LEATHER WEARING APPAREL FROM URUGUAY

Determination of the Commission in Investigation No. 701-TA-68 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

USITC PUBLICATION 1144

MAY 1981

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 701-TA-68 (Final)

LEATHER WEARING APPAREL FROM URUGUAY

Determination

On the basis of the record 1/ developed in Investigation No. 701-TA-68 (Final), the Commission unanimously determines, pursuant to section 705(b)(1) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)(1)), that an industry in the United States is threatened with material injury by reason of imports from Uruguay of leather wearing apparel, provided for in item 791.76 of the Tariff Schedules of the United States, which the Department of Commerce has found to subsidized by the Government of Uruguay. The Commission further determines, pursuant to section 705(b)(4) of the Tariff Act, that material injury would not have been found but for the suspension of liquidation of entries of the subject merchandise.

Background

The Commission instituted this investigation effective December 12, 1980, following a preliminary determination by the Department of Commerce that bounties or grants are being provided by the Government of Uruguay with respect to the production or export of leather wearing apparel imported into the United States. Notice of the institution of the Commission's investigation and of the public hearing to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary,

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

U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on January 7, 1981 (46 F.R. 1848). The hearing was held in Washington, D.C., on March 26, 1981, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

On the basis of the record developed in investigation No. 701-TA-68 (Final), we determine that an industry in the United States is threatened with material injury by reason of imports from Uruguay of leather wearing apparel, 1/ which the Department of Commerce has found to be subsidized by the Government of Uruguay.

The domestic industry

In general, the domestic industry is defined as consisting of all domestic producers of a like product or those producers whose total output of the like product constitutes a major portion of domestic production of that product. 2/ A like product is a product which is like or in the absence of like, most similar in characteristics and uses to the imported product which is the subject of the investigation. 3/ Three sets of like products exist in this investigation -- (1) men's and boy's leather coats and jackets, (2) women's and girl's leather coats and jackets, and (3) leather wearing apparel "other than coats and jackets."

Ninety percent of the imported articles subject to this investigation are leather coats and jackets. Also included, but imported in smaller quantities, are leather vests, pants, and shorts. All of these imported articles can be divided into categories which differentiate them on the basis of sex of the wearer and/or the way in which they are worn, i.e., outerwear or non-outerwear. These items are distinguishable from other imported apparel

1/ The leather wearing apparel under investigation is provided for in item 791.76 of the Tariff Schedules of the United States.
2/ Section 771(4)(A) of the Tariff Act of 1930.
3/ Section 771(10).

items in that they are all made primarily of leather. Articles of apparel, substantially the same as the imported articles, are produced by numerous firms in the United States.

Evidence gathered during this investigation demonstrates that the purchase of leather wearing apparel tends to be, fundamentally, a fashion decision. In other words, the decision to buy leather wearing apparel tends to be based on style, rather than on utilitarian value. Inherent characteristics of leather such as texture, prestige, durability, smell, and color are among the factors that make the decision to buy leather a style choice. Thus, a wool garment or a vinyl garment will not easily suffice when an article of leather wearing apparel is desired.

The method of manufacturing leather wearing apparel is an important consideration in helping us to understand the nature of the industry. From the record, it is clear that it is a very simple matter to switch from the production of men's leather wearing apparel to the production of women's leather wearing apparel. The same is true for children's wear and for the production of pants vs. vests, jackets vs. coats, etc. Once the investment is made in machines for manufacturing leather apparel, there are no changes that have to be made to produce a particular type of garment nor are there employees who have to be retrained. This is the case because the method of producing leather wearing apparel is a simple one using hand-cut materials which are sewn together from a pattern. For example, when fashion dictates, a women's wear manufacturer can switch production in order to concentrate on men's apparel or production of coats and jackets can be switched to production of vests and pants. The basic change in producing any of these products is the length of the material and the style of the cut.

Of the firms responding to Commission questionnaires, twelve produce men's and boy's coats and jackets, five produce women's and girl's coats and jackets, and five produce leather wearing apparel for both sexes. All leather wearing apparel producers make at least one of the like products in this investigation, and each of these producers is included in the definition of the domestic industry.

The data available from domestic producers distinguish between male and female garments in terms of shipments, unshipped orders, and production. However, producers' data do not break down profit/loss figures and employment for production of male and female coats and jackets or other garments.

Section 771(4)(D) makes provision for circumstances in which the production process or producer's profits cannot be separately identified for like products, by providing for analysis of the narrowest product line containing the like product. In this case, the lack of available data regarding men's and women's garments in terms of profit/loss and the identity of the production process lead us to the conclusion that the narrowest group of products for analysis is all leather wearing apparel. Therefore our determination in this case is based upon an examination of the impact of these imports on all leather wearing apparel production.

Condition of the U.S. industry.

Although the period covered by the present investigation was 1978-1980, past investigations by the Commission 1/ have documented the decline of the

1/ See Inv. No. 332-79-(3); Leather Wearing Apparel from Uruguay, Inv. No. 303-TA-2 (USITC Pub. 883, 1978); Certain Leather Wearing Apparel from Colombia and Brazil, Inv. No 303-TA-9 (USITC Pub. 948, 1979); Leather Wearing Apparel, Inv. No. TA-201-40, (USITC Pub. 1030, 1980).

domestic leather wearing apparel industry since the mid-1970's, a decline so severe that the Commission determined in January 1980 that the industry had suffered "serious injury." 1/ Since that time, key indicators of health for this industry -- profitability and employment -- show further deterioration. The ratio of net operating profit to net sales, already very low in 1978 at 3.1 percent, fell to 1.2 percent in 1980. Employment declined 22 percent since 1978 and average hours worked per week fell to 33 hours.

Other data show that the industry's decline has slowed since 1978 and that in some areas--notably the women's segment--there has been some improvement. The quantity of producer's shipments increased 4 percent from 1978 to 1980, though the value of such shipments declined by 5 percent. 2/ Unfilled orders of women's apparel have been trending upward since 1979. Though capacity and capacity utilization are difficult to assess in this fluid industry, we note that capacity has risen since 1978 but utilization of capacity has dropped and is now at a low level, at just over 50 percent.

We view the information pointing to improvement or stabilization in the industry in the light of industry conditions in 1978. During the period 1975-1978, many smaller producers, primarily in the women's segment, switched to the production of other items, became importers, or liquidated their businesses. It is from this shrunken base that "stabilization" or "improvement" of the industry has taken place. With such low profitability and continued declining employment, the industry has not moved far above the troubled position in which we found it in January 1980.

1/ USITC Pub. 1030.

2/ These conflicting trends are explained by the increase in shipments of women's short jackets and blazers which are less expensive per unit than long coats.

However, the current state of the domestic industry cannot be attributed to subsidized imports of leather wearing apparel from Uruguay. Imports from Uruguay have decreased 81 percent by quantity and 76 percent by value from 1978 to 1980. The share of imports from Uruguay in apparent U.S. consumption also fell off dramatically during this period--from 8.4 percent to 2.8 percent, a decline of 67 percent. Although price comparisons of Uruguayan and U.S.-made leather wearing apparel at both the wholesale and retail levels showed some evidence of underselling, domestic producers could not provide the Commission with evidence of sales lost by them to imports of leather wearing apparel from Uruguay.

The domestic leather wearing apparel industry is clearly susceptible to import-related injury, but for the timeframe covered by this investigation, the causal link necessary for an affirmative finding of present injury was absent.

Threat of material injury by reason of subsidized imports

As the Senate Finance Committee report on the Trade Agreements Act of 1979 makes clear, an affirmative finding on the question of threat of material injury "must be based upon information showing that the threat is real and injury is imminent, not a mere supposition or conjecture." 1/ The report of the Committee on Ways and Means of the House of Representatives advises that in terms of possible threat of material injury,

> demonstratable trends--for example, the rate of increase of the subsidized or dumped exports to the U.S. market, capacity in the exporting country to generate exports, the likelihood that such exports will be directed to the U.S.

1/ S. Rept. 96-249, 96th Cong., 1st Sess. (1979) at 88-89.

> market taking into account the availability of other export markets, and the nature of the subsidy in question (i.e., is the subsidy the sort that is likely to generate exports to the United States) will be important. 1/

We have focused on these four factors in making our determination.

The rate of increase of subsidized exports.--The period 1975 to 1978 saw U.S. imports from Uruguay increase in value by 305 percent, as that country rose to third largest foreign supplier of leather wearing apparel in 1977 and fourth largest in 1978. 2/ In 1978, a countervailing duty investigation on imports of leather wearing apparel from Uruguay by the Commission resulted in an unanimous affirmative determination. 3/ Data for the period 1975 to 1978 demonstrated the capability of Uruguayan producers, aided by subsidies, to increase rapidly their export of these articles to the United States at competitive prices.

It is this data on Uruguay's exports to the United States in 1975-1978 which we consider most relevant for assessing Uruguay's future performance in the U.S. market. The most recent period, 1979-1980, and especially the period following the reinstatement of subsidies by the Government of Uruguay on April 16, 1980, is not helpful in analyzing export trends because it represents a highly aberrational market situation. As a general proposition, the methodology employed would be to compare export trends from Uruguay when subsidies were not in effect (calendar year 1979 and January-March 1980) with export trends since the reinstatement of subsidies on April 16, 1980, and

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1/ House Rept. 96-317, 96th Cong., 1st Sess. (1979) at 47.
2/ Report, p. A-10.
3/ U.S. International Trade Commission Publication 883, Leather Wearing Apparel from Uruguay, April 1978. Chairman Alberger and Commissioner Bedell voted in the affirmative in that investigation. Vice Chairman Calhoun and Commissioner Stern were not members of the Commission at that time.

further, to compare such trends with those of other major foreign suppliers of leather wearing apparel to the U.S. market. But such an approach does not take account of the important external factors that affected the level of Uruguay's exports in 1980. Most notably, pending actions of the U.S. government throughout the year raised uncertainty as to access to the U.S. market for leather wearing apparel. 1/ Because of these pending actions and the weak demand for leather wearing apparel, 1980 was not an opportune time for Uruguayan producers to gear up for exports to the United States as they did in 1975-1978. In fact, uncertainty of market access and the demand situation affected export trends from all countries in 1980. Comparisons between Uruguayan performance in the U.S. market with or without subsidies in place -- no matter which time periods are utilized 2/ -- are simply not appropriate given the effects of external factors on import performance in the

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1/ On January 24, 1980, the Commission unanimously determined that an industry in the United States was being injured by the importation of leather coats and jackets for men and boys and women and girls and recommended relief. On March 24, 1980, the President denied import relief. In late July 1980, Congress attempted to override the President's decision to deny import relief. Although the Senate Committee on Finance voted to override on August 21, 1980, the attempt was defeated on September 10, 1980, when the House Subcommittee on Trade of the Ways and Means Committee rejected the resolution by a vote of 10 to 9.

2/ The precise choice of time periods was debated at the Commisson's hearing and in written submissions. Any conclusions that may be drawn from an analysis of month-to-month data for 1980 must rest on problematical assumptions concerning the timing and response of Uruguayan manufacturers/exporters to the reinstatement of subsidies, and most importantly, does not take into account the external factors noted in the text above. In any case, use of month-to-month import data is of questionable value here because such data of the Commerce Department and the Customs Service are subject to reporting inconsistencies. Examination of actual import entries from Uruguay for 1980 reveal that as much as 40 percent of the entries reported to have entered the U.S. in any one month actually entered in other months. (See Report, pp. A-33-35 and prehearing statement of petitioner, pp. 12-16, and table 6; post-hearing statement of respondents, pp. 1-4, and tables 1 and 2.)

U.S. leather wearing apparel market in 1980. Export data for Uruguay from 1975 to 1978 show rapid increases in exports and U.S. market penetration when Uruguayan manufacturers/exporters enjoyed both subsidies and unrestricted access to the U.S. market. Assuming that Uruguay's export capability and interest in exporting to the United States have not changed since the 1975-1978 period, it is Uruguay's performance in that period that we would expect to see repeated if U.S. government actions were not on the horizon and the market picked up as is expected in the fall of 1981. The Commission recognizes that such increased quantities of imports threaten injury to the domestic industry in its present weak condition.

Capacity in Uruguay to generate exports.--Data on present production and capacity of the Uruguayan leather wearing apparel industry are unavailable. In lieu of such data, respondents suggested that exports could approximate production, since over 90 percent of production in Uruguay is exported. 1/ As noted above, analysis of Uruguay's past export performance shows imports of leather wearing apparel from Uruguay increased 305 percent from 1975 to 1978, as Uruguay rose from seventh largest foreign supplier of those items to fourth largest. Imports from Uruguay declined in both 1979 and 1980, but that country remains the seventh largest foreign supplier overall and the second largest supplier of women's leather coats and jackets to the United States. 2/ As exports to the U.S. market waned in 1978-1980, exports to other markets increased somewhat, but total exports have dropped from 1978 to 1980. 3/

1/ Report, p. A-36. See also prehearing statement of respondents, p. 12.
2/ Report, pp. A-10-13.
3/ Report, p. A-36.

Although exports, and, presumably, productive capacity of leather wearing apparel facilities in Uruguay declined from the 1.3 million units produced for export in 1977, we note that idled productive capacity in this industry does not represent significant fixed costs for maintenance, disruption of production runs, or even long-term underutilization of labor, as it might in more capital intensive, technologically-oriented industries. 1/ The production of leather wearing apparel in Uruguay, or in any country, is a relatively simple 2-step process of hand-cutting and sewing leather using inexpensive sewing machines. 2/ In addition, the production of leather wearing apparel is a labor intensive process which does not require highly skilled production workers. 3/ Finally, Uruguay possesses a large indigenous supply of hides and skins. Leather comprises at least 50 percent of the cost of production of the garment. 4/ Although labor and other inputs into the cost of production in Uruguay are trending upward, the price of hides and skins has followed world prices downward, rather than Uruguay's general high inflation rate.

In sum, the past export performance of the Uruguayan leather wearing apparel industry, coupled with low barriers to entry (i.e., a simple production process, and an abundance of the principal raw material in that country,) all point to the continued capability of the industry to increase exports rapidly to the United States.

1/ Report, pp. A-17, 37.
2/ Report, pp. A-8, 37.
3/ Report, pp. A-17.
4/ Transcript of the hearing, p. 201.

Likelihood exports will be directed to the United States.--A related question is whether Uruguayan manufacturers/exporters would focus on the United States as a major market for export sales given favorable conditions. An examination of data on total Uruguayan exports during 1977-1980 shows exports to the United States declining and exports to countries other than the United States increasing as a share of total exports. 1/ The data also show an ability of Uruguayan exporters to shift markets rapidly in response to favorable market conditions as well as to the status of the Uruguayan export incentives. 2/ The ability to shift markets with relative ease, coupled with such factors as the relatively low tariff and non-tariff barriers on leather wearing apparel products maintained by the United States, 3/ the size of the U.S. market, desirability of the U.S. dollar as a reserve currency, and established market contacts, all point to the continued desirability of the United States as a major export market for the Uruguayan leather wearing apparel industry.

The nature of the subsidy.--Section 771(7)(E)(i) of the Tariff Act of 1930 states:

> NATURE OF SUBSIDY. -- In determining whether there is a threat of material injury, the Commission shall consider such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement) provided by a foreign country and the effects likely to be caused by the subsidy.

1/ Report, p. A-36.

2/ Ibid. Table 18, p. A-36, shows Uruguayan exports to countries other than the United States decreased from 41 percent of total exports in 1977 to 12 percent in 1978, but then increased, up to 45 percent of total exports, in 1979.

3/ Report, p. A-40.

Those subsidies that are "inconsistent with the Agreement" within the meaning of section 771(7)(E) are found in the Illustrative List of Export Subsidies attached as an annex to the Code on Subsidies/Countervailing Measures. In this investigation two of the three subsidies determined by Commerce to exist are among those prohibited by the Illustrative List. The subsidies found by the Commerce Department were the reintegro program, a tax exemption program, and a noncollection of social security taxes.

Under the reintegro program, the Government of Uruguay grants tax certificates to exports as a fixed percentage of the f.o.b. value of the exported item. These certificates are transferable and may be applied against obligations of both direct and indirect taxes. The reintegro program is inconsistent with the agreement in that it constitutes a subsidy described by items (a) and (e) of the Illustrative List. Item (a) prohibits--

> The provision by governments of direct subsidies to a firm or an industry contingent upon export performance.

Item (e) forbids--

> The full or partial exemption, remission, or deferral specifically related to exports, of direct taxes or social welfare changes paid or payable by industrial or commercial enterprises.

The tax exemption program exempts from taxation a fraction of the value-added portion of a company's export income, after expenses and before taxes. The tax exemption is also of the type described in item (e).

The Congress considered the export subsidies found on the Illustrative List to be more likely to threaten material injury than domestically-oriented subsidy programs. The threat from the Illustrative-List subsidies is greater than from purely domestic subsidies because they are directed specifically at the export market. In this case, the subsidies that were reimposed had previously been offset with regard to the U.S. market. Thus, not only are the renewed subsidies directed at the export market, but specifically at the U.S. market.

Conclusion

Information gathered in this investigation as to all four demonstrable trends suggested by the Congress supports our affirmative finding of threat of material injury to the U S. industry by reason of subsidized imports of leather wearing apparel from Uruguay.

Additional finding under section 705(b)(4)(B)

Section 705(b)(4)(B) of the Tariff Act of 1930 states:

> If the final determination of the Commission is that there is no material injury but that there is threat of material injury, then its determination shall also include a finding as to whether material injury by reason of imports of the merchandise with respect to which the administering authority has made an affirmative determination under subsection (a) would have been found but for any suspension of liquidation of entries of that merchandise.

The effect of an affirmative finding that material injury would have been found but for the suspension of liquidation of duties is found in section 706(b)(2), which states that the entries of the merchandise subject to suspension of liquidation would then be subject to countervailing duties. If the Commission finds in the negative, countervailing duties are not imposed for the period of suspension of liquidation.

We have found that there would have been no present injury by reason of subsidized imports from Uruguay even if suspension of liquidation had not occurred. Liquidation in the present case was suspended from December 17, 1980, to February 27, 1981. The data show that the value of imports from Uruguay entering the United States from mid-December 1980 through January 1981 was actually higher than in the corresponding period of 1979-1980, but substantially lower than in 1977-1978 or 1978-1979. Although it may be argued that the 1980-1981 figures would have been even higher had suspension of liquidation not taken place, no credible evidence has been produced to persuade us of that. More imports might well have come in, but we do not believe they would have been in sufficient quantity to trigger a finding of present material injury by reason of such imports.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On October 15, 1980, Ralph Edwards Sportswear, Inc., on behalf of 13 domestic producers of leather wearing apparel, filed a petition with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that bounties or grants are being paid by the Government of Uruguay to producers or exporters of leather wearing apparel, provided for in item 791.76 of the Tariff Schedules of the United States (TSUS), that constitute subsidies within the meaning of section 701 of the Tariff Act of 1930 (19 U.S.C. 1671), and that an industry in the United States is materially injured or threatened with material injury by reason of imports of such allegedly subsidized merchandise. Accordingly, investigations were instituted by Commerce and the Commission. On November 26, 1980, the Commission unanimously determined, on the basis of the information developed during the course of investigation No. 701-TA-68 (Preliminary), that there was a reasonable indication that an industry in the United States was threatened with material injury by reason of the allegedly subsidized imports from Uruguay of leather wearing apparel. 1/ As a result of the Commission's determination, the Department of Commerce continued its investigation into the question of subsidized sales.

On December 12, 1980, the Department of Commerce preliminarily determined that there was a reasonable basis to believe or suspect that the Government of Uruguay grants benefits to manufacturers, producers, or exporters of leather wearing apparel which constitute a subsidy within the meaning of the Tariff Act of 1930. 2/ Accordingly, effective December 12, 1980, the Commission instituted investigation No. 701-TA-68 (Final) 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 subsidized imports of leather wearing apparel from Uruguay. Notice of the institution of the Commission's investigation and of the public hearing to be held in connection therewith was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of January 7, 1981 (46 F.R. 1848). The public hearing was held on March 26, 1981, in Washington, D.C. 3/

On February 27, 1981, the Commerce Department entered into a Suspension Agreement with the Government of Uruguay, whereby Uruguay agreed to eliminate the net amount of the subsidies found to exist on its exports of leather wearing apparel to the United States in return for a suspension of the countervailing duty investigation. Subsequent to this agreement, the Government of Uruguay requested that Commerce continue its investigation pursuant to section 704(g) of the Tariff Act. Therefore, the investigation was continued at both Commerce and the Commission, and on March 31, 1981, Commerce published its final affirmative countervailing duty determination

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1/ Vice Chairman Calhoun determined reasonable indication with regard to material injury or threat of material injury. A copy of the Commission's preliminary determination is presented in app. A.

