

MARTIAL ARTS UNIFORMS FROM TAIWAN

Determination of the Commission in
Investigation No. 731-TA-424
(Preliminary) Under the Tariff
Act of 1930, Together With the
Information Obtained in the
Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-424 (Preliminary)

MARTIAL ARTS UNIFORMS FROM TAIWAN

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Taiwan of martial arts uniforms, 2/ normally provided for in items 381.08, 381.32, 381.63, 381.97, 384.09, 384.24, 384.50, and 384.92 of the Tariff Schedules of the United States (subheadings 6203.22.10, 6203.23.00, 6203.29.20, 6204.22.10, 6204.23.00, and 6204.29.20 of the Harmonized Tariff Schedule of the United States), that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On November 15, 1988, a petition was filed with the Commission and the Department of Commerce by Century Martial Art Supply, Inc., Midwest City, Oklahoma, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of martial arts uniforms from Taiwan. Accordingly, effective November 15, 1988, the Commission instituted preliminary antidumping investigation No. 731-TA-424 (Preliminary).

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

2/ For purposes of this investigation, "martial arts uniforms" refers to tops, pants, and belts, imported separately or as ensembles, for men, boys, women, girls, and infants, of cotton or of man-made fibers, whether ornamented or not ornamented, suitable for wearing while practicing all forms of martial arts, including but not limited to Judo, Karate, Kung Fu, Tae Kwon Do, Ninja, Ninjutsu, Hakama, Tai Chi, Jujitsu, and Hapkido.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of November 23, 1988 (53 F.R. 47587). The conference was held in Washington, DC, on December 6, 1988, and all persons who requested the opportunity were permitted to appear in person or by counsel.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-424 (Preliminary)

MARTIAL ARTS UNIFORMS FROM TAIWAN

VIEWS OF THE COMMISSIONDetermination

On the basis of the record 1/ developed in the subject investigation, the Commission unanimously determines, pursuant to section 733(a) of the Tariff Act of 1930 ("the Act") (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry is materially injured by reason of imports of martial arts uniforms from Taiwan 2/ that are alleged to be sold in the United States at less than fair value (LTFV).

Like Product and Domestic Industry

To determine whether there exists a "reasonable indication of material injury" the Commission must first determine the "like product" and "domestic industry" corresponding to the imported merchandise under

1/ The record is defined in Rule 207.2(i) of the Commission's Rules of Practice and Procedure (19 C.F.R. § 207.2(i)).

2/ For the purpose of this investigation, martial arts uniforms include tops, pants, and belts imported separately or as ensembles, for men, boys, women, girls, and infants, of cotton or man-made fibers, whether ornamented or not, including but not limited to Judo, Karate, Kung Fu, Tae Kwon Do, Ninja, Ninjutsu, Hakama, Tai Chi, Jujitsu, and Hapkido.

Martial arts uniforms are provided for in items 381.08, 381.32, 381.63, 381.97, 384.09, 384.24, 384.50 and 384.92 of the Tariff Schedules of the United States (TSUS) (subheading 6203.22.10, 6203.23.00, 6203.29.20, 6203.29.30, 6204.22.10, 6204.23.00, 6204.29.20, and 6204.29.40 of the Harmonized Tariff Schedule of the United States). Although as of the time of publication of this opinion no imports of tops, pants or belts for martial arts uniforms are known to have separately entered the United States under these items, the subject articles are additionally provided for in TSUS items 381.05, 381.31, 381.33, 381.56, 381.62, 381.65, 381.95, 381.98, 384.05, 384.07, 384.23, 384.26, 384.46, 384.47, 384.52, 384.90, 384.91, and 384.94 as jackets, trousers, and apparel accessories.

in the absence of like, most similar in characteristics and uses with, the article subject to an investigation." 3/ In turn, the domestic industry is defined in section 771(4)(A) of the Act as:

. . . the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product. 4/

The Commission's like product determination is essentially factual, and the application of "like" and "most similar in characteristics and uses" is performed on a case-by-case basis. 5/ In determining whether a domestic product is "like" the product subject to investigation, the Commission has in the past considered such factors as: (1) physical characteristics, (2) interchangeability, (3) channels of distribution, (4) common manufacturing facilities and production employees, (5) consumer or producer perceptions, 6/ and where appropriate, (6) price. 7/ No single factor is dispositive, and the Commission may consider other factors it considers relevant based on the facts in the case. The Commission looks for distinct dividing lines between products, because minor distinctions are an insufficient basis for finding separate like products. 8/

In its initiation notice the Department of Commerce defined martial arts uniforms as:

3/ 19 U.S.C. § 1677(10).

