cloth from the United Kingdom in 1965 were scarcely 1 percent of those in 1959. Its capacity for producing these fabrics has declined materially; much of the equipment formerly used for that purpose has been scrapped as obsolete. Currently, the U.K. industry is oriented largely to production for the domestic market. Only moderately increased exports may be expected from other supplying countries.

Technical obstacles will also serve to forestall any substantial increase in U.S. imports, particularly in the months immediately following any reduction in the rates of duty. Considerable time would be required before foreign producers could expand their production for export. Several months would be required either to expand and put into efficient operation new facilities in established plants or to develop new plants. More important, such new facilities would have to demonstrate their capacity to compete effectively in the U.S. market with the dynamic low-cost domestic producer.

Under the foregoing circumstances, the prices received by the domestic producer for cotton typewriter-ribbon cloth are unlikely to be adversely affected by a restoration of the trade-agreement concession.

Japanese producers, the major foreign suppliers, will have little incentive to reduce prices; they are already supplying the entire quantities authorized by the quota. Suppliers in other countries now encounter difficulty meeting prices charged by the U.S. and Japanese producers. Their disadvantage will become more marked as the U.S. producer benefits from production and cost-saving innovations already initiated.

The domestic producer of cotton typewriter-ribbon cloth has developed a vigorous and efficient enterprise. Even though the firm has been selling typewriter-ribbon cloth at prices lower than those charged for imported fabric, it has earned some profit on its typewriter-ribbon-cloth operations since it acquired the Joanna plant. The firm reported to the Commission that it has undertaken a successful "program of modernization" which has resulted in increased annual production, increased efficiency, and continually lower unit costs. It indicated that "a little more time" under the protection of the increased rates was needed to make it secure against import injury. ^{1/} The Commission believes that restoration of the concession rates under the conditions hereinbefore described will not significantly affect the industry's ability to achieve fuller benefit of its program of modernization.

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^{1/}The remaining material in the report to the President is omitted from this report because most of it contains information received in confidence, the disclosure of which would reveal certain operations of individual firms.⁷

^{1/} Transcript of the hearing, p.50.