2/ A copy of Commerce's preliminary determination is presented in app. B.

3/ A copy of the Commission's notice of investigation and a list of witnesses appearing at the hearing are presented in app. C.

that the Government of Uruguay grants subsidies to its manufacturers or exporters of leather wearing apparel in amounts ranging from 9.34 percent for exports utilizing imported finished leather to 17.26 percent for exports utilizing leather of domestic origin. 1/ The Commission's briefing and vote on this investigation was held on May 4, 1981.

Other Recent U.S. International Trade Commission Investigations Concerning Leather Wearing Apparel

The instant case is the fifth investigation the Commission has conducted with respect to leather wearing apparel. On September 14, 1976, the President requested the Commission, pursuant to section 332(g) of the Tariff Act of 1930, to conduct an investigation and report on the current employment and production conditions in the domestic leather wearing apparel industry. This request resulted from an executive branch review of the operation of the Generalized System of Preferences (GSP) in which the Trade Policy Staff Committee (TPSC) needed additional information in order to make a decision on a petition from domestic producers to remove this product from the list of articles eligible for duty-free treatment under the GSP (TPSC-GSP case No. 76-2). The data obtained from the Commission's investigation (No. 332-79-(3)) were transmitted to the President on November 10, 1976. The TPSC recommended to the President that leather wearing apparel not be removed from the list of eligible articles.

On January 24, 1978, the Commission received advice from the Secretary of the Treasury that a bounty or grant was being paid by the Government of Uruguay on leather wearing apparel exported to the United States. Treasury made its investigation which led to this determination in response to a petition filed on behalf of the National Outerwear & Sportswear Association, a trade association representing some of the largest domestic producers of leather wearing apparel. On April 24, 1978, the Commission unanimously determined (Commissioner Italo H. Ablondi not participating) that an industry in the United States was being injured by reason of the importation of subsidized leather wearing apparel from Uruguay. 2/

On November 22, 1978, the Commission received advice from the Secretary of the Treasury that a bounty or grant was being paid by the Governments of Brazil and Colombia on certain leather wearing apparel exported to the United States. 3/ Treasury made its investigations which led to these determinations in response to a petition filed on behalf of the Amalgamated Clothing & Textile Workers Union. On February 22, 1979, the Commission, by a 3 to 2 vote, determined that an industry in the United States was not being injured

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1/ Copies of the Commerce Department's notice of suspension and final affirmative countervailing duty determination are presented in app. B.

2/ See Leather Wearing Apparel From Uruguay: Determination of Injury in Investigation No. 303-TA-2 . . ., USITC Publication 883, April 1978.

3/ Certain leather wearing apparel, the subject of these investigations, included items of leather wearing apparel for men and boys, and types commonly worn by both sexes, but excluded those items intended for use by women and girls exclusively.

by reason of the subsidized imports of certain leather wearing apparel from Brazil and Colombia. 1/

On July 24, 1979, the Commission received a petition from the National Outerwear & Sportswear Association, Amalgamated Clothing & Textile Workers Union, International Ladies' Garment Workers Union, United Food & Commercial Workers Union, and Tanners' Council of America, Inc., for import relief under section 201(a)(1) of the Trade Act of 1974. Accordingly, on August 3, 1979, the Commission instituted an investigation under section 201(b) of the Trade Act of 1974 to determine whether leather wearing apparel provided for in item 791.76 of the TSUS was being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. On January 24, 1980, the Commission unanimously determined that an industry in the United States was being injured by reason of the importation of leather coats and jackets for men and boys, and women and girls, provided for in items 791.7620 and 791.7640 of the Tariff Schedules of the United States Annotated (TSUSA), respectively. 2/ To prevent or remedy the serious injury to the domestic industry, the Commission recommended an addition to the present rates of duty of 25 percent ad valorem for the first year, 20 percent for the second, and 15 percent for the third year, for those leather coats and jackets valued at not over $150 each. On March 24, 1980, the President denied import relief on the basis of national economic considerations, including the inflationary impact and ineffectiveness of import relief as a means of promoting adjustment. He further determined that expedited adjustment assistance was the most effective remedy for the injury suffered by the domestic leather wearing apparel industry. 3/ In late July 1980, a resolution to override the President's decision to deny import relief was introduced in the Congress. Although the Senate Committee on Finance reported out in favor of the override on August 21, 1980, the attempt was defeated on September 10, 1980, when the House Subcommittee on Trade of the Ways and Means Committee rejected the resolution by a vote of 10 to 9.

On October 15, 1980, Ralph Edwards Sportswear, Inc., on behalf of 13 domestic producers of leather wearing apparel, filed a petition with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that a bounty or grant is being paid with respect to leather wearing apparel imported from Brazil, the Republic of Korea (Korea), Taiwan, and Uruguay, classifiable under TSUS item 791.76. Accordingly, on October 21, 1980, the Commission instituted investigations Nos. 701-TA-65, 66, 67, and 68 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there was a reasonable indication that an industry in the United States was materially injured, or was threatened with material injury, or the establishment of an industry in the United States was

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1/ See Certain Leather Wearing Apparel From Colombia and Brazil: Determination of No Injury or Likelihood Thereof in Investigations Nos. 303-TA-6 and 303-TA-7 . . ., USITC Publication 948, February 1979.

2/ The Commission further determined that no injury or threat thereof was being suffered by a domestic industry from imports of other items of leather wearing apparel provided for in TSUSA item 791.7660.

3/ The President's determination was published in the Federal Register of Mar. 26, 1980 (45 F.R. 19543).

materially retarded, by reason of the importation of such merchandise into the United States. On November 6, 1980, the Commission received advice from the Department of Commerce that it was initiating an investigation solely with regard to Uruguay. Because Commerce had not initiated an investigation on Brazil, Korea, and Taiwan within the prescribed time limits and because of the request of the petitioner to withdraw that portion of its petition applying to those three countries, the Commission's investigations concerning leather wearing apparel from Brazil, Korea, and Taiwan were terminated pursuant to its authority under section 207.13 of the Commission's Rules of Practice and Procedure. On November 26, 1980, the Commission unanimously determined, on the basis of the information developed during the course of investigation No. 701-TA-68 (Preliminary), that there was a reasonable indication that an industry in the United States was threatened with material injury by reason of the allegedly subsidized imports from Uruguay of leather wearing apparel.

On or about October 15, 1980, the date the Commission and Commerce received the petition on leather wearing apparel from Uruguay, Commerce also received petitions, and subsequently initiated countervailing duty investigations, on leather wearing apparel from Argentina, Colombia, and Mexico. The petitioner in all these investigations was also Ralph Edwards Sportswear, Inc. The Commission was not required to make injury determinations in these cases as none of the countries involved are signatories to the subsidies code (see section 701(b) of the Tariff Act of 1930 (19 U.S.C. 1671(b)). The investigations concerning Argentina and Colombia resulted in the signing of Suspension Agreements with Commerce on March 13, 1981, for Argentina (46 F.R. 16697) and April 2, 1981, for Colombia (46 F.R. 19963). On April 10, 1981, Commerce published a final affirmative countervailing duty determination that a bounty or grant equal to 5 percent of the f.o.b. price was found to exist on leather wearing apparel from Mexico (46 F.R. 21357).

Description and Uses

The imported articles under consideration in this investigation are items of leather wearing apparel provided for in item 791.76 of the TSUS. These items do not include hats, belts, watch straps, gloves, or footwear in chief value of leather, wearing apparel in chief value of fur, wearing apparel made from reptile leather, or apparel which contains 50 percent or more by weight of cotton, wool, manmade fibers, or any combination thereof. These items are specifically provided for elsewhere in the TSUS. Wearing apparel of sheepskin or lambskin with the wool on the inside of the garment is considered to be leather wearing apparel for customs purposes and is classifiable in item 791.76, whereas when the wool is on the outside, the garment is classified as wearing apparel of fur on the skin and would not be within the scope of the investigation. The great bulk of the apparel imported from Uruguay which is the subject of this investigation consists of leather coats and jackets for men and boys and women and girls. Other articles include vests, pants, and shorts. U.S. producers of all of the above articles have been identified.

Leather wearing apparel is made from a variety of leathers, of which cowhide leather (smooth grain and split suede) is the most common. Lamb, calf, sheep, 1/ and pig leathers are also used. Raw hides are first tanned to impart suppleness, color, finish, or other qualities specific to their end use. Tanneries sell the processed hides to garment manufacturers, which employ cutters to hand-cut and shape the leather. Trimmings (pockets, belts, zippers, and buttons) are then added and linings of textile material are usually sewn into the garment, which is then finished, pressed, and prepared for shipment to retail clothing outlets. The entire process, from cutting the hides through fashioning and sewing the garment, is accomplished by individual operators working with simple machines, usually on a piece-rate basis. Production is thus extremely labor intensive.

U.S. Tariff Treatment

The leather wearing apparel which is the subject of this investigation is classified for tariff purposes in TSUS item 791.76. The column 1 (most-favored-nation) rate of duty 2/ applicable to merchandise entered under this item is 6 percent ad valorem. The column 2 rate (applicable to imports from certain Communist-dominated countries) 3/ is 35 percent ad valorem. These rates have been in effect since January 1, 1972. The implementation of the Geneva Protocol (1979) to the General Agreement on Tariffs and Trade did not affect the rates of duty on these items.

Before March 1, 1977, these articles were provided for under TSUS item 791.75. Effective on that date, TSUS item 791.75 was deleted and new TSUS items 791.74 and 791.76 were established. TSUS item 791.74 covers leather wearing apparel in chief weight of cotton, wool, manmade fibers, or any combination thereof. Such articles are subject to the provisions of the Multifiber Arrangement, whereas leather wearing apparel articles classifiable under TSUS item 791.76 are not. The duty rates did not change when this further differentiation was made.

1/ So-called "shearling" leather wearing apparel is made from sheep skins with the wool still attached. These garments are imported from Uruguay as well as produced in the United States. The production of these garments requires the additional step of skiving (shaving) the wool in order to make seams and provide for a uniform lining.

2/ The rates of duty in rate of duty column numbered 1 are most-favored-nation (MFN) rates, and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS. However, such rates do not apply to products of developing countries which are granted preferential tariff treatment under the GSP.

3/ The rates of duty in rate of duty column numbered 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

Leather wearing apparel was on the list of articles entitled to duty-free treatment under the GSP 1/ from January 1, 1976, to March 1, 1979, but is no longer an eligible article.

Nature and Extent of Bounties or Grants Being Paid or Bestowed

The present case involves export incentives which were investigated by the Treasury Department in a prior countervailing duty investigation conducted from January 1977 to June 1978. In that investigation, Treasury 2/ determined that the Government of Uruguay granted three types of export incentives to manufacturers/exporters of leather wearing apparel: tax certificates (reintegros) to exporters of leather wearing apparel; a tax exemption on a portion of export profits; and preferential financing for exports. The final determination by Commerce in the present case again finds the reintegro program and the tax exemption program countervailable. In addition to these two programs, Commerce also found a program of nonpayment of social security tax specifically granted by the Government of Uruguay to manufacturers of leather wearing apparel to be a subsidy.

The net amounts of the reintegro subsidy, which varies according to the origin and state of finish of the hides and skins used in the apparel manufacture, and other subsides are shown in the following tabulation:

Subsidy program	Type of leather used		
	Domestic origin	Semifinished imported	Finished imported
	(percent ad valorem on export value)		
Reintegro program	17.00	13.60	9.00
Tax exemption program	.02	.02	.02
Noncollection of social security tax	.41	.41	.41
Gross subsidy	17.43	14.03	9.43
Less: Offset equal to 1 percent of the reintegro payments	.17	.14	.09
Total: Net subsidy	17.26	13.89	9.34

1/ The GSP, under title V of the Trade Act of 1974, provides duty-free treatment of specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985, unless modified by the President or terminated.

2/ Prior to Jan. 1, 1980, the Treasury Department had responsibility for administering the countervailing duty law. With respect to the transfer of authority for the administration of the countervailing duty law to the Department of Commerce, see Reorganization Plan No. 3 of 1979, 44 F.R. 69273.

Commerce has notified the Commission that the total net amount of these subsidies equals 14.38 percent ad valorem on a weighted average basis.

The major subsidy program, the reintegro, was found countervailable by the Department of the Treasury in June 1978. On February 16, 1979, however, Uruguay imposed an export tax on manufacturers/exporters of leather wearing apparel 1/ to offset the reintegro, and at the same time eliminated a tanner's subsidy, which was another major benefit granted to the leather sector of the Uruguayan economy. Thus, exports of leather wearing apparel to the United States from Uruguay were subject to no major countervailable benefits from February 16, 1979, until, on April 16, 1980, the Government of Uruguay eliminated the offsetting export tax retroactive to January 1, 1980. By this action the Government of Uruguay in effect reintroduced both major subsidies by incorporating the tanner's subsidy into an enlarged reintegro program.

U.S. Producers

The number of firms producing the articles of leather wearing apparel which are the subject of this investigation is believed to have declined from the estimated 100 firms which produced these articles in 1979. 2/ Geographically, facilities are scattered throughout the country, although there is a concentration of facilities in the Northeastern United States, particularly in the New York City metropolitan area. Approximately 50 percent of all leather wearing apparel produced in the United States is produced in this area.

The domestic producers of leather wearing apparel range from large apparel manufacturing firms, employing several hundred people, to small firms employing less than 10 people. Facilities used in the production of men's and boys' leather wearing apparel can be readily adapted to produce such apparel for women and girls although differences in the marketing of the two groups of

1/ At the time the export tax was imposed on exports to the United States, financial incentives for exports of leather wearing apparel for third country markets were increased. Subsequently, these incentives were reduced when the export tax to the United States was removed in April 1980. See transcript of the hearing, p. 215 ff.

2/ That the number of producers is only an approximation should be emphasized. Because of the highly competitive nature of the industry, the relatively low startup costs and few barriers to entry, the extensive use of contractors, and the fluidity associated with an industry which must keep abreast of constantly changing consumer preferences in materials and styling, it is difficult to gauge the number of firms producing leather wearing apparel at any point in time or the number of firms entering or leaving the industry from season to season.

items have resulted in producers concentrating on either men's or women's products. 1/ There are approximately 10 major producers which currently manufacture both types. Two representatives of the industry at the Commission hearing in this case, both of whom have produced both men's and women's products, stressed the ability of firms in the industry to produce either type apparel, depending on market conditions. 2/

Rigidities associated with specialized machinery employed in the industry also make it difficult for leather wearing apparel producers to shift to the manufacture of cloth garments or other leather goods such as belts or handbags. The manufacture of leather wearing apparel requires more powerful sewing machines with stronger sewing needles than the machines used to manufacture cloth garments. Hence, cloth-sewing machines cannot be used to manufacture leather apparel, and although most leather apparel machines can be used to manufacture cloth apparel, they are much slower in operation and therefore less efficient. However, industry sources have advised the Commission that sewing machines for leather garments can also sew heavy cloth garments, such as outerwear of corduroy or wool, with little loss of efficiency. The production of leather belts, handbags, or other personal items requires additional trimming, punching, and snap machines as well as different marketing and distribution channels.

Of the approximately 100 domestic producers, the staff and industry sources estimate that the largest 10 firms account for about 50 percent of total production. The remainder is accounted for by the smaller firms, which exhibit great variety in types, styles, and quantity of goods produced from season to season.

Information verified by the staff confirmed that 12 producers of leather wearing apparel ceased production of these articles or went out of business completely in the period 1979-80. One of the two former producers of these products which the staff succeeded in contacting mentioned imports of leather wearing apparel from Uruguay as contributing to the firm's decision to cease manufacture of these products. In addition, each of two major producers of men's leather wearing apparel closed one of their facilities for producing these articles. Both producers cited imports of leather wearing apparel from Uruguay as contributing to their decision to close their facilities. 3/

1/ As a rule, the women's segment of the leather wearing apparel industry is more fashion oriented than the men's segment. For this reason, firms which concentrate on producing women's leather apparel are typically smaller than the firms producing men's apparel. Many produce to order only, and consequently maintain few or no permanent production facilities or production workers themselves. These firms are referred to as jobbers. Upon securing orders for their garments, jobbers contract out the actual production to contractors. In such an arrangement, the jobber provides the leather and designs for the apparel manufacture and markets the finished garments, and the contractor provides the labor and machinery. The contractor-jobber arrangement is characteristic of production of both men's and women's high-fashion garments.

2/ See statement of Ralph Edwards at the hearing, p.2. On the fluidity of the industry's two segments, see also transcript of the hearing, pp. 128-29.

3/ * * *.

U.S. Market and Channels of Distribution

Before the 1950's, leather wearing apparel was confined to work-type or protective clothing, and leather garments were almost exclusively produced for men. Because of technological advances in the tanning industry, which resulted in the greater use of cowhide and the ability to color and make supple tanned leather, production of both men's and women's leather wearing apparel increased substantially in the 1960's. This trend continued in the 1970's, as consumer preferences turned to the "natural look" in apparel. These developments along with refinements in styling resulted in a broadening of the market for leather wearing apparel.

Mail-order chains, mass merchandisers, and department stores have been joined by an increasing number of small specialty stores as the principal buyers and retailers of both domestic and imported leather wearing apparel. In recent years, some domestic producers ceased production in the United States and began importing leather wearing apparel to be sold under their labels. The desired styles and patterns are sent to foreign producers and the resulting garments are imported, some in the form of "shells" which are finished in the United States. Such finishing operations could include the sewing of buttonholes and buttons on the garment, and the sewing of manufacturers' labels into the garment. The channel through which imports of leather wearing apparel from Uruguay are distributed in the United States reflects this trend. Although a dozen firms imported leather wearing apparel from Uruguay in 1980, two firms accounted for over 50 percent of the total value of imports. Both these firms are domestic producers of leather wearing apparel as well as importers. One firm began importing leather garments from Uruguay in lieu of producing them in its own facilities because of the lower prices offered by Uruguayan suppliers; the other because of alleged shortages of skilled labor in the United States. Both firms' imports of leather garments from Uruguay have declined from 1978 to 1980.

It has been relatively simple for domestic producers to switch from producing to importing because they do not have significant amounts of fixed assets tied up in production facilities. On the other hand, these developments have adversely affected employment of production and related workers in this labor-intensive industry.

Retailers are also shifting buying habits. Rather than buying from domestic producers or importers, many major mail-order chains and department stores have begun to import leather wearing apparel directly. These large retailers send buyers directly to foreign producers in order to specify styles and patterns for leather garments which will be shipped to their stores and warehouses in the United States.

Representatives of the U.S. industry contend that the buying habits of retailer-importers have resulted in a countercyclical demand for U.S.-produced products. If strong consumer demand for leather wearing apparel is anticipated, retailers will place large orders abroad and consequently imports will be high. Conversely, if a soft market for leather apparel is anticipated, retailers will hold off on placing orders abroad, and pursue an alternate strategy of placing smaller orders with U.S. producers. The result of this purchasing strategy, representatives of the U.S. industry contend, is that some U.S. firms may enjoy relatively strong demand for their goods when the overall market is soft, but weak demand when the overall market is strong.

U.S. Imports

The estimated value of U.S. imports of leather wearing apparel 1/ increased each year, from $131 million in 1975 to $318 million in 1978, but then decreased to $258 million in 1979, and further, to $171 million, in 1980 (table 1).

The decline in imports from 1978 to 1979 is largely attributable to a decrease in imports of women's leather coats and jackets, whereas the continued decline in 1980 is the result of reduced imports of both men's and women's leather garments.