4/ 19 U.S.C. § 1677(4)(A).

5/ The Asociacion Colombiana de Exportadores de Flores v. United States, 693 F.Supp. 1165, 1169 (CIT 1988) ("ASCOFLORES") ("the like product issue is one to be based on the unique facts of each case.")

6/ E.g., Certain All-Terrain Vehicles from Japan, Inv. No. 731-TA-388 (Preliminary), (hereinafter "ATVs") USITC Pub. No. 2071 (March 1988) at 6; Certain Fabricated Structural Steel from Canada, Inv. No. 731-TA-387 (Preliminary), USITC Pub. No. 2062 (Feb. 1988) at 5, n.10.

7/ ASCOFLORES, 693 F.Supp. at 1170, n.8; S.Rep. No. 249, 96th Cong., 1 Sess. 90-91 (1979).

8/ ASCOFLORES, 693 F. Supp. at 1168-1169

"tops, pants, and belts... imported from Taiwan separately or as ensembles. They are made of cotton or of man-made fibers, either ornamented or not ornamented. They are suitable for wearing while practicing all forms of martial arts, including but not limited to: Judo, Karate, Kung Fu, Tae Kwon Do, Ninja, Ninjutsu, Hakama, Tai Chi, Jujitsu, and Hapkido." 9/

The scope of the like product in this investigation was not extensively addressed by the parties to this investigation. Petitioner defined "like product", coextensive with the initiation notice, as all martial arts uniforms, but offered little support for such a definition. 10/ Respondent criticized this definition, claiming that because martial arts uniforms can be used for other purposes, the scope of the "like product" should be expanded to include other products. In the alternative, respondent argued that because each martial art form is distinct, each uniform should be considered a separate like product. 11/

Although respondent thus suggested that petitioner's proffered like product definition was too narrow or too broad, we agree with neither of the proposed alternatives. For the purpose of this preliminary investigation, we find that "like product" includes all types of martial arts uniforms. We base this decision on the similarity of appearance and use of all martial arts uniforms and the overlapping channels of distribution and production facilities. 12/ While there are some

9/ 53 Fed. Reg. 50056, 50057 (Dec. 13, 1988); Staff Report ("Report") at A-1.

10/ See, Petition, pg. 6, Staff Conference Transcript, December 6, 1988 (hereinafter "Tr.") at 14. Although petitioner includes all martial arts uniforms in its petition, it relies on the basic white Karate suit to illustrate trends in the marketplace.

11/ Tr. at 44, 53 and 56.

12/ See, New Steel Rails from Canada, Inv. Nos. 701-TA-297 (Preliminary) and 731-TA-422 (Preliminary) USITC Pub. NO. 2135 (November 1988); Sewn Cloth Headwear from the People's Republic of China, Inv. No. 731-TA-405

(continued...)

variations in characteristics among the different types of martial arts uniforms, 13/ they all include a long-sleeved top, long-legged trousers and a belt. The uniforms are all used for the practice of the various forms of the martial arts. Furthermore, all the uniforms are produced in the same production facilities and by the same workers and are sold primarily through martial arts schools.

In light of our preliminary like product determination, we further find that the domestic industry consists of U.S. producers of martial arts uniforms. 14/

Condition of the Domestic Industry

In determining the condition of the domestic industry, we consider, among other factors, U.S. production, capacity and capacity utilization, shipments, inventories, employment, financial performance, and existing development and production efforts, within the context of the business cycle and conditions of competition that are distinctive to the domestic industry. 15/

12/(...continued)

(Preliminary), USITC Pub. No. 2096 (July 1988); Certain Bimetallic Cylinders from Japan, Inv. No. 731-TA-383 (Final) USITC Pub. No. 2080 (May 1988); 3.5" Microdisks from Japan, and Media therefor, Inv. No 731-TA-389 (Preliminary) ("3.5" Microdisks") USITC Pub. No. 2076 (April 1988).

13/ The ninja suit is the most distinctive, being close-fitting and black while the other martial arts uniforms are usually white and loose-fitting.