Uruguay was the third largest supplier of leather wearing apparel in 1977 and the fourth largest supplier in 1978, accounting for approximately 11 percent of total imports in both years. By 1980, Uruguay accounted for only 5 percent of the total value of imports and was the seventh largest supplier. The value of U.S. imports from Uruguay more than quadrupled from 1975 to 1978, increasing from $8.5 million to $34.2 million, but then decreased 76 percent from 1978 to 1980, to $8.2 million.

1/ Import data prior to Jan. 1, 1978, have been adjusted to exclude those articles of leather wearing apparel with a chief weight of textile fabric. The data were adjusted by combining import data for TSUS items 791.74 and 791.76 for July-December 1977, calculating the percentage of the combined total accounted for by the two items (TSUS item 791.74--15 percent; item 791.76--85 percent), and applying those percentages to the imports entered under TSUS item 791.75 in previous years. Unless otherwise specified, all import data in this report have been adjusted in this manner.

Table 1.--Leather wearing apparel: U.S. imports for consumption, by principal sources, 1975-80

Source	1975	1976	1977	1978	1979	1980
	Value (1,000 dollars)					
Korea	25,276	65,858	79,075	114,263	104,601	70,194
Taiwan	22,482	29,850	27,649	37,896	35,621	24,573
Mexico	9,763	11,821	13,195	20,877	21,031	16,488
Hong Kong	11,344	11,675	12,562	14,678	15,178	11,419
Argentina	2,903	9,689	18,307	43,825	20,870	9,592
Canada	14,871	13,108	10,998	11,243	13,718	9,425
Uruguay	8,461	17,778	24,241	34,226	13,879	8,226
Spain	9,621	10,855	5,972	7,803	4,003	2,174
Brazil	4,415	4,939	4,732	8,935	5,429	2,024
All other	21,687	25,526	21,928	24,522	23,625	16,793
Total	131,123	201,099	218,659	318,268	257,955	170,908
	Percent of total value					
Korea	19.3	32.8	36.2	35.9	40.6	41.1
Taiwan	17.2	14.8	12.6	11.9	13.8	14.4
Mexico	7.5	5.9	6.0	6.6	8.2	9.6
Hong Kong	8.7	5.8	5.7	4.6	5.9	6.7
Argentina	2.2	4.8	8.4	13.8	8.1	5.6
Canada	11.3	6.5	5.0	3.5	5.3	5.5
Uruguay	6.5	8.8	11.1	10.8	5.4	4.8
Spain	7.3	5.4	2.7	2.5	1.6	1.3
Brazil	3.6	2.5	2.2	2.8	2.1	1.2
All other	16.5	12.7	10.0	7.7	9.2	9.8
Total 1/	100.0	100.0	100.0	100.0	100.0	100.0

1/ Because of rounding, figures may not add to the totals shown.

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

Imports of leather wearing apparel from the Far East (Korea, Taiwan, and Hong Kong) noticeably increased their share of total imports from 1977 to 1980, while the shares of Argentina, Uruguay, and Brazil declined. Three factors may have contributed to the decline in exports from these South American producers. First, severe inflation in the price of skins and hides affected South American producers more than producers in the Far East, as the former purchase leather in their own domestic markets on a spot basis, whereas the latter purchase leather 6 to 12 months ahead by forward contracts, primarily from U.S. suppliers. Second, countervailing duty investigations with respect to imports of leather wearing apparel from Argentina, Uruguay, Brazil, and Colombia, and an investigation by the United States Trade Representative concerning export restrictions on hides from Argentina may have affected exports of leather wearing apparel from these countries. Finally, a slackening of demand for women's leather wearing apparel in 1979, and for all leather wearing apparel in 1980, probably influenced the overall level of imports of these articles. As Uruguay and Argentina are primarily exporters of women's leather apparel, those countries were disproportionately affected by the downturn in U.S. demand in 1979.

In 1978, the value of imports of women's leather coats and jackets exceeded the value of men's leather coats and jackets. This situation reversed in 1979, and by 1980, men's leather coats and jackets accounted for 57 percent of the total, and women's leather coats and jackets accounted for only 32 percent. Imports of other leather wearing apparel accounted for approximately 8 percent of total imports in 1978 and 1979, and accounted for 11 percent in 1980. These items increased in value from 1975 to 1978 but then declined in 1979 and 1980. The estimated value of imports of leather wearing apparel, by types, is given in the table on the following page.

Women's leather coats and jackets accounted for approximately 75 percent of total imports of leather wearing apparel from Uruguay in 1978 and 1979, and 82 percent of the total in 1980. In 1978, Uruguay was the third largest supplier of women's leather coats and jackets, accounting for 16 percent of total imports of these articles. In 1980, Uruguay accounted for 12 percent of such imports, and had become the second largest supplier.

The quantity of imports 1/ of leather coats and jackets 2/ increased 146 percent from 1975 to 1978 and then decreased 54 percent from 1978 to 1980 (table 3). The quantity of imports from Uruguay increased 277 percent from 1975 to 1978, before declining 81 percent from 1978 to 1980. The decline in imports from Uruguay from 1978 to 1980 was the largest such decline for any major foreign supplier.

1/ As official import statistics on leather wearing apparel compiled by the U.S. Department of Commerce are kept on a value basis only, the staff utilized data developed for the Commission's escape-clause investigation concerning leather wearing apparel (No. TA-201-40) to estimate the quantity of imports. These data were derived by examining approximately 3,500 commercial invoices of import entries of leather wearing apparel for 1975-78 and January-August 1979. These invoices accounted for approximately 6 percent of all entries of leather wearing apparel in each of the years examined. The unit value of imports of leather coats and jackets was derived from the sample analysis. By dividing these unit values into the value of imports of leather coats and jackets reported in the official statistics, the data on the quantity of imports were developed. Quantity data for 1979 and 1980 were derived by examining approximately 650 commercial invoices of import entries for September-December 1979 and the entire year of 1980. The value of the imports included in the entries accounted for approximately 6 percent of the total value of imports of leather wearing apparel entering under TSUSA items 791.7620 and 791.7640 for the period. The quantity of imports was developed using the same method described above.

2/ Quantity data are not available for items of leather wearing apparel other than coats and jackets.

Table 2.--Leather wearing apparel: U.S. imports for consumption, 1/ by types and by principal sources, 1975-80

(In thousands of dollars)

Source	1975	1976	1977	1978	1979	1980
	Men's and boys' leather coats and jackets					
Korea	11,450	29,834	35,821	51,768	69,510	46,762
Taiwan	10,724	14,238	13,189	18,070	23,313	17,071
Hong Kong	5,783	5,952	6,404	7,632	8,596	6,178
Argentina	612	2,044	3,863	9,266	8,350	4,807
Mexico	4,247	5,142	5,740	9,088	8,207	4,761
Canada	5,993	5,283	4,432	4,531	4,488	3,321
Spain	6,694	7,434	4,091	5,336	2,846	1,880
Brazil	2,636	2,949	2,825	5,337	4,034	1,256
Uruguay	1,616	3,396	4,630	6,543	2,662	783
All other	8,599	10,002	8,622	11,515	14,153	9,908
Total 2/	58,354	86,274	89,617	129,086	146,159	96,727
	Women's and girls' leather coats and jackets					
Korea	12,259	31,941	38,351	55,417	30,243	18,346
Uruguay	6,346	13,333	18,181	25,640	10,581	6,758
Taiwan	10,072	13,373	12,386	16,982	10,355	6,526
Mexico	4,305	5,213	5,819	9,208	7,857	5,748
Canada	7,852	6,922	5,807	5,942	8,742	5,547
Argentina	2,189	7,306	13,803	33,058	11,515	3,835
Hong Kong	3,704	3,812	4,101	4,884	4,564	3,659
Brazil	1,563	1,748	1,675	3,166	1,243	766
Spain	2,834	3,148	1,732	2,263	1,017	218
All other	10,255	12,095	10,098	8,202	6,143	4,014
Total 2/	61,379	98,891	111,953	164,762	92,258	55,416
	Other leather wearing apparel					
Mexico	1,211	1,466	1,636	2,581	4,967	5,979
Korea	1,567	4,083	4,903	7,078	4,848	5,086
Hong Kong	1,857	1,911	2,057	2,162	2,018	1,581
Taiwan	1,686	2,239	2,074	2,844	1,954	976
Argentina	102	339	641	1,501	1,006	950
Uruguay	499	1,049	1,430	2,043	635	685
Brazil	216	242	232	432	152	2
All other	4,252	4,605	4,116	5,779	3,958	3,503
Total 2/	11,390	15,934	17,089	24,420	19,538	18,764

1/ Import data for 1975-77 were adjusted to separate imports of leather coats and jackets intended for masculine or feminine use, as well as other items of leather wearing apparel. It was estimated that the same share of the total imports for each source entered under TSUSA item 791.7620 (men's and boys' leather coats and jackets) in 1978 entered in 1975-77. The same methodology was followed to separate women's and girls' leather coats and jackets (TSUSA item 791.7640) and other articles of leather wearing apparel (TSUSA item 791.7660) from total imports for 1975-77.

2/ Because of rounding, figures may not add to totals shown.

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

Table 3.--Leather coats and jackets: Estimated U.S. imports for consumption, by principal sources, 1975-80

(In thousands of units)

Source	1975	1976	1977	1978	1979	1980
Korea	924	2,449	3,011	4,672	3,425	2,513
Taiwan	804	1,059	850	1,258	907	694
Argentina	102	329	583	1,370	557	297
Uruguay	264	507	702	995	289	186
Hong Kong	504	292	320	376	396	140
Brazil	152	141	121	229	113	62
All other	1,222	1,242	845	884	1,033	622
Total	3,972	6,019	6,432	9,784	6,720	4,514

Source: Derived from a 6-percent sample of commercial invoices of U.S. imports of leather wearing apparel and official statistics of the U.S. Department of Commerce.

An analysis of the sample of commercial invoices of Uruguayan import entries of leather wearing apparel 1/ indicated that the majority of items entered from Uruguay were women's jackets. Approximately 75 percent of the coats and jackets included in the sample were made of top grain leather. Split or suede leather coats and jackets accounted for 23 percent of the quantity of imports, and shearling coats and jackets accounted for approximately 1 percent of the quantity of these imports.

The Question of Material Injury

U.S. producers' shipments

The Commission received usable shipments data from 22 producers of men's and women's leather wearing apparel, which accounted for 89 percent of the total estimated quantity of industry shipments in 1978. Data on these U.S. producers' total shipments (domestic plus export) are given in table 4. The quantity of questionnaire respondents' shipments of leather wearing apparel decreased 5 percent in 1979, from 2.0 million units in 1978 to 1.9 million units in 1979, before increasing 9 percent in 1980 to 2.1 million units. However, the value of these shipments decreased each year, from $123 million in 1978 to $116 million in 1980. The average unit value of shipments increased from 1978 to 1979, reflecting increasing raw-material costs, primarily for tanned leather. In 1980, the price of all hides and skins dropped significantly and this is reflected in the lower average unit value reported for all leather wearing apparel in that year. The increase in

1/ The sampled commercial invoices of import entries of leather wearing apparel from Uruguay accounted for approximately 47 percent of the value of such imports entered under TSUSA item 791.7640 from September 1979 to December 1980, and for approximately 11 percent of the value of imports from Uruguay entered under TSUSA item 791.7620 for the same period.

quantity from 1979 to 1980 accompanied by the decrease in unit value for that period is further explained by industry sources as being a result of increased demand for women's leather jackets and blazers which are less expensive than the longer coats.

Table 4.--Leather coats and jackets: Shipments of 22 U.S. producers, by types, 1978-80

Type	1978	1979	1980
	Quantity (units)		
Men's and boys'	1,460,165	1,322,020	1,151,842
Women's and girls'	518,747	555,350	901,912
Total	1,978,912	1,877,370	2,053,754
	Value (1,000 dollars)		
Men's and boys'	91,212	88,662	79,293
Women's and girls'	31,470	31,430	36,923
Total	122,682	120,092	116,216
	Unit value		
Men's and boys'	$62.47	$67.07	$68.84
Women's and girls'	60.67	56.60	40.94
Weighted average	62.00	63.97	56.59

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

The quantity of shipments of men's and boys' leather wearing apparel, which accounted for 56 percent of questionnaire respondents' total shipments in 1980, decreased 21 percent from 1978 to 1980. The value of these shipments decreased 13 percent for the same period, with most of this decrease occurring between 1979 and 1980. The quantity of shipments of women's and girls' leather wearing apparel increased by 74 percent from 1978 to 1980. This apparently substantial increase, however, came after a decline in the domestic shipments of the women's segment which began in 1975 and lasted through 1978. 1/ During the period 1975-78, many smaller producers, primarily in the women's segment, switched to the production of other items, became importers, or liquidated their businesses. It is from this shrunken base, then, that the increase in shipments in 1980 should be viewed. Although the quantity of such shipments increased substantially, the value of these shipments increased only 17 percent for the same period, as average unit values fell from $60.67 to $40.94. The decline in the unit value of women's leather apparel from 1978 to

1/ See table 4, Leather Wearing Apparel, Report to the President on Investigation No. TA-201-40 . . ., USITC Publication 1030.

1980 is the result of increased production of shorter, less expensive leather jackets and blazers.

U.S. exports

Exports of leather wearing apparel accounted for a relatively small, but rapidly increasing share of the estimated value of total U.S. producers' shipments during 1978-80 (4 percent in 1978 to 9 percent in 1980). The value of exports of leather wearing apparel increased from $2.8 million in 1977 to $11.5 million in 1980, or by 306 percent. Japan and Colombia were the main export markets in 1980. The value of U.S. exports of leather wearing apparel, for the years from 1977 to 1980, compiled from official statistics of the U.S. Department of Commerce, was as follows:

	Value (1,000 dollars)
1977	2,820
1978	5,357
1979	7,113
1980	11,463

Capacity, capacity utilization, and production

As part of its consideration of injury to the domestic industry, the Commission asked U.S. producers of leather wearing apparel to report their capacity to produce such items in their domestic facilities (table 5). Capacity was defined as the maximum sustainable production at one 8-hour shift a day, 5 days a week, 50 weeks a year. Capacity in the leather wearing apparel industry is primarily determined by the available labor supply and the number and type of sewing machines in the producers' facilities.

Table 5.--Leather wearing apparel: U.S. production, capacity, and capacity utilization, 1978-80

Item	1978	1979	1980
Production------units	1,547,751	1,437,757	1,297,160
Capacity------do	2,270,603	2,533,684	2,416,787
Capacity utilization------percent	68.2	56.7	53.7

Source: Compiled from data submitted by 20 U.S. producers in response to questionnaires of the U.S. International Trade Commission.

Questionnaire data show the rate of capacity utilization for respondents declining steadily from 1978 to 1980. The failure of capacity to closely track production is typical in the apparel industry, where demand for particular products from season to season is dependent on shifting fashions and fluctuating raw material costs. The idling of machinery in a downturn in this industry does not represent as high a fixed cost for maintenance or as much disruption of production runs as it would in more highly technological, capital-intensive industries. Furthermore, the heavy-duty sewing machines used to sew leather garments can be adapted in most cases, with some loss of efficiency, for sewing other leather articles and cloth garments. This is the usual practice in smaller "loft" operations producing limited quantities of leather garments on an order basis.

Employment

Data from 14 respondents showing the number of production and related workers and hours worked in the leather wearing apparel industry are given in table 6.

Table 6.--Average number of production and related workers and hours worked by them in facilities producing leather wearing apparel, 1978-80 1/

Item	1978	1979	1980
Average number of production and related workers	1,974	1,643	1,535
Hours worked by production and related workers (1,000 hours)	3,509	2,849	2,507
Average weekly hours per worker	35.6	34.7	32.7

1/ Data on employment is for production and related workers employed in producers' own facilities; it does not include employment of contracted labor.

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

Employment of production and related workers of questionnaire respondents declined 22 percent from 1978 to 1980. The average hours worked each week by production and related workers declined from 35.6 hours a week in 1978 to 32.7 hours in 1980, suggesting increasing underemployment in the industry.

Union representatives in previous investigations characterized the bulk of the labor force producing leather wearing apparel as unskilled and having a lower level of education and income than most other manufacturing workers in the United States. From April 1975 to April 1981, 4,189 workers in the leather wearing apparel industry had been certified as eligible for trade adjustment assistance by the U.S. Department of Labor, and 639 workers had been denied trade adjustment assistance.

Unshipped orders

The Commission requested data pertaining to domestic producers' unshipped orders for leather wearing apparel as of August 31 of 1979 and 1980. These data measure bona fide orders received but not shipped on these dates. An increase in unshipped orders from season to season indicates increasing demand for leather apparel products of domestic producers; a decrease indicates decreasing demand. Unshipped orders of 19 producers of men's and women's leather wearing apparel 1/ on these specific dates are as shown in the following table.

Table 7.--Leather wearing apparel: Unshipped orders of 19 producers of men's and women's leather wearing apparel, by types, August 31, 1979 and August 31, 1980

(Quantity in units; value in thousands of dollars)

Type	Aug. 31, 1979	Aug. 31, 1980	Percentage increase Aug. 31, 1980 over Aug. 31, 1979
	Quantity		
Men's and boys'	265,486	269,533	1.5
Women's and girls'	25,700	47,650	85.4
Total	291,186	317,183	8.9
	Value		
Men's and boys'	17,972	19,280	7.3
Women's and girls'	1,739	2,871	65.1
Total	19,711	22,151	12.4

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

Producers' unshipped orders of women's and men's leather wearing apparel combined increased from August 31, 1979 to August 31, 1980, rising approximately 9 percent by quantity and 12 percent by value. The quantity of men's unshipped orders increased 2 percent, while the quantity of women's unshipped orders increased significantly, by 85 percent, indicating an increased demand for women's leather wearing apparel in a generally weak market.

1/ Of the 19 respondents, 8 produce women's leather wearing apparel.

Profit-and-loss experience

The Commission received profit-and-loss data from 14 producers of leather wearing apparel, accounting for an estimated 42 percent of total net sales for the industry in 1978 (table 8).

Table 8.--Profit-and-loss experience of U.S. producers on their leather wearing apparel manufacturing operations, accounting years 1978-80

Item	1978	1979	1980
Net sales-------1,000 dollars--:	93,261	105,443	92,407
Cost of goods sold-------do----:	76,026	85,034	74,541
Gross profit-------do----:	17,232	20,409	17,868
General, selling, and administrative expenses-------1,000 dollars--:	14,380	17,588	16,763
Net operating profit-------do----:	2,851	2,821	1,103
Ratio of net operating profit to net sales-------percent--:	3.1	2.7	1.2
Number of firms reporting net operating losses----:	4	3	5
Range of individual firms' sales:			
High-------1,000 dollars--:	***	***	***
Low-------do----:	***	***	***
Range of individual firms' net operating profit or (loss):			
High-------1,000 dollars--:	***	***	***
Low-------do----:	***	***	***

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

Note.--Because of rounding, figures may not add to totals shown.

Net sales of questionnaire respondents increased from $93.3 million in 1978 to $105.4 million in 1979, or by 13 percent, before declining 12 percent, to $92.4 million in 1980. Net operating profit and the ratio of net operating profit to net sales decreased from 1978 to 1980, with the greatest decrease in each occurring from 1979 to 1980. The net operating profit of questionnaire respondents decreased significantly from 1979 to 1980, dropping by 61 percent, reaching a low of $1.1 million in 1980. The number of firms reporting losses also increased from 3 firms in 1979 to 5 firms in 1980.

The Question of the Causal Relationship Between Imports and the Alleged Material Injury

Market penetration of imports from Uruguay

The quantity of imports of leather coats and jackets from Uruguay as a share of apparent U.S. consumption of these articles 1/ rose from 4.1 percent in 1975 to 8.4 percent in 1978, before falling precipitously to 3.3 percent in 1979 and 2.8 percent in 1980. These data are shown in the following table.

Table 9.--Leather coats and jackets: U.S. producers' shipments, 1/ exports, 2/ imports for consumption, 3/ total and from Uruguay, and apparent consumption, 1975-80

Year	U.S. producers' shipments	Exports	Imports: Total	Imports: From Uruguay	Apparent consumption	Ratio of imports to consumption: Total	Ratio of imports to consumption: From Uruguay
	1,000 units					Percent	
1975	2,523	4/ 40	3,972	264	6,455	61.5	4.1
1976	2,580	4/ 73	6,019	507	8,526	70.6	5.9
1977	2,299	4/ 43	6,432	702	8,688	74.0	8.1
1978	2,212	86	9,784	995	11,910	82.1	8.4
1979	5/ 2,099	111	6,720	289	8,708	77.2	3.3
1980	5/ 2,296	203	4,514	186	6,607	68.3	2.8

1/ Data on producers' shipments from 1975 to 1978 were taken from table 4, Leather Wearing Apparel, Report to the President on Investigation No. TA-201-40 . . ., USITC Publication 1030.

2/ Data on exports were estimated by dividing the value of exports reported by the U.S. Department of Commerce by unit values of U.S. producers' shipments for corresponding periods, as derived from data submitted in response to questionnaires of the U. S. International Trade Commission.

3/ Data on quantity of imports were derived from a 6-percent sample of commercial invoices of U.S. imports of leather wearing apparel developed for investigation No. 201-TA-40, for each year 1975-78. Data on quantity of imports for 1979-80 were derived from a 6-percent sample of commercial invoices of U.S. imports of leather wearing apparel for September 1979-December 1980.

4/ Data on exports for 1975-77 include other leather wearing apparel as well as leather coats and jackets.

5/ Estimated from trends prevalent in questionnaire data of 22 U.S. producers, which accounted for 89 percent of total U.S. shipments in 1978.

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

1/ Quantity of imports data were derived for men's and women's leather coats and jackets only (TSUSA items 791.7620 and 791.7640, respectively). Data for other articles of leather wearing apparel, TSUSA item 791.7660, were too sparse, and unit values varied too greatly, for reliable data to be developed for this category of leather wearing apparel.

Prices

Price comparisons of apparel products present several inherent problems. First, no two leather apparel items from two manufacturers are exactly alike--the same "model" coat or jacket may differ from manufacturer to manufacturer in quality of leather, type of fasteners, belting, lining, or any number of factors. These differences are intentional, as both domestic and foreign manufacturers seek to differentiate their products to make them more salable. The effect, however, is that the addition or subtraction of pockets, belts, quality of leather, or other items changes the cost and hence the selling price of the garments. Second, since styles and materials used change rapidly, especially in the more fashion-oriented women's segment of the industry, price comparisons of the same item over two or three seasons are sometimes not possible. Third, apparel items are traditionally discounted or marked up shipment by shipment, depending on the customer and consumer demand. Given these difficulties, the Commission has attempted to examine the issue of comparative pricing by several different methods.

Wholesale price comparisons.--Domestic producers and importers from Uruguay were asked to supply price data for two specific items--a man's jacket and a woman's coat, for 1979 and 1980. The weighted average net selling prices for these items, delivered to retailers, were as follows:

Item	1979	1980
Man's jacket: 1/		
U.S.-made	$67.25	$65.32
Imported from Uruguay	2/ 45.00	2/ 50.00
Woman's coat: 3/		
U.S.-made	85.47	79.62
Imported from Uruguay	78.15	76.63

1/ Soft-grain cowhide, approximately 25 inches in length, pigment finish, selfcollar, zipper front, manmade-fiber lining, 2 pockets.
2/ Represents price quotations from only 1 firm.
3/ Soft-grain cowhide, approximately 45 inches in length, pigment finish, notched collar, button front, manmade-fiber lining, belted with buckle.

The man's model leather jacket from Uruguay undersold the U.S.-made product by 33 percent in 1979. This margin decreased to 23 percent in 1980. The woman's coat from Uruguay undersold its U.S.-made counterpart in both 1979 and 1980. However, the underselling margin decreased from 9 percent in 1979 to 4 percent in 1980.

Average unit value comparisons.--An alternative to exact price comparisons is a comparison of the unit values of domestic shipments and unit values of imports, to which an importers' markup has been added. Here also, inherent problems related to the nature of the product limits analysis. First, there is wide disagreement as to the amount of the markup, with figures ranging from 20 to 100 percent of the imports' f.o.b. U.S.-port value. Second, and most important, comparison of unit values assumes the composition of domestic shipments and imports to be similar. The heterogeneity of type and quality of articles of leather wearing apparel thus may make comparisons of unit values less relevant than those of more fungible items.

The appropriateness of using unit values as a method of comparing prices in the leather wearing apparel industry was addressed extensively at the Commission's hearing in the present case and in a posthearing submission. 1/ Petitioners asserted that comparisons of unit values of imports from Uruguay, including a suitable importer's markup, and U.S.-producers' domestic shipments are relevant to the pricing issue, because the same type goods are exported from Uruguay as are produced in the United States. Respondents, on the other hand, asserted that to compare unit values from the two sources would be "comparing apples with oranges." Specifically, respondents claimed that articles imported from Uruguay are predominantly composed of less expensive leather and styles than U.S.-made apparel, and therefore any margin of underselling of imports from Uruguay is overstated. 2/

Despite the preceding caveats, unit value comparisons can be a meaningful indicator of pricing behavior, if they are examined over a sufficient number of time periods. At any particular point in time, the different product mixes of imports and domestic shipments may make unit value comparisons unreliable. 3/ Over the course of a selling season or several selling seasons, however, and given the rapidity and ease with which apparel manufacturers can adapt to signals in the marketplace, it can be said with some assurance that product mixes of both domestic producers and importers will approximate each other. 4/

The following table compares average unit values of U.S. producers' shipments with those of imports from Uruguay. The average unit values of imports were increased by the duty, insurance and freight charges, and finally by a 25-percent markup on the selling price of the garments, which industry sources said represented a typical importers' markup.

1/ See transcript of the hearing, pp. 46ff.; 116-17; 175-76; 243ff. See also posthearing statement of respondents, p. 2.

2/ See transcript of the hearing, p. 175-76, in which an importer of leather wearing apparel from Uruguay stated that women's short split jackets (short jackets of split cowhide) constituted "ninety percent of what Uruguay has exported in the last few years." This statement is contradicted by data developed by the Commission in its import sample analysis, which showed that approximately 75 percent of the coats and jackets imported from Uruguay were of top grain leather. See p. A-14 of this report.

3/ It is for this reason that the staff feels that month-to-month unit value comparisons are inappropriate.

4/ Tr. of hearing, p. 117.

Table 10.--Leather coats and jackets: Average unit values of U.S. producers' shipments and imports from Uruguay, 1975-80

Year	U.S. Producers' shipments	Imports from Uruguay	Margin of underselling (-) or overselling (+) by imports from Uruguay
			Percent
1975	$56.86	$44.72	-21.4
1976	61.20	46.11	-24.7
1977	65.74	46.13	-29.8
1978	69.82	46.05	-34.0
1979	63.97	67.68	+ 5.5
1980	56.59	60.44	+ 6.4

Source: Data for 1975-78 compiled from tables 2 and 3 for imports, and table 4 for producers' shipments, of USITC Publication 1030; data for 1979 and 1980 derived from tables 2 and 3 for imports, and table 4 for producers' shipments, of this report, pp. A-13, A-14, and A-15, respectively.

Table 10 shows imports from Uruguay underselling U.S. producers' domestic shipments by increasing margins from 1975 to 1978. This trend reversed dramatically in 1979, however, when the unit values of imports from Uruguay were 5.5 percent more than unit values of U.S. producers' shipments. This overselling of imports from Uruguay increased to 6.4 percent in 1980.

Retail price comparisons.--The final method of price analysis employed by the Commission in this investigation was a comparison of prices for similar articles of leather wearing apparel from Uruguay with those manufactured by U.S. producers at the retail level. As in the other methods of price comparisons discussed above, this approach also has an inherent weakness, in that different retail stores may have different markups for their products, depending on marketing strategies, emphasis on leather wearing apparel as a sales leader, lateness of the season, or prestige of the retail outlet. Ideally, prices of Uruguayan and U.S.-made articles of leather wearing apparel should be compared in the same retail outlet, although it would usually not be the case that the same model coat or jacket from both a domestic and a foreign producer would be displayed in the same retail outlet.

The price data gathered from inspection of retail outlets for leather wearing apparel in the Washington, D.C. metropolitan area are shown in the following table.

Table 11.--Leather wearing apparel: Retail prices of U.S.-made products and imported products from Uruguay, by type and retail outlet

Type and retail outlet	Retail price 1/	
	Uruguay	United States
Woman's jacket: top grain cowhide, side pockets, manmade lining, 2 buttons:		
Laurel, Md., outlet	$89 ($139)	-
Same Laurel, Md., outlet	-	$139 ($179)
Man's "bomber" jacket: top grain cowhide, 3 slash pockets, epaulets, manmade fiber lining, zipper front:		
Alexandria, Va., outlet	$100 ($175)	-
Same as above, with no epaulets:		
Different Alexandria, Va., outlet	-	$140
Same as above, with 2 slash pockets, no epaulets:		
Tyson's Corner, Va., "prestige" outlet	-	$198
Man's vest: shearling, 3 square-buttoned pockets, ornate stitching, zippered-front:		
Alexandria, Va., outlet	$45 ($60)	-
Man's vest: Split cowhide, no pockets, manmade fiber lining, button front:		
Tyson's Corner, Va., "prestige" outlet	-	$45

1/ Price in parentheses represents the original price of the garment; first price represents the sales price at which the garment is currently offered.

The staff was able to locate only one instance in which similar jackets from Uruguay and the United States were offered for sale in the same retail outlet. In that instance, the woman's jacket from Uruguay was priced 36 percent below the comparable U.S. product.

Although the prices of men's bomber jackets were quoted from different retail stores, the Uruguayan jacket undersold both domestically produced competitive models. Also, the Uruguayan product possessed fashion features not present in the U.S.-produced products. Finally, the two vests on which prices are quoted show clear evidence of underselling by the Uruguayan product. The Uruguayan vest sold for the same price as the U.S.-made vest, but was made of more costly leather and had superior, more detailed workmanship. Mitigating this conclusion somewhat is the fact that the U.S. vest was offered by a "prestige" retailer, which may have employed a higher retail markup than the retailer which offered the Uruguayan vest.

Loss of sales

Domestic producers were requested to supply evidence of sales lost to imports from Uruguay. Two domestic producers cited four former customers believed to have switched from domestically produced leather wearing apparel to imports from Uruguay.

All of the retailers mentioned as lost accounts were contacted. Three of these firms stated they did not purchase imported leather wearing apparel from Uruguay. * * *.

Hide prices and restrictive export practices

The cost of tanned leather, the principal raw material required in making a leather garment, accounts for more than 50 percent of the cost of production for such garments. Thus the price and supply of this vital input are important factors in determining the competitiveness of the domestic product vis-a-vis imports in the U.S. market.

The supply of hides and skins is determined by the economic factors that determine meat supply, making them unusual commodities in that respect. Being a byproduct of yearly cyclical cattle and calf slaughter, hide supply is not generally affected by current or past hide prices. A recent Department of Agriculture study stated that demand for hides was very inelastic, so that even a large change in price would call forth only a relatively small change in the quantity of hides demanded. 1/

World production of selected hides and skins on a weight basis declined from 5.6 million metric tons in 1977 to 5.4 million metric tons in 1979, as shown in table 12. However, the number of hides and skins produced during the same period actually increased somewhat. This was a result of an increase in the slaughter of sheep and lambs, while the slaughter of cattle and calves declined. The U.S. Department of Agriculture (USDA) estimates that world production of hides and skins increased by less than 2 percent in 1980. Since U.S. production in 1980 remained practically the same as in 1979, other cattle-growing countries must have increased their production to account for this increase in world production of hides and skins.

1/ U.S. Department of Agriculture, The Structure, Pricing Characteristics, and Trade Policy of the Hides, Skins, Leather, and Leather Products Industry, 1979, p. 18.

Table 12.--World production of cattle and calf hides and sheep and lamb skins, 1977-79

Year	Cattle and calf hides	Sheep and lamb skins	Total
	Quantity (1,000 metric tons)		
1977	5,239.7	314.8	5,554.5
1978	5,243.3	326.9	5,570.2
1979 1/	5,049.0	320.0	5,369.0
	Quantity (million pieces)		
1977	286.0	103.3	389.3
1978	287.0	113.8	400.8
1979 1/	278.8	118.4	397.2

1/ Estimated.

Source: U.S. Department of Agriculture, Consumer Products Division.

The United States is a major producer of hides and skins, although its share of world production fell from 14 percent in 1977 to 10 percent in 1979. The drop in cattle slaughter in the United States in 1979 resulted in substantially lower U.S. production of hides and skins in that year and in 1980 (table 13). The low level of production is expected to continue through 1981.

Table 13.--U.S. production of cattle and calf hides and sheep and lamb skins, 1977-80

(In millions of pieces)

Year	Cattle and calf hides	Sheep and lamb skins	Total
1977	47.4	6.4	53.8
1978	43.8	5.2	49.0
1979	36.5	5.0	41.5
1980	36.3	5.3	41.6

Source: U.S. Department of Agriculture, Economic, Statistical and Cooperative Service, 1977-80.

The world demand for hides in recent years, but not including 1980, has been strong, creating upward pressure on prices, as shown in the following table.

Table 14.--U.S. wholesale price indices for all hides and skins, and tanned leather, 1967-80

(1967=100.0)

Year	All hides and skins		Tanned leather	
	Index	Percentage change from previous year	Index	Percentage change from previous year
1967	100.0	-	100.0	-
1968	105.7	5.7	102.1	2.1
1969	124.1	17.4	108.7	6.5
1970	104.3	-16.0	107.7	-0.9
1971	115.1	10.4	112.5	4.5
1972	213.7	85.7	140.4	24.8
1973	253.9	18.8	160.1	14.0
1974	195.9	-22.8	154.3	-3.6
1975	174.5	-10.9	151.5	-1.8
1976	258.4	48.1	188.1	24.2
1977	286.8	11.0	201.0	6.9
1978	360.5	25.7	238.6	18.7
1979	535.4	48.5	356.7	49.5
1980	370.9	-30.7	308.5	-13.5

Source: U.S. Bureau of Labor Statistics, Producer Price Index, 1967-80.

The table shows an irregular increase in hide prices since 1967 with the greatest increase occurring in 1972. Substantial increases also occurred in 1976 and 1979, when prices increased by almost 50 percent. The latest increase was primarily attributable to increased exports, which reached 71 percent of domestic production in 1979. Likewise, the sharp drop in the index in 1980 reflected decreased exports due to a decline in the worldwide demand for leather.

Table 15 presents price data for U.S. light native cowhides, which are used in the making of leather garments, from January 1978 to December 1980. The price for these hides increased steadily in 1978 and continued to rise until April 1979, when it reached $1.12 per pound. The subsequent decline continued through May 1980, with the price irregularly falling to 38 cents in that month. Prices subsequently increased to 61 cents per pound in December 1980. These generally lower prices are expected to continue into 1981.

Table 15.--Selected prices of U.S. light native cowhides, by months, January 1978-December 1980

(In cents per pound)

Period	1978	1979	1980
January	48	76	80
February	48	88	70
March	46	110	56
April	48	112	48
May	47	108	38
June	49	91	39
July	53	81	46
August	58	80	51
September	61	75	47
October	64	74	51
November	69	72	61
December	69	78	61
Average	55	87	54

Source: Tanners' Council of America.

According to the Department of Agriculture, reasons for the price decline in the presence of the lower supply of hides include the general worldwide decrease in demand for leather, increased substitution of manmade materials for leather, and the recent drop in U.S. exports of leather and hides. The lower foreign demand for hides is expected to continue through 1981, and may result in hide prices falling to still lower levels. This projection is supported by the fact that January 1981 prices dropped below 50 cents per pound.

In the early 1970's many South American hide suppliers introduced export restriction measures to provide their leather industries with less expensive raw materials and make their products more competitive abroad. Among the countries with such export restrictions were Brazil, Uruguay, Argentina, and Mexico. The measures created a two-tiered market for hides which kept domestic prices as much as 75 percent below world market prices and created an important price advantage for the leather goods producers in those countries. 1/ Seeking to liberalize the trade in hides, the U.S. Government has held negotiations with Argentina, Brazil, and Uruguay, seeking to reduce their export restrictions.

Although U.S. policy has generally attempted to encourage exports of hides and leather, there were brief periods in 1966 and 1972 when U.S. exports of these products were restricted. A further attempt to restrict exports of hides was made in Congress in 1979 when an amendment restricting exports was attached to the Export Administration Act bill; however, this attempt was defeated in the House of Representatives on September 18, 1979.

1/ U.S. Department of Agriculture, op. cit., p. 4.

The effect of Uruguay's restrictive export policies can be seen in the prices for hides in that country (table 16). While Uruguayan prices followed the same trends as U.S. prices (table 15), they were generally significantly lower except during April-September 1979.

Table 16.--Domestic Uruguayan prices for dried hides of cows and steers, January 1978-December 1980

(In U.S. cents per pound)

Month	1978	1979	1980
January	28	64	50
February	28	72	44
March	28	96	43
April	32	117	46
May	38	115	43
June	42	122	1/
July	48	110	1/
August	53	105	33
September	52	105	28
October	54	74	29
November	54	67	22
December	56	56	26
Average	43	92	36

1/ Not available.

Source: Calculated from data submitted to the Commission by the U.S. Embassy in Montevideo.

The Question of Threat of Material Injury

Rate of increase of subsidized imports

As part of its consideration of threat of material injury, the Commission may examine the rate of increase, if any, of subsidized exports to the U.S. market. This section compares such exports of leather wearing apparel from Uruguay with those of other major exporting countries, making note of the reintroduction of the various subsidies on leather wearing apparel from Uruguay which have been determined by the Department of Commerce to constitute bounties or grants.

An important characteristic of leather apparel import trends that should be noted is their seasonal character. Because leather wearing apparel is basically an outerwear item, both import and domestic shipments of these articles to retail outlets are heaviest in the late summer months, in anticipation of the fall season. Shipments tend to fall off rapidly in December and January of each year after retail outlets have made their Christmas purchases (see table 17 and fig. 1 and 2). The highest import shipments for all countries in 1978 occurred in October, in 1979 in July, and

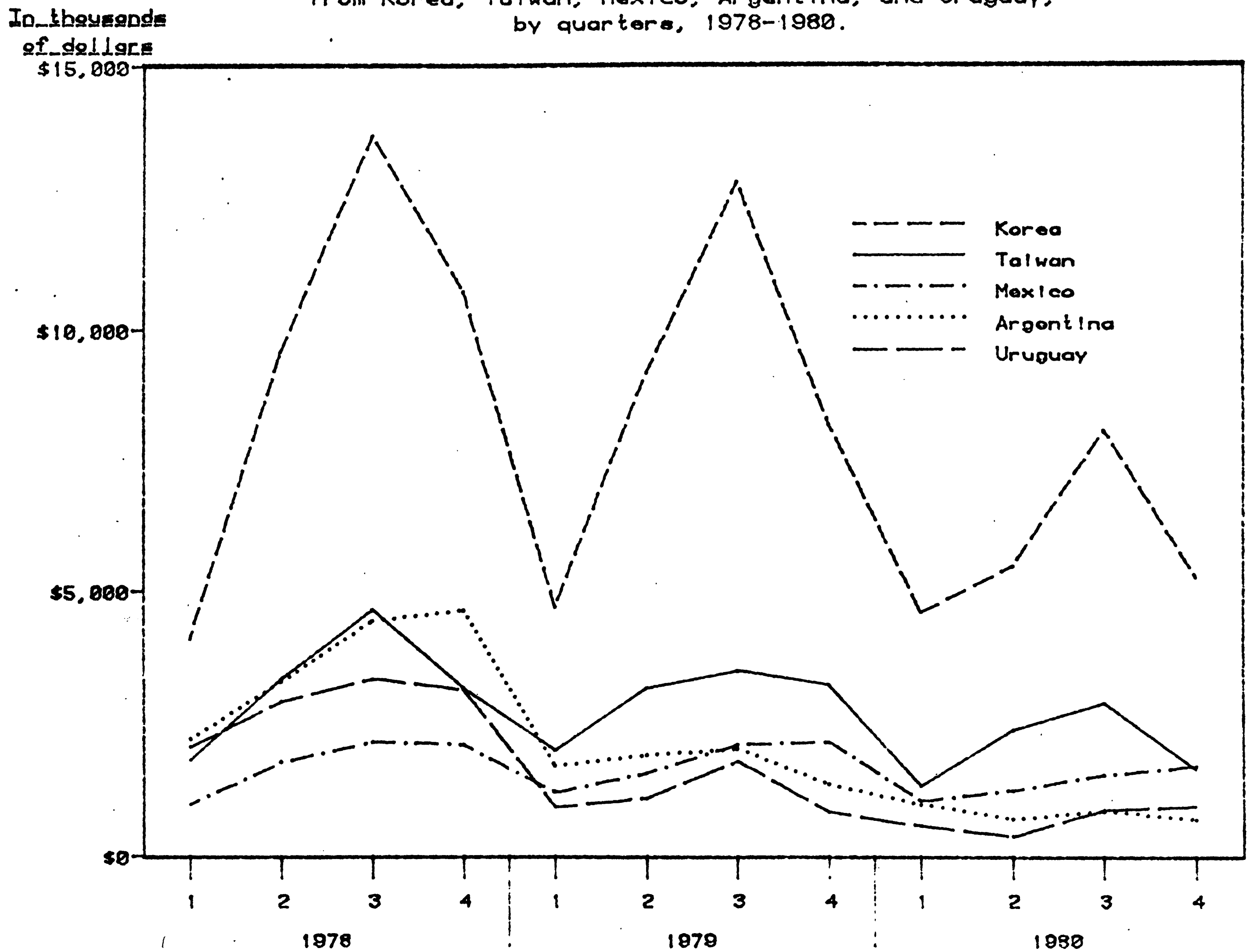
Table 17.--Leather wearing apparel: U.S. imports for consumption from Korea, Taiwan, Mexico, Argentina, Uruguay, and all countries, by months, 1978-80.