14/ Respondent claims that if the like product definition is expanded to include sleepwear, costumes and jeans, petitioner does not represent these industries and therefore had no standing to bring the petition. See, Tr. at 44. We do not reach the issue in this case because, as we have previously indicated, the Commission should not decide the issue of standing, but rather should leave consideration of this issue to Commerce. See, 3.5" Microdisks.

15/ See, Shock Absorbers and Parts, Components, and Subassemblies thereof from Brazil, Inv. No. 731-TA-421 (Preliminary) USITC Pub. No. 2128 (September, 1988) at 18.

Domestic production of martial arts uniforms has steadily decreased from 1985 to 1987. 16/ Production likewise declined in interim 1988 as compared to the interim period in 1987. 17/ Average production capacity of domestic producers of martial arts uniforms remained constant from 1985 through 1988. 18/ As a result of production capacity remaining generally constant while production declined, capacity utilization ratios dropped by almost 60% from 1985 to 1987. 19/

U.S. producers' shipments since 1985 have virtually all been sold domestically. From 1985 to 1987 shipments declined by almost 50 percent, and during January-September 1988 shipments declined even further as compared with January-September 1987. 20/

End-of-period inventories of domestic producers increased from 1985 to 1986 but then declined in 1987. 21/ In the interim period January-September 1988 inventories again fell when measured against January-September 1987. However, inventories as a percentage of total shipments rose from 1985 to 1987, and also increased in the interim period January-September 1988 compared to January-September 1987. 22/

All the firms reporting showed a decline in workers employed. 23/ Although the figures for 1986 show a slight increase from 1985 in both

16/ See, Report, Table 1.

17/ See, Report, Table 1.

18/ There was a sharp increase in production capacity in early 1988. This was not due to an expansionary move by petitioner but rather was caused by the return to petitioner of a production facility vacated by a lessee.

19/ See, Report, Table 1.

20/ See, Report, Table 2.

21/ See, Report, Table 3.

22/ See, Report, Table 3.

23/ See, Report, Tables 4 & 5. Because the equipment and workers at the U.S. production facilities can, and are, used to produce other products, the employment data reflect a proportional number of hours and workers devoted to the production of the subject product.

hours worked and workers employed, these same employment figures declined from 1986 to 1987. In the first nine months of 1988 the employment figures were 26.9 percent less than for the corresponding period of the previous year. 24/ From 1985 to 1987, the number of uniforms produced per worker declined, although output increased in January-September 1988 as compared to the same period in 1987. 25/

The financial data in this investigation were inconclusive because those domestic producers that supplied financial information were unable to break out financial data for the subject products, which account for less than half of these firms' total establishment sales during the period under review. 26/ In any final investigation, the Commission will examine more closely the financial condition of the domestic industry. Combined operating income margins showed an increase from 1985 to 1986 but then declined by more than 50 percent in 1987. 27/ Based on the steady and significant decline in production, capacity utilization, shipments and employment, we conclude that there is a reasonable indication that the domestic industry is suffering material injury. 28/

24/ See, Report, Table 4.

25/ See, Report, Table 4.

26/ See, Report at A-13.

27/ See, Report, Table 8. See also, Report, Tables 6 & 7.

28/ Commissioner Cass considers information regarding the condition of the domestic industry to be relevant to his analysis, but does not assess the condition of the industry separately from the question of causation of material injury. See, 3.5" Microdisks (Additional Views of Commissioner Cass); ATVs, (Additional Views of Commissioner Cass). Acting Chairman Brunsdale considers the foregoing to be an apt description of the record, but does not join in this conclusion. See, Certain Electrical Conductor Aluminum Redraw Rod from Venezuela, Inv. Nos. 701-TA-287 and 731-TA-378 (Final), USITC Pub. No. 2103 (August 1988) at 43 (Additional Views of Acting Chairman Brunsdale) (The condition of the industry does not necessarily reveal the impact of the imports on the domestic industry).