(In thousands of dollars)

	January	February	March	April	May	June	July	August	September	October	November	December
Korea:												
1978	4,464	3,890	3,940	6,754	10,015	11,954	13,234	13,264	14,597	15,419	10,319	6,414
1979	4,658	4,313	5,144	5,670	9,141	12,727	13,003	13,304	12,063	11,371	7,483	5,724
1980	2,706	2,847	8,250	4,066	5,378	7,002	7,940	8,904	7,335	7,023	5,420	3,320
Taiwan:												
1978	1,669	2,417	1,310	3,366	3,539	3,104	4,718	4,282	4,953	4,452	2,969	2,059
1979	2,481	1,746	1,722	2,586	2,383	4,556	4,639	3,034	2,820	4,289	3,340	2,026
1980	1,000	1,028	1,929	1,870	2,298	2,938	3,002	3,106	2,541	1,978	1,574	1,310
Mexico:												
1978	827	1,070	1,010	1,494	1,793	2,010	1,609	2,322	2,504	2,478	2,111	1,648
1979	723	1,653	1,219	1,356	1,633	1,692	1,875	2,497	1,937	2,727	2,270	1,449
1980	594	897	1,619	968	1,155	1,600	1,430	1,554	1,585	1,587	1,868	1,633
Argentina:												
1978	1,871	2,192	2,539	3,257	3,290	3,304	4,612	4,184	4,550	5,692	4,912	3,323
1979	1,825	1,888	1,366	1,224	2,307	2,163	2,116	1,991	1,961	1,878	1,262	890
1980	303	1,222	1,368	581	726	804	597	1,026	906	648	860	553
Uruguay:												
1978	1,838	1,730	2,560	2,541	2,558	3,630	3,552	3,182	3,280	4,974	2,918	1,465
1979	818	1,050	908	1,209	599	1,471	2,177	1,192	1,986	963	877	629
1980	9	887	784	362	478	253	1,149	726	753	788	1,382	656
All countries:												
1978	13,598	13,719	14,968	19,320	25,160	30,238	34,559	35,180	35,787	43,925	31,560	20,256
1979	13,881	13,577	13,989	15,864	21,490	28,262	30,877	30,272	27,420	27,474	19,999	14,850
1980	7,216	9,506	17,733	9,389	12,581	15,313	18,837	20,048	17,406	16,732	15,563	10,584

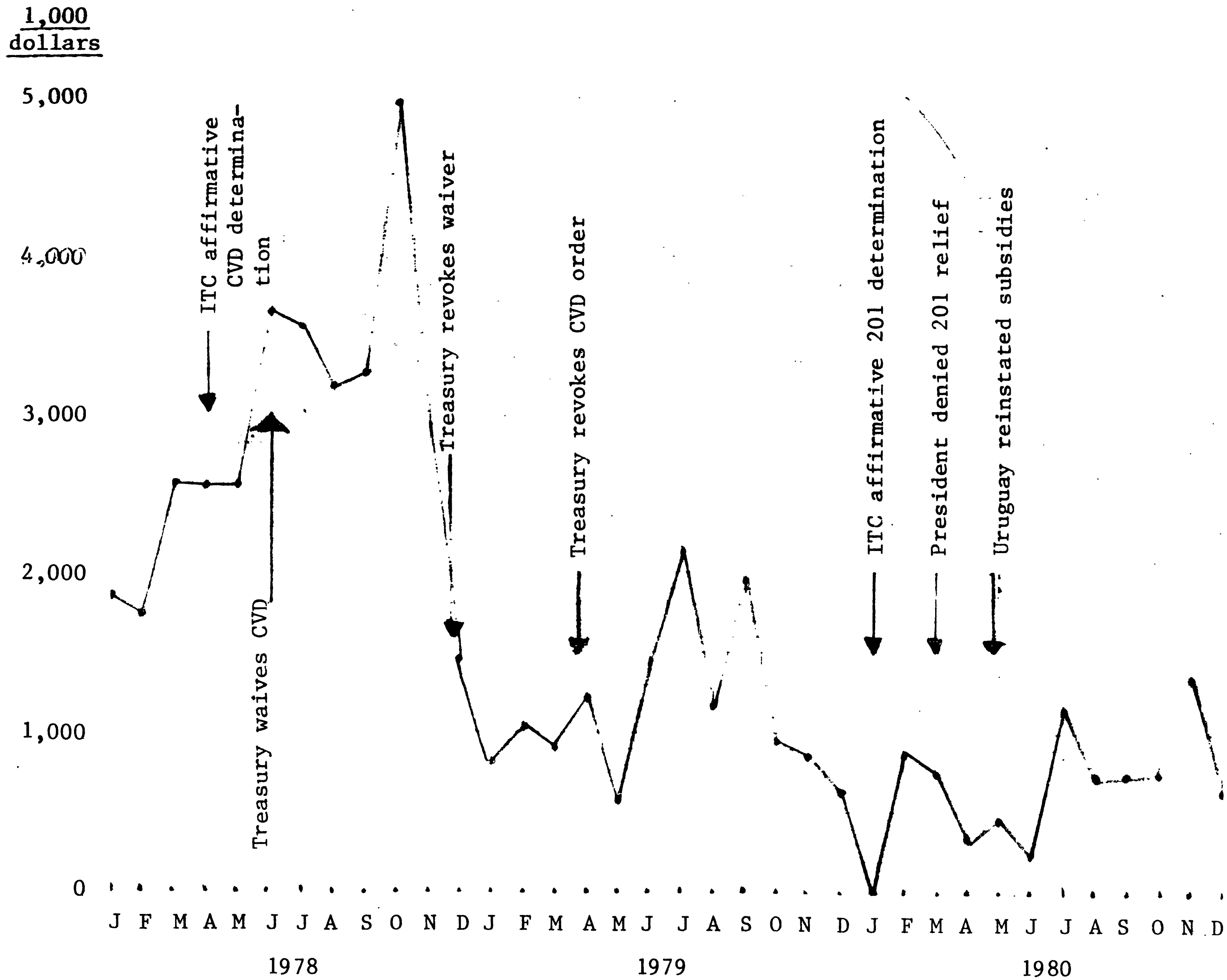
Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 1.--Leather wearing apparel: U.S. imports for consumption from Korea, Taiwan, Mexico, Argentina, and Uruguay, by quarters, 1978-1980.



Source: Compiled from official statistics. U.S. Dept. of Commerce.

Figure 2: Leather wearing apparel: U.S imports for consumption from Uruguay, by months, 1978-80



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

in 1980 in August. Import shipments from Uruguay generally follow the same trend, with the highest imports occurring in October 1978 and in July 1979, but display a degree of anomaly in 1980, when shipments remained at low levels throughout most months, but rose significantly in July and November. 1/

To highlight what effect, if any, reintroduction of subsidies by the Government of Uruguay had on exports of leather apparel to the United States, month to month import trends for 1979, in which subsidies were either not in effect or countervailed by the U.S. Government, were compared to the same periods in 1980, when subsidies were in effect. An increase of imports in the period following introduction of subsidies would indicate, all other things being equal, that reinstatement of the subsidies had a positive impact on exports.

The choice of time periods to be compared for these import trends affects substantially the analysis in the present case, and the appropriate choice of such periods was vigorously debated at the Commission's hearing and in written submissions. 2/ The staff recapitulates both analyses here, together with the assumptions on which they rest.

1. Petitioner's hypothesis: Monthly import data from Uruguay show a close relationship between the level of imports and the Government of Uruguay's subsidy practices

Petitioner's analysis focuses on the monthly trend in import data from Uruguay following the reinstatement of subsidies by the Government of Uruguay on April 16, 1980. First, petitioner claims that leather apparel manufacturers/exporters in Uruguay responded to the reinstated subsidies by increasing exports to the United States, as measured by a comparison of U.S. import increases from January-April to May-December in 1979 and 1980, as shown in the following tabulation:

1/ To characterize increases or decreases in any series of numbers as significant or inconsequential risks debate for at least two reasons. First, and most important, increases/decreases from lower base numbers may be greater, but involve far less real shift than smaller and seemingly modest changes in higher based series. Thus, in the present case, Uruguay's "significant" increase in import shipments in July 1980 (354 percent) was $42,000 less than the 13 percent increase in imports posted by Korea for the same period. Second, the time periods compared often determine which trends the data show.

Thus, the term "significant increase" used to describe imports shipments from Uruguay in July and November 1980 refers to a month by month comparision of import shipments from the seventh largest foreign supplier of leather wearing apparel to the U.S. market.

2/ Prehearing statement of petitioner, pp. 12-16, and table 6; posthearing statement of respondents, pp. 1-4, and tables 1 and 2.

Year	January-April imports from--		May-December imports from--		Percentage change, May-December from January-April	
	Uruguay	All other countries	Uruguay	All other countries	Uruguay	All other countries
	1,000 dollars					
1979----------	1/ 3,985	53,326	1/ 9,894	190,750	148	258
1980----------	1/ 2,042	41,802	2/ 6,185	120,879	203	189

1/ Subsidies not in effect.
2/ Subsidies in effect.

According to this tabulation, imports from Uruguay increased less than imports from all other countries in 1979, when Uruguayan exports were without benefit of subsidies, but increased more than other imports in 1980, when subsidies were in effect. Similar results are attained if imports are broken down into January-May and June-December periods. 1/ Petitioner also observes that imports from Uruguay increased noticeably in November 1980, and postulates that this increase was the result of the filing of the petition in the present case on October 16, 1980.

This analysis assumes that Uruguayan manufacturers/exporters had no foreknowledge of the reinstatement of subsidies on April 16, 1980 (or did not act on their foreknowledge), and required a "lag time" of some weeks to respond to the stimulus of the subsidies with increased exports to the United States. 2/ The analysis also assumes that the increases represent sufficient actual exports and capacity to produce leather garments so as to be a threat of material injury to the U.S. industry. 3/

2. Respondents' hypothesis: The reinstatement of subsidies has not affected the pattern of imports from Uruguay.

Respondents use the same month to month comparison as petitioners, but assume that manufacturers/exporters of leather wearing apparel in Uruguay had foreknowledge of the reinstatement of subsidies on April 16, 1980, and that "lag time" was minimal. 4/

Therefore, the most appropriate time period for imports analysis would be January-March and April-December, as shown in the following tabulation:

1/ Prehearing brief of petitioner, table 6.
2/ Prehearing brief of petitioner, pp. 14-15, transcript of the hearing, pp. 57-58.
3/ Respondents challenge this latter assumption. See transcript of the hearing, pp. 235-37.
4/ See posthearing brief of respondents, p. 2. Respondents also object to inclusion of the monthly import data from Uruguay for January 1980, which was so small ($9,000) they consider it an aberration.

Year	January-March imports from--		April-December imports from--		Percentage change, April-December from January-March	
	Uruguay	All other countries	Uruguay	All other countries	Uruguay	All other countries
	1,000 dollars					
1979----------	1/ 2,776	41,447	1/11,103	216,508	300	422
1980----------	1/ 1,680	34,455	2/ 6,547	136,453	290	296

1/ Subsidies not in effect.
2/ Subsidies in effect.

According to this tabulation, imports from Uruguay increased less in the period April-December 1980, when subsidies were in effect, than they did in April-December 1979, when compared with the January-March periods.

In addition, respondents suggest that a more fruitful analysis would be to compare either April-December 1979 or May-December 1979 with the same periods of 1980, as shown in the following tabulation:

Year	April-December imports from--		May-December imports from--	
	Uruguay	All other countries	Uruguay	All other countries
1979--1,000 dollars--	1/ 11,103	216,508	1/ 9,894	190,750
1980-----------do----	2/ 6,547	136,453	2/ 6,185	120,879
Decrease, 1980 over 1979------percent--	41.0	37.0	37.5	36.6

1/ Subsidies not in effect.
2/ Subsidies in effect.

This analysis shows imports from Uruguay decreasing by a greater margin than imports from all other countries, given either an April or May starting point. Similar results are attained when the periods June-December 1979 and June-December 1980 are analyzed. Import declines from Uruguay are somewhat more than all other imports in any case. However, this methodology does assume that a lack of response to the renewed subsidies resulted in an import decline that can be isolated from the general decline imports from all sources demonstrated due to slackening of U.S. demand in 1980.

Capacity of the Uruguayan leather wearing apparel industry to generate exports to the United States

Representatives and counsel for the Uruguayan leather wearing apparel industry were asked to provide data on the capacity of that industry to produce leather wearing apparel, but were unable to do so, as such data are not kept by the industry or the Government of Uruguay. 1/ In the absence of such data, one measure of capacity that might be used is the quantity and value of Uruguayan exports of leather wearing apparel to the United States and other markets. Such analysis, of course, is based on the assumption that similar market conditions in the United States as well as similar economic conditions in Uruguay will be as favorable to exports as in past years.

From 1975 to 1978 the Uruguayan leather wearing apparel industry demonstrated the ability to rapidly increase exports to the United States. The value of U.S. imports from that country increased from $8.5 million in 1975 to $34.2 million in 1978, or by 305 percent, as Uruguay rose from seventh largest foreign supplier to the U.S. market in 1975 to third largest in 1977 and fourth largest in 1978. Even after its rapid decline in 1979 and 1980, Uruguay was still the second largest foreign supplier of women's leather coats and jackets to the U.S. market in 1980 behind Korea. 2/

As the quantity and value of Uruguayan exports to the United States have declined from 1978 to 1980, exports to other markets have increased irregularly, as shown in the following table.

Table 18.--Leather wearing apparel: Exports from Uruguay to the United States and all other countries, 1977-80

Year	United States		All other countries		Total	
	Quantity Units	Value 1,000 dollars	Quantity Units	Value 1,000 dollars	Quantity Units	Value 1,000 dollars
1977	792,102	25,114	552,877	4,088	1,344,979	29,202
1978	1,000,457	32,083	134,195	4,054	1,134,652	36,137
1979	307,165	10,840	246,970	9,984	554,135	20,824
1980	279,596	8,540	234,836	11,146	514,432	19,686

Source: Central Bank of Uruguay, as provided by counsel for respondents.

Table 18 shows exports to the United States dropped precipitously in 1979, and continued their decline in 1980. These declines were partially alleviated by increases in exports to the other countries, although total exports for Uruguayan leather garments also showed large declines in 1979 and 1980.

1/ The staff was also unsuccessful in attempts to obtain capacity data through the U.S. Embassy in Montevideo.
2/ See tables 1 and 2 of this report.

In relation to the question of the capacity of the Uruguayan industry to produce leather wearing apparel, table 18 indicates that as of 1977, Uruguay was capable of producing over 1.3 million units of leather wearing apparel per year for export. 1/ Although exports, and presumably, capacity utilization of leather wearing apparel facilities has declined since the high point of 1977, it should be reiterated that the production of leather wearing apparel in Uruguay, as in the United States, is a relatively simple, 2-step process of cutting and sewing leather using inexpensive machines. Furthermore, Uruguay possesses a large indigenous supply of hides and skins, the chief raw material of leather wearing apparel products. Finally, the production of leather wearing apparel is a labor-intensive process, which does not require highly skilled production workers. Therefore, the barriers to entry for firms in the leather wearing apparel industry are low.

An important factor in the ability of the leather wearing apparel industry in Uruguay to generate exports is the cost of raw materials, labor, and other inputs in the production process. At the Commission's hearing and in the prehearing statement, respondents asserted that the decline in imports of leather wearing apparel from Uruguay in 1979 and 1980 was due to increased costs of production of these items, which in turn was the result of sustained high rates of inflation in that country. Respondents maintain that the devaluation of the Uruguayan peso vis-a-vis the U.S. dollar has not kept pace with the internal increases in costs of production and interest rates, and that these increased costs are the reason Uruguayan products have lost their competitiveness in the U.S. market. 2/ This section examines data on inflation in Uruguay, and the relation such inflation has to the costs of cowhide, the chief raw material of leather wearing apparel from Uruguay, and other inputs into the production process.

The indexed data presented in table 19 and figure 3 show that the internal inflation in Uruguay rose over three times as fast as the peso depreciated against the U.S. dollar from January-March 1978 to October-December 1980. However, the price of cowhide seemed generally to track the world market price trend for that commodity, instead of increasing steadily as did the average of all prices in the Uruguayan economy. The index of hide prices shows them rising rapidly to a peak in April-June 1979, before falling just as rapidly to the low point of 92 in October-December 1980. At the same time, the wholesale price index of Uruguay exhibited a linear rise to 361 in October-December 1980.

1/ Respondents stated at the Commission's hearing in the present case that over 90 percent of Uruguayan production of leather wearing apparel was for export, so that exports may be used to approximate production of these products in Uruguay. See transcript of the hearing, p. 241, and prehearing statement of the respondents, p. 12.

2/ See prehearing statement of respondents, pp. 8-13 and tables 1-4; and transcript of the hearing, pp. 173-74, 178-80.