Reasonable Indication of Material Injury by Reason of the Subject

Imports 29/

The Act sets forth factors for the Commission to consider in assessing the relationship between any material injury to the domestic industry and the imports under investigation, including import volume, the effect of imports on domestic prices, and the impact of imports on the U.S.

operations of domestic producers. 30/ No single factor is determinative 31/ and the Commission may consider other economic factors relevant to the analysis of the industry in question. 32/

The record of this investigation reveals that since 1985, imports of martial arts uniforms from Taiwan have captured a growing share of the domestic market for these products. Imports from Taiwan rose sharply by quantity from 281,000 in 1985 to 604,000 in 1986. While the quantity of imports declined in 1987 to 499,000, this volume is still well above 1985 levels. The drop in imports from 420,000 in interim 1987 to 143,000 in interim 1988 does not, by itself, persuade us that imports from Taiwan are insignificant. 33/ In fact, imports from Taiwan as a percentage of domestic consumption increased by 94 percent from 1985 to 1986, dropping by only 11 percent in 1987. While imports as a percentage of consumption

29/ Acting Chairman Brundsdale and Commissioner Cass do not join in this section of the opinion; they discuss their findings on causation in their respective additional views.

30/ 19 U.S.C. § 1677(7)(B), as amended by section 13281 of the recently enacted Omnibus Trade and Competitiveness Act of 1988 ("the 1988 Trade Act"), P.L. No. 100-418, 102 Stat. 1107.

31/ 19 U.S.C. § 1677(7)(E) (ii) ("The presence or absence of any factor. . . shall not necessarily give decisive guidance with respect to the determination by the Commission of material injury."), cited, in *Atlantic Sugar, Ltd. v. United States*, 519 F.Supp. 916, 922 (CIT 1981).

32/ See, Section 1328(1) of the 1988 Trade Act.

33/ See, Report, Table 12.

fell from interim 1987 to interim 1988, it is clear that imports from Taiwan have been significant relative to consumption over the period of investigation. 34/

In this context, we note that consumption of martial arts uniforms in this country has fluctuated due to trends in popularity of certain martial art forms. 35/ Respondents argue that the decline in the petitioner's sales of martial arts uniforms can be attributed to a decline in U.S. demand resulting from decreased popular interest in the martial arts. 36/ A decline in demand is evidenced by a decline in domestic consumption of martial arts uniforms in 1987 and in January-September 1988. 37/ However, the domestic producers' sales are not just fluctuating with changes in demand. Instead, between 1985 and 1987, Taiwan imports gained about half of the domestic producers' market share. Therefore, although a decline in demand may be a partial cause of the domestic producers' problems, imports from Taiwan exacerbated the effects of the fluctuations in demand. Should this case return as a final investigation, we intend to examine the implications of these trends very closely.

Information in the record concerning pricing of domestic and imported martial arts uniforms suggests that imports have had a significant effect on domestic prices. Following a period of price stability in 1985 and early 1986, prices for the domestic product fell in the third quarter of 1986 and again in the latter half of 1987. 38/ Prices rebounded to early

34/ Id., Table 13.

35/ Id. at A-22. Good examples are the so-called "Ninja craze" and popularization of karate following the release in 1986 of The Karate Kid and movies portraying the art of Ninja in Japanese culture.

36/ Tr. at 32.

37/ Report at A-24, Table 13.

38/ Id., Table 14.

1987 levels in the third quarter of 1988, but otherwise show a steady decline throughout the period under investigation. 39/ While fluctuations in both domestic and import prices render an analysis of underselling difficult at this point, 40/ there are numerous instances of underselling. 41/ Such underselling, even absent a clear trend, is significant in view of the price sensitivity of the product. 42/

Finally, while petitioner was unable to provide any examples of lost sales or revenues, another domestic producer reported specific instances in which it was forced to lower prices in order to compete with imports. 43/ Of course, further evidence of lost sales and revenues will be sought in any final investigation.

39/ Id.

40/ Prices of U.S.-produced and imported martial arts uniforms fluctuated throughout the period of investigation. Report, Tables 14 and 15. Petitioner suggested that prices are fluctuating because schools are beginning to purchase uniforms directly from producers and importers, rather than from resellers. An importer argued that the fluctuations reflect the varying quantities of sale reported and the discounts applied to those volumes. Respondent took a different view, suggesting that the fluctuations result from changes in the duty rate for these items during the period of investigation. Id. at A-27-A-28. All of these factors and their effect on prices of martial arts uniforms will receive close scrutiny in any final investigation.

41/ Id., Tables 14 and 15.