Table 19.--Indices of exchange rates of Uruguayan new pesos per U.S. dollar, Uruguay's wholesale prices, and Uruguay's prices for cowhides, by quarters, 1978-80

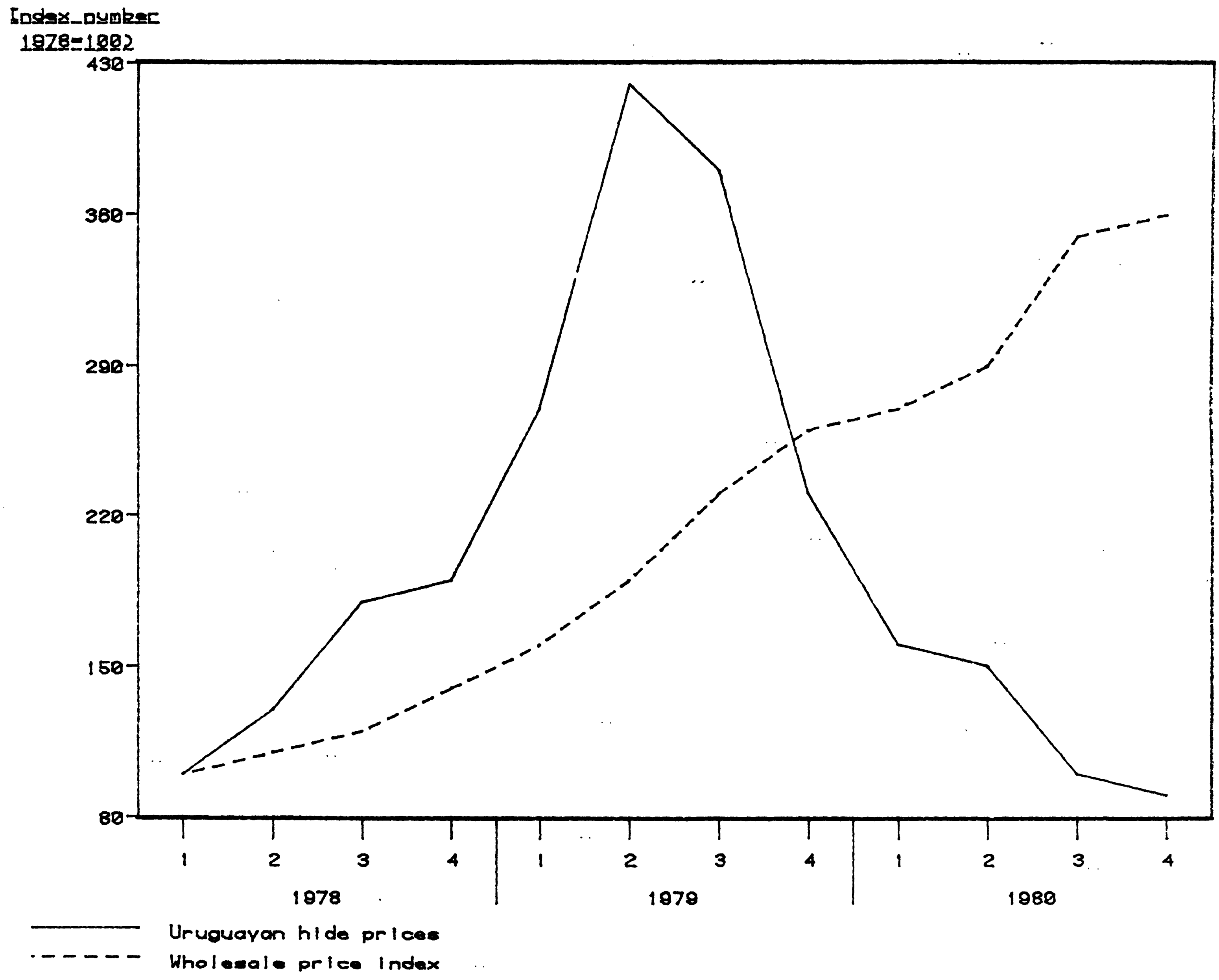
(January - March 1978 = 100)

Year and quarter	New pesos per U.S. dollar	Wholesale price indices	Uruguayan prices for dried hides of cows and steers
1978:			
January-March	100	100	100
April-June	110	112	133
July-September	121	126	182
October-December	130	144	193
1979:			
January-March	136	166	276
April-June	144	199	421
July-September	150	236	381
October-December	155	265	235
1980:			
January-March	159	277	163
April-June	164	292	159
July-September	172	355	109
October-December	1/ 176	2/ 361	92

1/ Estimated on basis of June-November data.
2/ Estimated on basis of July-September data.

Source: For wholesale price and exchange rate data, International Monetary Fund: International Financial Statistics, vol. XXXIV, No. 2, February 1981, pp. 413-414; for hide prices, compiled from data submitted to U.S. International Trade Commission by the U.S. Embassy in Montevideo.

Figure 3.--Leather wearing apparel: Indices for Uruguayan domestic dried hide prices and for Uruguayan wholesale prices, by quarters, 1978-80



Source: Table 19.

In response to a request from a Commissioner, respondents supplied the Commission with data on unemployment rates in Uruguay. These data show the general unemployment rate in Montevideo, Uruguay decreasing from an average of 12.9 percent in 1976 to an average 6.7 percent in 1980. 1/

Availability of other export markets

A related question is whether given favorable economic conditions, Uruguayan manufacturers/exporters would focus on the United States as a major market for export sales. The following table lists tariff and nontariff barriers of major importing countries of leather wearing apparel.

Table 20.--Leather wearing apparel: Tariff and nontariff barriers of major importing areas, 1980

Importing country	Rate of duty on leather wearing apparel imports	Nontariff barriers description
United States	6 % ad val.	None
European Community	7.8%, ad val., on c.i.f. value	Minor
Japan	12.5% ad val.	None
Sweden	7% ad val.	None
Canada	35% general rate 22.5% MFN 1/ rate	Bilateral restraints with Taiwan and Korea; apparel products on imports control list
Spain	15% ad val.	None
Australia	27.5% to 55.5% ad val.	None

1/ Most favored nation.

Source: U.S. Department of State.

Table 20 shows tariff and nontariff barriers to leather wearing apparel imports lowest for the United States of all major importing areas, although the European Community maintains only marginally higher tariff barriers to imports. The relatively low tariff and nontariff barriers maintained by the United States, and the magnitude of the U.S. market, would seem to guarantee that the United States will remain a potentially attractive market for exporters of leather wearing apparel, including Uruguay.

Finally, in a letter to the Chairman of the International Trade Commission on March 25, 1981, the Deputy Assistant Secretary for Import Administration of the Department of Commerce, under whose auspices the present

1/ Posthearing statement of respondents, table 2. Unemployment data for the entire country, and for the leather wearing apparel industry alone was unavailable.

case was conducted at Commerce, observed that in addition to the Uruguayan investigation on leather wearing apparel, the Department of Commerce has also recently conducted investigations on these products from Mexico, Colombia, and Argentina. These latter investigations resulted in Suspension Agreements with Colombia and Argentina, and an affirmative determination on Mexico. 1/ Given these agreements and determination, it is the opinion of the Deputy Assistant Secretary that exports from Uruguay could substitute for exports from these countries. 2/

The nature of the subsidies in question

Section 771 of the Trade Agreements Act of 1979 states that in determining whether there is a threat of material injury, "the Commission shall consider such information as may be presented to it by the administering authority as to the nature of the subsidy," particularly if the subsidy constitutes the type of subsidy specifically enumerated in the Annex to the Agreement on Subsidies and Countervailing Measures of the General Agreement on Tariffs and Trade (GATT). In a letter from the Deputy Assistant Secretary for Import Administration of the Commerce Department (the administering authority referred to above) to the Chairman of the Commission, the Deputy Assistant Secretary forcefully asserted that the subsidies provided by the Government of Uruguay to its manufacturers/exporters of leather wearing apparel do constitute the type of subsidy enumerated in the annex of the agreement. 2/ Petitioner in its posthearing statement also contends that two of the subsidies, the reintegro and the tax exemption for export income, fall within the category of subsidy enumerated in the annex. 3/

Section 705 Considerations

Section 705(b)(4)(B) of the Tariff Act of 1930 requires that if the Commission determines that there is no material injury, but that there is threat of material injury by reason of subsidized imports, the Commission shall determine if material injury would have existed had the suspension of liquidation of entries not been in effect. In the present case, liquidation was suspended on all import entries from Uruguay classified under TSUS item 791.76 from December 17, 1980 to February 27, 1981. This section examines imports from Uruguay and two U.S. producers' operations during this period.

The following tabulation compares the value of leather wearing apparel imports 4/ from Uruguay entering the United States from mid-December 1980 through January 1981 with the value of imports from Uruguay entering the United States in the corresponding period of 1979-80: 5/

1/ See this report, p. A-4.
2/ A copy of the letter to the Chairman is included in app. B.
3/ Posthearing statement of petitioner, pp. 5-7.
4/ Data were compiled by the staff from the Department of Commerce's IM 115 series by totaling the values of import entries entering the U.S. from Uruguay during the specified time periods.
5/ February 1981 data was not available.

	1979-80	1980-81
December 16-31--------	$4,209	$331,500
January 1-15----------	260	48,920
January 16-31---------	0	49,705
Total-------------	4,469	430,125

As shown, the value of leather wearing apparel imports from Uruguay entering the United States from mid-December 1980 through January 1981, when the suspension of liquidation of import entries from Uruguay was in effect, was significantly greater than the value of imports entering the United States in the corresponding period of 1979-80. 1/ Despite this, a major importer of Uruguayan leather wearing apparel indicated during the Commission hearing that its orders had been delayed in Uruguay during that time period due to the high amount of the preliminary countervailing duty (26.017 percent), and the fact that the Department of Commerce required a cash deposit in lieu of the usual bonding procedure to retrieve its merchandise. 2/

The Chairman requested that the two domestic manufacturers present at the Commission's hearing submit data on their sales for the period covered by the suspension of liquidation of duties. The dollar sales of two major domestic leather wearing apparel producers from December 15, 1980 through March 15, 1981 are compared to the dollar sales of the same producers in the corresponding period of 1979-80 in the following tabulation: 3/

Item	Dec. 15, 1979-Mar. 15, 1980	Dec. 15, 1980-Mar. 15, 1981
	1,000 dollars	
Net sales of--		
Men's and boys' leather coats and jackets-------------------------	***	***
Women's and girls' leather coats and jackets 4/----------------------	***	***
Other 5/-------------------------------	***	***
Total leather wearing apparel--------	***	***

1/ Again, the "significant" increase in imports refers only to a comparison of the two periods. The $430,000 figure for 1980-81 represents 0.25 percent of the total value of imports for 1980.

2/ Transcript of the hearing, pp. 252-53. See also the posthearing statement of respondent, p.3.

3/ Data submitted by petitioner in posthearing statement.

4/ * * *.

5/ Mostly vests.

*   *   *   *   *   *   *.

Such a conclusion may be qualified, however, by the overall increased demand for women's leather coats and jackets in the 1980-81 season, (see, section on U.S. producers' shipments in this report), and the fact that imports from Uruguay were also significantly higher during the time liquidation was suspended than in the same period of 1979-80.

APPENDIX A

U.S. INTERNATIONAL TRADE COMMISSION'S PRELIMINARY INJURY DETERMINATION

[Investigation No. 701-TA-68 (Preliminary)]

Leather Wearing Apparel From Uruguay

Determination

On the basis of the record [1] developed in investigation No. 701-TA-68 (Preliminary), the Commission determines that there is a reasonable indication that an industry in the United States is threatened with material injury [2] by reason of imports from Uruguay of leather wearing apparel, provided for in item 791.76 of the Tariff Schedules of the United States (TSUS), which are allegedly being subsidized by the Government of Uruguay.

Background

On October 15, 1980, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of domestic producers of leather wearing apparel, alleging that a bounty or grant is being bestowed on leather wearing apparel imported from Uruguay. Accordingly, on October 21, 1980, the Commission instituted preliminary countervailing duty investigation No. 701-TA-68 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured or is threatened with material injury, or the established of an industry in the United States is materially retarded,[3] by reason of imports from Uruguay of leather wearing apparel provided for in TSUS item 791.76. The statute directs that the Commission make its determination within 45 days of receipt of the petition or in this case by December 1, 1980. On November 5, 1980, the Department of Commerce issued a notice announcing that it had found the petition to be properly filed within the meaning of its rules and that it was instituting an investigation. Notice to such effect was published in the **Federal Register** of November 12, 1980 (45 FR 74743). The product scope of the Commerce investigation is the same as that instituted by the Commission.

Notice of the institution of the Commission's investigation and of the public conference to be held in connection therewith was duly given by

[1] The record is defined in sec. 207.2(j) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(j)).

[2] Vice Chairman Calhoun determined that there is a reasonable indication that an industry in the United States is being materially injured or is threatened with material injury by reason of the subject imports.

[3] Material retardation was not an issue in this investigation.

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 October 29, 1980 (45 FR 71690). A public conference was held in Washington, D.C., on November 12, 1980.

In arriving at its determination, the Commission has given due consideration to the information provided by the Department of Commerce, to all written submissions from interested parties, and to information adduced at the conference and obtained by the Commission's staff from questionnaires and other sources, all of which have been placed on the administrative record of this preliminary investigation.

Views of the Commission

Determination

On the basis of the record developed in investigation No. 701-TA-68 (Preliminary), we determine that there is a reasonable indication that an industry in the United States is threatened with material injury,[4] by reason of imports from Uruguay of leather wearing apparel, allegedly subsidized by the Government of Uruguay.

Discussion

Section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) directs that, within 45 days after a petition is filed under section 702(b), the Commission—

> shall make a determination, based upon the best information available to it at the time of the determination, of whether there is a reasonable indication that—
> (1) an industry in the United States—(A) is materially injured, or (B) is threatened with material injury, or (2) the establishment of an industry in the United States is materially retarded,[5]
> by reason of imports of the merchandise which is the subject of the investigation by the administering authority.

In order to reach a decision we are required to define the domestic industry, review available information for reasonable indications of material injury or threat of material injury, and find a nexus between these reasonable indications and the subject imports.

Domestic industry

In the present case we find the like product to be leather coats and jackets for men and boys, and women and girls, and other articles of leather wearing apparel, provided for in item 791.76 of the Tariff Schedules of the United States (TSUS). These products are virtually identical to the articles being imported from Uruguay.[6] Thus we find the industry to consist of those firms producing leather wearing apparel in the United States. Information gathered during this and other investigations indicates that approximately 100 firms produce such articles in the United States, the majority of which are small firms which enter or leave the industry depending on market and seasonal conditions.[7]

Volume of imports

From 1975 to 1978, imports of leather wearing apparel from Uruguay increased 277 percent by quantity,[8] and as a share of apparent U.S. consumption increased from 4.1 to 8.3 percent.[9] Imports from Uruguay dropped suddenly and severely in 1979, following the imposition of an export tax by the Government of Uruguay and again in January–August 1980 when compared to the corresponding period of 1979. Uruguay's share of apparent domestic consumption fell to 3.3 percent in 1979 and remained at that level through August 1980.[10] The fact that imports from Uruguay declined in this sudden and precipitous manner suggests factors other than loss of competitiveness of Uruguayan products in the U.S. market as contributing to the decline. These factors are discussed further in the section of this opinion dealing with reasonable indication of threat of material injury.[11]

Effect of imports on prices

The Commission's preliminary comparisons of average unit values of U.S. producers' domestic shipments and imports from Uruguay show unit values of subject imports of men's leather coats and jackets to be 23 percent less than comparable domestic shipments in 1978. These fell to 30 percent less in 1980.[12] Unit values of women's coats and jackets from Uruguay were 58 percent less than the comparable U.S.-made articles in 1978; this margin decreased to 47 percent in 1980,[13] due to increased demand for women's leather jackets and blazers, which were less expensive apparel items than the longer coats.

Condition of the domestic industry

Data compiled from responses to Commission questionnaires from 16 major producers of leather wearing apparel accounting for 59 percent of industry shipments in 1978 show significant and ongoing deterioration of the domestic industry producing leather wearing apparel. The quantity of shipments declined 20 percent from 1975 to 1979, and fell 34 percent in January–August 1980 from the corresponding period of 1979.[14] Utilization of productive capacity declined in each year from 1977 to 1979, and again in January–August 1980, dropping under 50 percent in this latest period. Employment of production and related workers declined over the period 1977 to 1979,[15] as has the amount of orders for leather apparel taken but not shipped—an indication of declining demand by retailers for U.S. producers' products.[16]

Profit and loss data for 9 major producers of leather wearing apparel which account for 46 percent of industry shipments show that net operating profit remained stagnant at a very low level throughout the period, rising above 3 percent of net sales only in 1978.[17]

The vulnerability of the domestic industry is probably understated by the data. Because of the time limitations implicit in preliminary investigations, the Commission's staff concentrated on collecting data from the 20 largest firms in the industry, which constitute approximately 60 percent of total industry shipments.[18] The condition of the remainder of the industry, characterized by small firms that lack the productive capacity, fixed assets, access to capital and ability to carry inventory of the larger firms, is probably worse, and therefore even less capable than the major producers of withstanding competition from subsidized imports.[19]

[4] Vice Chairman Calhoun determined reasonable indication with regard to material injury or the threat of material injury. In preliminary cases, Vice Chairman Calhoun uses the broadest possible description of the economic health of the industry as it is not always possible to find with precision whether material injury is threatened or is present.

[5] Establishment of an industry is not an issue in this investigation and will not be further discussed.

[6] Report, pp. A-9, A-11.

[7] Report, pp. A-6-7.

[8] Report, p. A-12.

[9] Report, p. A-21.

[10] Report, p. A-21.

[11] It is Vice Chairman Calhoun's view that the current import penetration of about 3.3 percent of apparent U.S. consumption, given the weakened state of the domestic industry due to declining domestic consumption of these articles, raises a question as to the existence of present injury.

[12] Report, p. A-22.

[13] Report, p. A-22.

[14] Report, p. A-14.

[15] Report, p. A-18.

[16] Report, p. A-18-19.

[17] Report, p. A-20.

[18] Report, p. A-14.

[19] Commissioner Stern notes that for this reason the data available for only part of the industry was considered representative of the whole industry. In another preliminary investigation, *Certain Public Works Castings from India* (investigation No. 303-TA-13 (Preliminary), USITC Pub. No. 956, April 1980), there was also a strong inference that additional information would confirm the limited data available at that time and the Commission reached an affirmative finding. In contrast, in the recent case on *Portable Electric Nibblers from*

Footnotes continued on next page

Threat of material injury

Under the statute an affirmative finding on the question of threat of material injury "must be based upon information showing that the threat is real and injury is imminent, not a mere supposition or conjecture."

Although imports of leather wearing apparel from Uruguay declined noticeably in both 1979 and January–August 1980 from the previous periods, at its apogee in 1978 Uruguay was the fourth largest source of imports of these products,[20] accounting for 10.2 percent of total imports and 8.3 percent of apparent U.S. consumption in that year. In 1978, a countervailing duty investigation on imports of leather wearing apparel from Uruguay by the Commission resulted in an unanimous affirmative determination.[21] Data for the period 1975 to 1978 clearly demonstrated the capability of Uruguayan producers to rapidly increase their exports of these articles to the United States at competitive prices; and the present Commission recognizes that such increased quantities may be capable of injuring the domestic industry producing these products.

As noted previously, imports from Uruguay have declined precipitously in 1979 and 1980. There are a number of reasons for this decline. Economic conditions in the United States are certainly a factor in the decline of both U.S. producers' shipments as well as imports of leather wearing apparel. While imports from all sources declined 19 percent, and domestic shipments declined 2 percent by value from 1978 to 1979, imports from Uruguay declined 64 percent over the same period. The decline in imports from Uruguay in January–August 1980 also substantially exceeded declines of total imports and U.S. producers' shipments.[22] This import trend suggests to us that another factor, in addition to the general decline in demand, explains this decline in exports to the United States from Uruguay.

Preliminary evidence indicates that the actions taken by the Government of Uruguay in response to the affirmative countervailing duty decision by the U.S. Department of the Treasury and this Commission in early 1978 were an additional factor. As part of its negotiation with Treasury to waive the countervailing duty, Uruguay agreed to phase out its chief export subsidy on leather wearing apparel.[23] On February 16, 1979, the Government of Uruguay imposed an export tax on leather wearing apparel and other items exported to the United States, to offset subsidies found on these items by Treasury, while simultaneously doubling a subsidy provided to tanners of leather on leather products exported to third countries.[24] This export tax was subsequently revoked on or about July 1, 1980, and the revocation made retroactive to January 1, 1980. The tanners' subsidy on exports to the United States, which was eliminated on January 10, 1979, was reinstated on May 1, 1980, and made retroactive to the date of elimination.[25] The petitioner has stated that the tanners' subsidy to third countries has been eliminated. The U.S. Department of Commerce, which is investigating these subsidies, has been unable to verify these allegations.

This Commission has observed that the sharp drop in imports of leather wearing apparel from Uruguay tracked very closely with that country's imposition of a tax on exports to the United States and the instatement of incentives for exports to third countries. Likewise, the removal of the export tax and the reported reintroduction of various subsidies in mid-1980 is likely to result in a renewal of increased exports of leather wearing apparel to the United States. Although import data on a month to month basis is available only through September 1980, preliminary analysis shows the value of imports from Uruguay increasing from $253,000 in June of 1980 to $1,149,000 in July of 1980, an increase of 354 percent in just one month. Imports for the months of August and September are valued at over $700,000 in each month. These robust increases in the last three months for which import data are available coincide with the reimposition of the aforementioned subsidies by the Government of Uruguay, and point to a reasonable indication of a threat to the domestic industry that is "real and imminent."