42/ Petitioner testified at the conference that domestic and imported martial arts uniforms are similar in terms of quality and availability, differing only in the cotton content of the fabric. Id. at A-25. While importers suggested that the quality of imported uniforms, which are 100% cotton, was far superior to that of the domestic product, Id. at A-25, one would not expect such a superior product to undersell the domestic product as often as reported in Tables 14 and 15. From the information currently before the Commission in this preliminary investigation, the products appear similar enough to make the market sensitive to price increases and decreases. In any final investigation, we would solicit further information through customer questionnaires about the differences in the quality of domestic and imported martial arts uniform.

43/ Id. at A-29.

For these reasons, we find a reasonable indication that imports of martial arts uniforms from Taiwan are a cause of material injury to the domestic industry producing the like product.

ADDITIONAL VIEWS OF ACTING CHAIRMAN ANNE E. BRUNSDALE

Martial Arts Uniforms from Taiwan

Investigation No. 731-TA-424 (Preliminary)

I concur with my colleagues in finding a reasonable indication that an industry in the United States is materially injured by reason of the importation of martial arts uniforms from Taiwan. In reaching this conclusion, I use the standard for preliminary determinations approved by the court of appeals in American Lamb Co. v. United States ^{1/} as discussed in New Steel Rails from Canada.^{2/} In particular, I join the Commission's affirmative determination because evidence on the record supports petitioner's allegation of injury by reason of allegedly less-than-fair-value imports, and because the contrary evidence is not so clear and convincing as to warrant termination of the investigation at this preliminary stage.^{3/}

Several items on the record deserve special mention as being ripe for further consideration during any final investigation. Most important are the relationships between apparent domestic consumption and the relative import penetrations from various countries.^{4/} The data collected thus far in the investigation indicate (1) that the increase in imports generally

^{1/} 785 F.2d 994 (Fed. Cir. 1986).

^{2/} Inv. Nos. 731-TA-422 and 701-TA-297 (Preliminary), USITC Pub. 2135 at 3-4 (Views of the Commission) and 55-68 (Views of Acting Chairman Brunsdale).

^{3/} Id. at 67-68 (Views of Acting Chairman Brunsdale).

^{4/} The data on apparent domestic consumption, imports and import penetration are summarized in Tables 2, 12 and 13 of the Report (at A-9, 23, 24).

has been absorbed by an increase in domestic demand for martial arts uniforms and (2) that imports from Taiwan have largely displaced imports from other countries and not domestically manufactured uniforms.

In 1985, the first year for which data were collected, apparent domestic consumption was ***** martial arts uniforms, of which, ***** were imported. U.S. producers' domestic shipments thus accounted for approximately ***** uniforms sold in the United States in 1985.^{5/} In 1986, total imports rose to 1,560,000 uniforms, an increase of 242,000 over 1985 levels, while apparent domestic consumption rose by 186,000 uniforms to a total of ***** . Thus, despite the tremendous surge in imports that year, domestic shipments fell by only 56,000 uniforms.

In 1987, apparent domestic consumption of martial arts uniforms declined to ***** uniforms. Imports accounted for **** percent of that amount, or 1,570,000 uniforms, only 10,000 more than in 1986. Nonetheless, because of the overall decrease in apparent domestic consumption, domestic shipments decreased by approximately 158,000 from their 1986 levels.

Just as the increase in apparent domestic consumption has blunted the influx of total imports, so declines in imports from other countries have blunted the impact of imports from Taiwan. In 1985, imports from Taiwan accounted for **** percent of the domestic market and imports from other countries accounted for **** percent. Total import penetration, the sum of these figures, was **** percent. In 1986, the import penetration ratios were **** percent for Taiwan and **** percent for all other countries, for

^{5/} Table 2, Report at A-12, lists domestic shipments at ***** uniforms. The numbers may not jibe precisely because of rounding, sales from inventory, and incomplete reporting.

a total import penetration of **** percent. This overall increase in import penetration was the net of an increased penetration of imports from Taiwan of just over 15 percentage points and a decline in the penetration of imports from other countries of nearly 10 percentage points. During the next year, the penetration of imports from Taiwan declined by 3.3 percentage points, but the penetration of imports from other countries increased by 10.5 percentage points. Thus, in the last full year under investigation, the increase in import penetration was completely attributable to imports from countries other than Taiwan.

Over the period of investigation, imports from various countries have been jockeying for larger shares of the import market. While total imports increased by 242,000 uniforms from 1985 to 1986, imports from Taiwan skyrocketed from ***** to *****, imports from China and South Korea also showed impressive gains, and imports from Japan and Pakistan remained relatively steady at low levels. However, imports from other sources fell by half.