Conclusion

On the basis of increasing imports over the period in which an import "remedy" was not in effect, declining economic trends in the industry (particularly from 1975–1978), recently increasing imports at a time of declining demand, stimulated by reimposition of subsidies by the Government of Uruguay, we conclude that there is a reasonable indication that the domestic industry producing leather wearing apparel is threatened with material injury, by reason of imports from Uruguay upon which subsidies are allegedly provided by the Government of Uruguay.

Issued: December 1, 1980.

By Order of the Commission:

Kenneth R. Mason,

Secretary.

[FR Doc. 80-38424 Filed 12-10-80; 8:45 am]

BILLING CODE 7020-02-M

Footnotes continued from last page

Switzerland (investigation No. 731-TA-35 (Preliminary), USITC Pub. No. 1108, November 1980), in which the Commission made a negative ruling, it was clear that better profit data would not be available in a final investigation and the available data did not support an affirmative finding.

[20] Report, p. A-9.

[21] U.S. International Trade Commission Publication 883, *Leather Wearing Apparel from Uruguay*, April 1978. Chairman Alberger and Commissioners Moore and Bedell voted in the affirmative in that investigation. Vice Chairman Calhoun and Commissioner Stern were not members of the Commission at that time.

[22] Report, p. A-10.

[23] Federal Register, June 1, 1978 (43 F.R. 23709).

[24] Federal Register, March 22, 1979 (44 F.R. 17485).

[25] Department of State telegram to the Office of the United States Trade Representative, May 8, 1980. The telegram is labeled exibit #6 in Petitioner's exhibit filed with the Commission at its conference in the present case. The authenticity of the telegram and the accuracy of the contents therein have been independently verified by the staff with representatives of Commerce.

APPENDIX B

COMMERCE DEPARTMENT NOTICES

Leather Wearing Apparel From Uruguay; Preliminary Affirmative Countervailing Duty Determination

AGENCY: International Trade Administration, U.S. Department of Commerce.

ACTION: Preliminary Affirmative Countervailing Duty Determination.

SUMMARY: With this notice we inform the public that we have preliminarily determined that the Government of Uruguay grants benefits to manufacturers, producers or exporters of certain leather wearing apparel which constitute a subsidy within the meaning of the countervailing duty law. We will make a final determination no later than 75 days from the date of this preliminary determination.

EFFECTIVE DATE: December 17, 1980.

FOR FURTHER INFORMATION CONTACT: Miguel Pardo de Zela, Import Administration Specialist, Office of Investigations, International Trade Administration, Department of Commerce, Washington, D.C. 20230 (202) 377-5050.

SUPPLEMENTARY INFORMATION: On November 12, 1980, we published in the **Federal Register** (45 FR 74743) an "Initiation of Countervailing Duty Investigation." This investigation responded to an October 15th petition from Ralph Edwards Sportswear, Inc., Cape Girardeau, Missouri which alleges that the Government of Uruguay provides subsidies to manufacturers, producers or exporters of leather wearing apparel within the meaning of section 701, Tariff Act of 1930, as amended (93 Stat. 151, 19 U.S.C. 1671) (hereinafter referred to as "the Act"). The merchandise covered by this investigation is leather wearing apparel currently provided for in item number 791.76 of the Tariff Schedules of the United States. Because Uruguay is a "country under the Agreement," as defined in section 701(b) of the Act, we referred this matter to the United States International Trade Commission for a determination of injury.

On December 1, 1980 the ITC notified the Department of Commerce that they had arrived at a preliminary determination that there is a reasonable indication that an industry in the United States is threatened with material injury because of imports of leather wearing apparel from Uruguay.

The petitioner alleges that the Government of Uruguay provides subsidies in the form of a tax certificate for exporters (the Reintegro), an additional compensation to exporters of tanned leather products, an income tax exemption for export income, preferential financing for exports, and a social security tax deferral.

The subject of leather wearing apparel from Uruguay first arose in a countervailing duty petition submitted to the Department of Treasury (then the responsible agency for administration of the law) on January 21, 1977 (42 FR 21531). At that time, provisions of the Generalized System of Preferences entitled the merchandise to duty free treatment. The case was therefore referred to the International Trade Commission for an injury determination. Both the ITC and the Treasury Department made affirmative findings in the case and Treasury issued a Countervailing Duty Order on June 1, 1978 (43 FR 23710). However, at the same time that Treasury announced the Order it also waived the imposition of duties on the basis of commitments made by the Government of Uruguay to eliminate the subsidy programs which contravened our trade laws. On November 13, 1978 (43 FR 52485) Treasury revoked the waiver and reimposed the duties when it discovered that the Government of Uruguay was not acting in compliance with the terms of the waiver.

On March 22, 1979 (44 FR 17485) Treasury revoked the Countervailing Duty Order on leather wearing apparel from Uruguay. The conditions of the revocation were the elimination by the Government of Uruguay of a tanner's subsidy received on exports to the United States and a decision by that government to impose an export tax on leather wearing apparel exported to the United States. This export tax equaled the net amount of the remaining subsidy after the elimination of the tanner's subsidy. It amounted to 3.687% ad valorem.

From the information presently available, it appears that the Government of Uruguay has reintroduced the tanner's subsidy and removed the export tax on leather wearing apparel exported to the United States. By this action, the Government of Uruguay has evidently altered commitments made to the United States Government—commitments which led the United States to a decision not to impose countervailing duties.

These actions are cause for considerable concern. It would be unfortunate, to say the least, if foreign governments and their producers were seen to profit from the violation of commitments made to the United States. In this case, the nature of the subsidies involved—cash payments and tax exemptions which are linked directly to export performance—give Uruguayan producers of leather wearing apparel a significant advantage over their competitors in the United States and could easily have an important and immediate effect on trade.

Therefore, the reintroduction of direct export subsidies by the Government of Uruguay, after agreeing to remove such subsidies on exports to the United States of leather wearing apparel, requires a prompt response on the part of the United States Government to fully neutralize their trade distortive effects. In light of these concerns, I have made this preliminary determination on the following subsidies alleged in the petition:

(1) *Reintegro Program*—Under this program the Government of Uruguay grants tax certificates to exporters as a fixed percentage of the f.o.b. value of the exported item. These certificates are transferable and may be applied against obligations for both direct and indirect taxes.

Because the tax certificates are freely transferable and may be applied against direct as well as indirect taxes, they are clearly subsidies within the meaning of the countervailing duty law.

In the prior investigation Treasury reduced the amount of the Reintegro by the amount of indirect taxes which would have been, but were not, rebated on the export of leather wearing apparel. Since then the countervailing duty law has been amended to narrowly restrict the use of offsets in calculating countervailing duties. Under section 771(6) of the Act, offsets may be allowed only in the following instances: (a) where costs are incurred in obtaining the benefit, (b) where a loss of the benefit results from a Government-mandated delay in the receipt of the benefit or, (c) where there are export taxes intended to offset the subsidy received. The offsets granted in the prior investigation are no longer permitted.[1]

Therefore, I preliminarily determine the whole amount of the Reintegro, 9% of the f.o.b. value of the exported merchandise, to be a subsidy.

(2) *Tanner's Subsidy*—The Government of Uruguay grants an 8% ad valorem subsidy on exports to domestic manufacturers of leather wearing apparel to allow for the added cost of using domestic tanned leather in their production. I preliminarily determine the full amount of the subsidy, 8% of the f.o.b. value of exported merchandise, is countervailable.

(3) *Export Financing*—At the time of the earlier investigation we found that the export financing program did not provide a subsidy since no differential existed between the government and commercial interest rates. The current status of this program is in question, however, and will thus continue to be investigated. At this time, based on the finding in the most recent investigation, I preliminarily determine that there is no subsidy benefit derived from this program.

(4) *Social Security Tax Deferral*—This program was inadvertently included in the notice of "Initiation of Countervailing Duty Investigation" (45 FR 74743). The Treasury Department determined in the earlier investigation that this was a one-time subsidy benefit which was abolished at the end of 1978. I hereby determine that no subsidy is involved and that in light of the inadvertant inclusions of this program in the notice of initiation, no further investigation will be made into this allegation.

(5) *Tax Exemption for Export Income*—As the export tax which was designed to eliminate the subsidy effect of this program and others has been removed, I preliminarily determine the current benefit is equal to that which was found to exist in the earlier investigation, 0.387% of the f.o.b. value.

We estimate that the total value of the benefits of these programs to Uruguayan exporter's is 17.387% ad valorem.

The petitioner also notes that on or about June 1, 1980, the Government of Uruguay not only removed the export tax but announced it would rebate the value of the tax which it had collected since January 1, 1980. Further, the tanner's subsidy was reinstated and paid retroactive to the time at which it was removed on January 10, 1979. We will assume, until it is proven otherwise, that both types of retroactive payment were made in one cash grant on June 1, 1980.

Accordingly, we have allocated the benefits of this grant over a twelve month period beginning on June 1, 1980. Our preliminary calculations yield on average monthly benefit of 8.63% ad valorem. When the benefits of this retroactive payment of the export tax rebate and tanner's subsidy are added to the subsidies described above, the total benefit of the subsidy programs which, in our preliminary investigation,

[1] The restrictions in the law on the use of offsets are not intended to prohibit the Department from determining that export payments are not subsidies if those payments are reasonably calculated, are specifically provided as non-excessive rebates of indirect taxes and are related to the merchandise exported. In this case, no claim has been made, or evidence presented to show, that the Reintegro is a *bona fide* rebate of indirect taxes. For a full discussion of the offset rules and indirect tax issue, see the recent decisions of the Department in the investigations involving textiles and textile mill products (45 FR 55502) and certain iron metal fasteners from India (45 FR 64611).

we find granted by the government of Uruguay amounts to 26.017% ad valorem.

Petitioner also alleges that critical circumstances exist within the meaning of section 703(e) of the Act. However, available information does not provide a reasonable basis to believe that there have been massive imports of subject merchandise from Uruguay over a relatively short period. The value of leather wearing apparel from Uruguay fell from a peak of $34.2 million in 1978 to $12.3 million in 1979. For the period January through August of 1980 the value of Uruguayan imports fell to $4.6 millions compared to $9.4 million for the same period in 1979. While import penetration from all countries has remained constant despite a declining U.S. market in recent years, import penetration from Uruguay has fallen from a peak of 8.3% in 1978 to 3.3% in 1979. I therefore determine that critical circumstances do not apply at this time.

Administrative Procedures

In accordance with § 355.34 of the Commerce Department Regulations (19 CFR 355.34, 45 FR 4946), interested parties may submit information or written views concerning this proceeding to the Deputy Assistant Secretary for Import Administration in at least 10 copies, not later than January 19, 1981. The mailing address is room 2800, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230.

The Department will afford interested parties an opportunity to present oral views in accordance with § 355.35 of the Commerce Department Regulations. This hearing is scheduled to be held, if requested, at the U.S. Department of Commerce, Room 3817, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230 beginning at 10:00 a.m. on January 22, 1981. Interested parties who wish to have such a conference should submit a written request to the Office of Deputy Assistant Secretary for Import Administration, Room 2800 at the address shown above. These requests should contain (1) the name, address and telephone number of the requester (2) the number of participants and (3) a statement outlining the issues to be discussed. The Deputy Assistant Secretary must receive the requests no later than January 2, 1981.

Interested parties must submit pre-hearing briefs no later than January 16, 1981 to the Office of the Deputy Assistant Secretary at the address noted above. Oral presentations by persons submitting pre-hearing briefs will be limited to those issues raised in the briefs. All written views must be filed in accordance with section 355.43 of the Department of Commerce Regulations.

In accordance with section 703(d) of the Act (19 U.S.C. 1671b(d)), Customs officers will be advised to suspend liquidation of all entries, or withdrawals from warehouse, for consumption of the subject merchandise on or after the date of publication of this notice in the **Federal Register**. This suspension of liquidation shall remain in effect until further notice. The posting of a cash deposit in the amount of 26.017 percent ad valorem, will be required as of that date.

We will issue a final determination no later than February 25, 1981.

(Section 703(f) of the Act (19 U.S.C. 1671b(f)))

December 12, 1980.

John D. Greenwald,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 80-39165 Filed 12-16-80; 8:45 am]

BILLING CODE 3510-25-M

Leather Wearing Apparel From Uruguay: Suspension of Countervailing Duty Investigation

AGENCY: International Trade Administration, Department of Commerce.

ACTION: Suspension of investigation.

SUMMARY: The Department of Commerce has decided to suspend the countervailing duty investigation involving leather wearing apparel from Uruguay.

EFFECTIVE DATE: March 16, 1981.

FOR FURTHER INFORMATION CONTACT: Miguel Pardo de Zela, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230 (202-377-5050).

SUPPLEMENTARY INFORMATION:

Procedural Background.

On October 15, 1980, the Department received a petition in proper form from Ralph Edwards Sportswear, Inc., Cape Girardeau, Missouri, on behalf of U.S. producers of leather wearing apparel. The petitioner alleged that the Government of Uruguay provides to manufacturers, producers, and exporters of such apparel certain benefits that are subsidies within the meaning of Section 701 of the Tariff Act of 1930 (19 U.S.C. 1671) ("the Act"). In response, on November 12, 1980, we published a notice (45 FR 74743) stating that we were initiating a countervailing duty investigation of these imports. Since Uruguay is a "country under the Agreement," as defined in Section 701(b) of the Act, we referred this case to the International Trade Commission for a preliminary injury determination. The notice stated that if the ITC determined that there was a reasonable indication that U.S. imports of such apparel were materially injuring or threatening to materially injure an industry in the United States, the investigation would proceed to its conclusion.

On December 11, 1980, the ITC preliminarily determined that there is a reasonable indication that these imports are threatening to materially injure an industry in the United States (45 FR 81669).

On December 17, 1980, we published a notice of "Preliminary Affirmative Countervailing Duty Determination" (45 FR 82979). The notice stated that the Government of Uruguay gave the leather wearing apparel industry a subsidy of 17.387 percent ad valorem through a combination of tax certificates and income tax exemptions. We found additional benefits of 8.63 percent ad valorem resulting from retroactive benefits accruing to the industry from the alleged retroactive payment of a "tanner's subsidy" and the rebate of an export tax. Thus the preliminary determination found that the total benefit of subsidies amounted to 26.017 percent ad valorem. This amount was later reduced to 18.923 percent upon confirmation that no back payments of the "tanner's subsidy" had been made.

Scope of the Investigation

The merchandise covered by this investigation is leather wearing apparel currently provided for in item 791.76 of the Tariff Schedules of the United States.

Suspension of Investigation

After our preliminary affirmative finding of a subsidy benefit on this merchandise the Government of Uruguay proposed that we enter into negotiations for a suspension of the investigation.

In accordance with Section 704(e) of the Act, the petitioner was informed of, and consulted with concerning, a proposed agreement for suspending the investigation, and was provided an explanation of how the Agreement would be carried out and enforced, why the Department felt it would meet the criteria for suspension and was given an opportunity to comment. Other parties to the investigation were notified of the proposed agreement and were permitted to submit comments.

The Department has considered the comments submitted with respect to the proposed suspension. We have determined that the criteria for suspension of an investigation have been satisfied. We have not yet received a request to continue the investigation. Therefore, for the purposes of the annexed Agreement the net subsidy amounts found to exist are as follows: 16.83 percent for garments made from leather of domestic origin; 13.46 percent on garments of semi-finished imported leather and; 8.91 percent on garments of finished imported leather.

However, if we should receive a request to continue the investigation under section 704(g) of the Act the net subsidy amounts referred to in the annexed Agreement will be those as published in the final countervailing duty determination. We are satisfied that the Agreement completely eliminates any subsidy on exports to the United States, can be monitored effectively, and is in the public interest. The terms and conditions of the Agreement are set out in Annex 1 to this notice.

Pursuant to Section 704(f)(2)(A) of the Act, the liquidation of entries of leather wearing apparel suspended effective December 17, 1980, as directed in the Preliminary Affirmative Countervailing Duty Determination (45 FR 82979), is terminated. Any cash deposits on entries of leather wearing apparel from Uruguay pursuant to that suspension of liquidations shall be refunded and any bonds or other security shall be released.

The Department intends to conduct an administrative review within twelve months of the publication of this suspension agreement as provided in section 751 of the Act.

This notice is published pursuant to Section 704(f)(1)(A) of the Act.

John Greenwald,

Deputy Assistant Secretary for International Trade.

March 10, 1981.

Annex 1: The Agreement

Pursuant to the provisions of Section 704 of the Tariff Act of 1930 (19 U.S.C. 1671c) (the Act) and section 355.31 of the Commerce Regulations (19 CFR 355.31) (the Regulations), the Department of Commerce (the Department) enters into the following Agreement with the Government of Uruguay. On the basis of this Agreement, the Commerce Department shall suspend its countervailing duty investigation with respect to leather wearing apparel from Uruguay in accordance with the terms and provisions set forth below.

A. Product Coverage

This Suspension Agreement is applicable to all products covered by the investigation. Specifically, the products involved are all leather garments exported to the United States and currently classified in item number 791.76 of the Tariff Schedules of the United States (TSUS). Included in this merchandise are men's, boys, women's and girls' leather coats, jackets, other leather apparel (such as vests, pants, and skirts), and parts and pieces thereof as currently classified in item number 791.76 of the TSUS.

B. Basis of the Agreement

1. The Government of Uruguay hereby undertakes to eliminate completely the amount of the net subsidy determined by the Department to exist with respect to the products described in paragraph A on all shipments to the United States made on or after three months from the effective date of the suspension of the investigation.

2. In accordance with the provisions of the Act and applicable regulations, this Agreement applies to the products described in Paragraph A which are produced in Uruguay and exported, directly or indirectly, to the United States.

3. The Government of Uruguay agrees that during the three-month period following the effective date of the suspension of the investigation the quantity of the products described in paragraph A, which are exported to the United States from Uruguay, will not exceed the quantity of such exports during the three-month period of July through September 1979.

4. The Department will monitor all exports during the three-month period following the effective date of the suspension of the investigation and will issue instructions to deny entry, or withdrawal from warehouse, for consumption of any such products described in paragraph A that are exported in excess of the quantity exported during the period of July through September 1979.

5. The Government of Uruguay hereby certifies that no new or equivalent benefits will be provided to exporters of the products described in paragraph A to the United States as a substitute for any benefits eliminated by virtue of the actions described in this Agreement. The Government of Uruguay further certifies that it shall not, in substitution of the benefits eliminated under this Agreement, directly or indirectly increase the benefits on exports of the products described in paragraph A to third countries.

C. Monitoring

The Government of Uruguay agrees to supply to the Department such information as the Department deems necessary to demonstrate that it is in full compliance with this Agreement. The Government of Uruguay shall notify the Department within 15 days after the beginning of each quarter (March, June, September, December) whether it continues to be in compliance with this Agreement by eliminating the net subsidy referred to in paragraph B (1) and that it has not substituted any new or equivalent benefits to leather wearing apparel exporters. Failure to supply such reports in a timely fashion may result in the immediate reopening of the investigation. Furthermore, the Government of Uruguay will permit such verification and data collection as is requested by the Department in order to monitor this Agreement. The Department will request such information and perform such verifications periodically pursuant to annual reviews conducted under section 751 of the Act.

D. Reopening of the Investigation

The Department shall terminate this Agreement and will reopen the investigation with respect to leather wearing apparel described in section A if the Department determines, pursuant to section 704(i)(1) of the Act, that the Government of Uruguay has not honored its obligations under this Agreement. The Department will also terminate this Agreement and will reopen the investigation if it determines that the suspension is no longer practicable. Once reopened, the investigation will be resumed as if the affirmative preliminary determination was made on the date that the Department terminates this Agreement.

Signed this 27th day of February, 1981.

Agreed to:
Government of Uruguay
By *Jorge Pacheco Areco*

I have determined that the provisions of paragraph B eliminate the possibility of any unfair trade practices which were the subject of this investigation, and that the provisions of paragraph C ensure that this Agreement can be monitored effectively. Therefore, I have determined that this Agreement to suspend this investigation meets the requirements of Section 704(b) of the Act and is in the public interest as required in Section 704(d) of the Act.

Department of Commerce.
John D. Greenwald.

[FR Doc. 81-7989 Filed 3-13-81; 8:45 am]
BILLING CODE 3510-25-M

Leather Wearing Apparel From Uruguay; Final Affirmative Countervailing Duty Determination

AGENCY: International Trade Administration, Department of Commerce.

ACTION: Final Affirmative Countervailing Duty Determination.

SUMMARY: The U.S. Department of Commerce ("the Department") has determined that the Government of Uruguay makes available to the manufacturers, producers, and exporters of leather wearing apparel incentive programs that constitute subsidies within the meaning of the countervailing duty law.

The Department has referred this case to the International Trade Commission for a final determination regarding material injury.

EFFECTIVE DATE: March 30, 1981.

FOR FURTHER INFORMATION CONTACT: Miguel Pardo de Zela, Office of Investigations, International Trade Administration, Department of Commerce, Washington, D.C. 20230, (202) 377-5050.

SUPPLEMENTARY INFORMATION:

Procedural Background

On October 15, 1980, the Department received a petition in proper form from Ralph Edwards Sportswear, Inc., Cape Girardeau, Missouri, on behalf of U.S. producers of leather wearing apparel. The petitioner alleged that the Government of Uruguay provides to manufacturers, producers, and exporters of such apparel certain benefits that are subsidies within the meaning of section 701 of the Tariff Act of 1930 (19 U.S.C. 1671) ("the Act").

On November 12, 1980, we published a notice (45 FR 74743) of "Initiation of a Countervailing Duty Investigation" for this merchandise. Since Uruguay is a "country under the Agreement," as defined in section 701(b) of the Act, we referred this case to the International Trade Commission (ITC) for a preliminary injury determination. The notice stated that if the ITC determined that there was a reasonable indication that U.S. imports of such apparel were materially injuring or threatening to materially injure an industry in the United States, the investigation would proceed to its conclusion.

On December 11, 1980, the ITC preliminarily determined that there is a reasonable indication that these imports are threatening to materially injure an industry in the United States (45 FR 81689).

On December 17, 1980, we published a notice of "Preliminary Affirmative Countervailing Duty Determination" (45 FR 82979). The notice stated that the Government of Uruguay gave the leather wearing apparel industry a subsidy of 17.387 percent of the f.o.b. value of exported merchandise through a combination of tax certificates, a "tanner's subsidy" and income tax exemptions. We found additional benefits of 8.63 percent ad valorem resulting from benefits accruing to the industry from the alleged back payment of a "tanner's subsidy" and the rebate of an export tax. Thus the preliminary determination found that the total benefit of subsidies amounted to 26.017 percent ad valorem. This amount was later reduced to 18.923 percent upon confirmation that no back payments of the "tanner's subsidy" had been made.

On February 27, 1981, we entered into a Suspension Agreement with the government of Uruguay and "Notice of Suspension of Countervailing Duty Investigation" was published in the Federal Register. On March 11, 1981, we received a request by the Government of Uruguay under section 704(g) of the Act to continue the investigation.

Imports Investigated

The merchandise covered by this investigation is leather wearing apparel currently provided for in item 791.76 of the Tariff Schedules of the United States.

Programs Found to Be Subsidies

Reintegro Program

Under this program the Government of Uruguay grants tax certificates to exporters at a fixed percentage of the f.o.b. value of the exported item. These certificates are transferable and may be applied against obligations for both direct and indirect taxes.

The Uruguayan Government claims that its reintegro, or rebate, program is designed to rebate the indirect and direct taxes paid by manufacturers of leather wearing apparel.

The non-excessive rebate of indirect taxes is, subject to certain conditions, *not* considered a subsidy under U.S. countervailing duty law. The primary considerations in determining whether programs like the reintegro program can be considered bona fide indirect tax rebates are (1) whether the program operates for the purpose of rebating indirect taxes; (2) whether there is a clear link between eligibility for payments on export and indirect taxes paid; and (3) whether the government has reasonably calculated and documented the actual indirect tax incidence borne by the product concerned and has demonstrated a clear link between such tax incidence and the amount paid on export.

The reintegro is, by its terms, designed to compensate exporters for both direct and indirect taxes paid (the rebate of direct taxes *is* a subsidy). Thus, it does not meet our first test for determining whether the program can be considered an indirect tax rebate. While undoubtedly compensating in some measure for indirect taxes not otherwise, rebated, the reintegro program goes well beyond this purpose. Further, Uruguay did not demonstrate any link between eligibility for payments on export and indirect taxes paid and did not demonstrate any effort to calculate the incidence of indirect taxes borne by manufacturers of leather wearing apparel products.

We have therefore concluded that, in this case, the reintegro payments must be considered a subsidy program. The Government of Uruguay applies three reintegro rates to leather wearing apparel.

In accordance with decree 206/980 of April 16, 1980, these rates are based on the origin of the leather content of the exported apparel. Garments made from domestic leather receive a 17 percent reintegro; from semi-finished imported leather, a 13.6 percent reintegro; and from finished imported leather, a 9 percent reintegro.

The Government of Uruguay requested that three export fees and payments be used to offset the amount of the subsidy we have found under the reintegro program. They are: (1) a payment to the government equal to one percent of the f.o.b. value of all exports to compensate it for administrative and processing services, (2) a payment of 0.3 percent of the f.o.b. value of all exports which is collected by the government to pay for quality control services, and (3) a direct deduction by the government of one percent of the reintegro payment.

Under section 771(6) of the Act an offset may be granted only where (1) application payments and fees are aid to qualify for or receive a subsidy, (2) there is a loss in the value of a subsidy resulting from a government-mandated delay in receipt of payment or, (3) export taxes or duties on export merchandise are specifically intended to offset the subsidy received.

Of the fees and payments cited, we determined that only one—the one percent deduction from reintegro payment—is eligible as an offset to our gross subsidy calculation. We have determined that this deduction is specifically intended to reduce the amount of subsidy received and accordingly, have reduced that amount of the reintegro subsidy by 1 percent of the reintegro payments.

The Government of Uruguay also requested that a value-added tax on agricultural inputs be used as an offset to the subsidy element of the reintegro (and other subsidies we have found). We disallowed this as an offset because there is no demonstration of a link between this indirect tax and the rebate program.

Tax Exemption Program

This program exempts from taxation a fraction of the value-added portion of the company's export income, after expenses and before taxes. Since 1979 the exemption rate has declined from 100 percent to a current rate of 30 percent of export income. As an exemption from income tax for export earnings, this is clearly a subsidy under our law.

Reviewing the tax exemption program for companies that accounted for more than 85 percent of all exports to the United States, we concluded that the program conferred a benefit of 0.016 percent ad valorem.

Non-Payment of Social Security Taxes

Uruguay has a social security tax for most workers. The tax is due from employers at specified intervals. Since mid-1979 the Government of Uruguay has not collected this tax specifically from manufacturers of leather wearing apparel (it is collected from other producers in other manufacturing sectors). The Government is currently taking action to recover the unpaid amounts.

Because the industry has received a special benefit, we consider the industry's *de facto* exemption of social security taxes is a subsidy. The benefit is 0.41 percent ad valorem. If and when their taxes are collected, our estimated subsidy will be revised.

Programs Not in Effect

Preferential Financing

Exports of leather wearing apparel are eligible for preferential financing, but the Central Bank of Uruguay has the discretion to implement or rescind this program. At present it is suspended. (Directive (Circular) No. 970 of 28 March 1979 and Directive (Circular) No. 996 of 13 November 1979).

"Tanner's Subsidy"

The tanners subsidy existed through April 16, 1980 at which time it was rescinded. The reintegro program subsequent to April 16, 1980 incorporates the concept, and any benefit, of the tanners subsidy.

Export Tax Rebate

In 1980, leather wearing apparel producers were subject to an export tax. On April 16, 1980, the Government of Uruguay ordered the suspension of this tax and a rebate of the amount of the tax paid from January 1, 1980 to April 16, 1980. We consider the rebate of this tax to be a subsidy of 0.76 percent ad valorem, the benefit of which we allocate over a 12 month period. We estimate the receipt and usage of these rebated taxes to have begun May 31, 1980.

Under the conditions of the Suspension Agreement signed by the Government of Uruguay, Uruguay has until June 1, 1981 to eliminate programs found to be subsidies. The benefit of the export tax rebate, using our 12 month allocation projection, ends May 31, 1981. Consequently, no exports of leather wearing apparel subject to the Suspension Agreement will benefit from the tax rebate.

Verification

We verified the information used in reaching this determination by examining Government decrees, corporate records, and tax returns.

Final Determination

As a result of our investigation, and in accordance with section 705 of the Act, we have determined that the Government of Uruguay provides manufacturers, producers, and exporters of leather wearing apparel subsidies within the meaning of section 701 of the Act. The aggregate net amount of these subsidies equals the following subsidy rates:

	Leather origin		
	Domestic origin	Semi finished imported	Finished imported
Reintegro program	17.00	13 60	9 00
Tax exemption program	.02	.02	.02
Noncollection of social security tax	41	41	41
Gross subsidy	17 43	14.03	9.43
Less Offset equal to 1 pct of the Reintegro payments	.17	.14	09
Total: Net subsidy	17.26	13 89	9 34

In the event the February 27 Suspension Agreement is violated, or no longer meets the requirements of subsections (b) or (d) of section 704 of the Act, then the Department will suspend liquidation and issue a final countervailing duty order as required under section 704(i)(1)(C) of the Act.

Critical Circumstance Determination

As we noted in our preliminary determination, imports or Uruguayan leather wearing apparel have fallen since 1979 in both relative and absolute terms. Therefore, we have not found "massive imports of leather wearing apparel from Uruguay over a relatively short period". Accordingly, I determine that critical circumstances do not exist in this case.

Public Comment

In accordance with § 355.35 of the Commerce Department Regulations (19 CFR 355.35), we offered the petitioner, Ralph Edwards Sportswear Inc., and the respondent, the Government of Uruguay, an opportunity to present oral views. However, neither party requested a hearing.

John D. Greenwald,

Acting Assistant Secretary for Trade Administration.

March 24, 1981.

[FR Doc. 81-9425 Filed 3-27-81; 8:45 am]

BILLING CODE 3510-25-M

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

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OFFICE OF THE SECRETARY DOCKET/USITC OFFICE OF THE CHAIRMAN U.S.I.T.C.

March 25, 1981

Mr. Bill Alberger
Chairman
United States International
Trade Commission
Washington, D.C. 20436

Dear Mr. Alberger:

Section 771(7)(E)(i) of the Trade Agreements Act of 1979 (the TAA) provides that:

> In determining whether there is a threat of material injury, the Commission shall consider such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement) provided by a foreign country and the effects likely to be caused by the subsidy.

The Subsidies/Countervailing Duties Code negotiated in the MTN provides, in relevant part, that:

> "In determining threat of injury the investigating authorities, in examining the factors in this Article, may take into account the evidence on the nature of the subsidy in question and the trade effects likely to arise therefrom." (Footnote 17 to Article 6 of the Code)

In the case of leather wearing apparel from Uruguay, I believe it useful to supplement the information set forth in our final determination with some additional information on the nature of the subsidy practices involved and the effects we believe likely to arise therefrom.

In this case, we have found that the Government pays direct export subsidies (amounting to 17.26, 13.89 and 9.34% ad valorem depending on the product) on their exports of leather wearing apparel. The Government of Uruguay agreed to suspend payment of these subsidies on exports to the U.S. and, on this basis, we entered into a suspension agreement under Section 734 of the TAA.

We have long been concerned about the impact of direct export subsidies on international trade. They have, as a rule, a much more direct impact on international trade than do domestic subsidies. While an exception was granted to developing countries from the prohibition on the use of export subsidies contained in the Code on Subsidies and Countervailing Duties negotiated in the MTN, these countries have accepted the proposition that, over time, their direct export subsidies should be phased out. Wherever possible, the U.S. has negotiated commitments from developing countries to eliminate their direct export subsidies.

The rationale behind these commitments, whether general or product-specific, is that subsidies granted for the express purpose of promoting exports can, and more often than not will, have an immediate and significant impact on trade. In our view, analysis of threat of injury to the U.S. leather apparel industry by reason of imports from Uruguay should take into account the effect direct export subsidies can have in generating increased exports over a short period of time.

In the case of wearing apparel, I believe that exports from Uruguay to the U.S. had, in fact, increased sharply over a relatively short period of time. I understand that, since 1978, imports have declined but that during the period of decline trade actions under U.S. laws have, in one form or another, been pending.

Finally, in appraising the possible effects of the Uruguayan subsidy program, you should be aware of pending countervailing duty cases involving the same leather wearing apparel products from Mexico, Colombia and Argentina. In each case, our preliminary determination has been affirmative. At present, these countries are <u>not</u> signatories to the MTN Agreement on Subsidies and Countervailing measures and so do <u>not</u> receive the benefit of an injury test under our countervailing duty law. In the event that our final determination in these cases are affirmative, there is a possibility of Uruguayan imports substituting for those of Mexico, Colombia and Argentina. This would also seem to have a bearing on the issue of the threat of injury.

I hope this supplemental information is of some use to you and your colleagues on the Commission.

Sincerely,

John D. Greenwald
Deputy Assistant Secretary
for Import Administration

APPENDIX C

U.S. INTERNATIONAL TRADE COMMISSION'S NOTICE OF INVESTIGATION, NOTICE RESCHEDULING DATE OF HEARING, AND LIST OF WITNESSES AT THE HEARING

[Investigation No. 701-TA-68 (Final)]

Leather Wearing Apparel From Uruguay

AGENCY: United States International Trade Commission.

ACTION: Institution of a final countervailing duty investigation 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 allegedly subsidized imports from Uruguay of leather wearing apparel, provided for in item 791.76 of the Tariff Schedules of the United States (TSUS).

EFFECTIVE DATE: December 12, 1980.

FOR FURTHER INFORMATION CONTACT: Robert Eninger, Office of Investigations, (202) 523-0312.

SUPPLEMENTARY INFORMATION:

Background

On October 15, 1980, a petition was filed with the U.S. International Trade Commisson and the U.S. Department of Commerce on behalf of domestic producers of leather wearing apparel alleging that a bounty or grant is being bestowed on leather wearing apparel imported from Uruguay. On November 26, 1980, the Commission unanimously determined, on the basis of the information developed during the course of investigation No. 701-TA-68 (Preliminary), that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports from Uruguay of leather wearing apparel, provided for in item 791.76 of the TSUS, which are allegedly being subsidized by the Government of Uruguay. As a result of the Commission's determination, the Department of Commerce (the administering authority) continued its investigation into the question of subsidized sales.

On December 12, 1980, the Department of Commerce made a preliminary determination under section 703(b) of the Tariff Act of 1930 that there is a reasonable basis to believe or suspect that the Government of Uruguay grants to manufacturers, producers, or exporters of certain leather wearing apparel benefits which constitute a subsidy within the meaning of the countervailing duty law. The merchandise covered by the Department of Commerce's investigation is leather wearing apparel currently provided for in TSUS item 791.76. Accordingly, effective December 12, 1980, the Commission instituted investigation No. 701-TA-68 (Final) 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 materialy retarded, by reason of imports of such merchandise. This investigation will be conducted according to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 FR 76457). The final determination by the Department of Commerce of whether subsidies are being provided by the Government of Uruguay will be made not later than February 25, 1981, unless the investigation is extended.

Staff report

A staff report containing preliminary findings of fact will be available to all interested parties on February 27, 1981.

Written submissions

Any person may submit to the Commission on or before March 16, 1981, a written statement of information pertinent to the subject of this investigation. A signed original and nineteen (19) true copies of each submission must be filed at the Office of the Secretary, U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436. All written submissions, except for confidential business data, will be available for public inspection.

Any submission of business information for which confidential treatment is desired shall be submitted separately from other documents. 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 of Practice and Procedure (19 CFR 201.6).

Public hearing

The Commission will hold a public hearing in connection with this investigation on March 18, 1981, in the Hearing Room of the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436, beginning at 10:00 a.m., e.s.t. 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., e.s.t.), March 4, 1981. All persons desiring to appear at the hearing and make oral presentatins must file prehearing statements and should attend a prehearing conference to be held at 10:00 a.m., e.s.t., on March 5, 1981, in Room 117 at the U.S. International Trade Commission Building. Prehearing statements must be filed on or before March 16, 1981. For further information concerning the conduct of the investigation, hearing procedures, and rules of general applications, consult the Commission's Rules of Practice and Procedure, Part

207, Subarts A and C (19 CFR 207), and Part 201, Subparts A through E (19 CFR 201).

The Commission has waived Commission rule 201.12(d) as amended, "Submission of prepared statements," in connection with this investigation. This rule stated that Copies of witnesses' prepared statements should be filed with the Office of the Secretary of the Commission not later than 3 business days prior to the hearing and submission of such statements shall comply with §§ 201.6 and 201.8 of this subpart." It is, nevertheless, the Commission's request that parties submit copies of witnesses' prepared testimony as early as practicable before the hearing in order to permit Commission review.

This notice is published pursuant to § 207.20 of the Commission's Rules of Practice and Procedure (19 CFR 207.20, 44 FR 76458).

By order of the Commission.

Issued: December 31, 1980.

Kenneth R. Mason,

Secretary.

[FR Doc. 81-501 Filed 1-6-81; 8:45 am]

BILLING CODE 7020-02-M

By order of the Commission.

Issued: March 17, 1981.

Kenneth R. Mason,

Secretary.

[FR Doc. 81-9077 Filed 3-24-81; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 701-TA-68 (Final)]

Leather Wearing Apparel From Uruguay; Change in Hearing Date

AGENCY: United States International Trade Commission.

ACTION: Change in date of public hearing.

SUMMARY: The date of the public hearing to be held in connection with Commission investigation No. 701-TA-68 (Final), Leather Wearing Apparel from Uruguay, is changed from March 18, 1981, to March 26, 1981. The hearing will begin at 10 a.m., e.s.t., in the Hearing Room of the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C.

EFFECTIVE DATE: March 16, 1981.

FOR FURTHER INFORMATION CONTACT: Mr. Patrick Magrath, Office of Investigations, U.S. International Trade Commission; telephone 202-523-0283.

SUPPLEMENTARY INFORMATION: On February 27, 1981, the U.S. Department of Commerce and the Government of Uruguay signed an agreement regarding this investigation in which the Government of Uruguay agreed to eliminate completely the amount of the net subsidy found by Commerce to exist with respect to leather wearing apparel exported directly or indirectly to the United States. Accordingly, the countervailing duty investigations underway at Commerce and at the Commission will be suspended, pursuant to section 704(f)(1) of the Tariff Act of 1930 (19 U.S.C. 1671c(f)(1)). On March 11, 1981, however, the Government of Uruguay requested that the investigations be continued pursuant to section 704(g)(1) of the Act (19 U.S.C. 1671c(g)(1)). The Commission has delayed its public hearing until March 26, 1981 to permit **Federal Register** publication of an anticipated continuation of the investigation by appropriate Department of Commerce notice.

CALENDAR OF PUBLIC HEARING

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

Subject : Leather Wearing Apparel from Uruguay

Inv. No. : 701-TA-68 (Final)

Date and time: March 26, 1981 - 10:00 a.m., e.s.t.

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

In support of the petition:

Economic Consulting Services, Inc.
Washington, D.C.
on behalf of

Ralph Edwards Sportswear, Cape Girardeaux, Missouri

Ralph L. Edwards, Chairman of the Board, Ralph Edwards Sportswear, Inc.

Morton Cooper, President of Cooper Sportswear, Inc.

Economic Consulting Services, Inc.

Stanley Nehmer, President

Mark Love, Vice President

In opposition to the petition:

Arnold & Porter--Counsel
Washington, D.C.
on behalf of

Listeff Fashions, Inc., Learsi International, Leather Chic S.A., and OSAMI S.A.

David Winn, President of Listeff Fashions, Inc.

Jorge Stainfeld, a Director of Leather Chic S.A.

Thomas B. Wilner)
Ms. Vicki J. Divoll) --OF COUNSEL