In 1987, total imports showed only a very small increase over 1986 levels, but the realignment of the positions of various importers was marked. South Korean and Chinese imports continued to climb at impressive rates, while imports from Taiwan fell by over 20 percent, and imports from other countries fell by 60 percent. Figures for the interim 1988 period show declines in total imports of over 50 percent and in Taiwanese imports of nearly 67 percent. These data tend to support the conclusion that uniforms from different countries are at least as competitive with each other than they are with domestically manufactured martial arts uniforms.

Under the antidumping laws, the Commission must consider the effects of the imports under investigation on the volume of production in the domestic industry, on the price of the like product in the domestic market, and on the domestic industry producing the like product overall.^{6/} On the basis of the record outlined above, I would render a negative determination regarding the volume effect of the Taiwanese imports. With the exception of the 1986 figures, the record contains no indication that increased Taiwanese imports have had a material impact on the domestic industry, and it is clear that the impact of that increase was mitigated by other factors, most particularly the decline in imports from other countries.

Nonetheless, I join in the affirmative determination because I do not look exclusively at the level of imports. I also consider the nature of the imports. Specifically, I have expressed the view that the Commission should analyze the price effect of the dumped imports in a manner different from the way we analyze the price effect of imports not under investigation.^{7/}

The domestic market for a product consists of the domestic product and imports. The domestic price will depend on the relative prices of the domestic and imported products, accounting for real or perceived differences between the two.^{8/} Imports that are competitive with the

^{6/} 19 U.S.C. 1677(7)(B), (C).

^{7/} See Certain All-Terrain Vehicles from Japan, Inv. No. 731-TA-388 (Preliminary), USITC Pub. 2071 at 33 n.24 (1988) (Views of Chairman Liebler and Vice Chairman Brunsdale).

^{8/} As I have indicated in prior opinions, we can use well-recognized tools of economics to determine the impact of each segment of the domestic market on the domestic price. See, e.g., Cold-Rolled Carbo Steel Plates and Sheets from Argentina, Inv. No. 731-TA-175 (Final), USITC Pub. 2089 (1988) (continued...)

domestic product and that undersell the domestic product can, and indeed are expected to, depress the domestic price; imports that oversell the domestic product establish a ceiling above which the domestic price normally will not rise.

Imports that are "unfairly" priced within the meaning of the U.S. trade laws may have a distorting effect on this process, either because they undersell the domestic product where they would not otherwise, or because they undersell the domestic product to a greater degree than they would if "fairly" priced, or because their price establishes a lower ceiling in the domestic market than would otherwise obtain.^{9/}

In this case, the imports that are alleged to be dumped have played an important, if somewhat varying, role in the domestic market for martial arts uniforms. Although the increased volume of uniforms from Taiwan has had little effect on the market, I cannot conclude on the current record that the different mix of imports, in which the Taiwanese imports figure prominently, has not affected the domestic price of martial arts uniforms, thereby causing material injury to the domestic injury. In other words, the imports not under investigation from South Korea, China, and other countries will "fairly" influence the domestic price of martial arts uniforms; imports from Taiwan, assuming that they are dumped, have an "unfair" effect on the price.

8/ (...continued)

(Views of Vice Chairman Brunsdale); Internal Combustion Engine Forklift Trucks from Japan, Inv. No. 731-TA-377 (Final), USITC Pub. 2082 (188) (Views of Vice Chairman Brunsdale).

9/ For this reason, I find the dumping margin to be a good --or at least the best available-- indicator of the magnitude of this distortion.

The dramatic increase in Taiwanese imports in 1986 and the substantial presence of Taiwanese imports in the domestic market in 1987 reasonably indicate that the Taiwanese imports play an important role in setting the domestic price of martial arts uniforms. Furthermore, allegations in the petition suggest that this effect might be large.^{10/} These matters warrant further consideration in any final investigation. At this point in the investigation, however, I must conclude that there is a reasonable indication that, because of this price effect, the domestic producers of martial arts uniforms are materially injured by reason of the Taiwanese imports.

^{10/} Petitioner alleges that the dumping margin may be as high as 60.93 percent. Petition, Exhibit 2.

ADDITIONAL VIEWS OF COMMISSIONER RONALD A. CASS

Martial Arts Uniforms from Taiwan
Inv. No. 731-TA-424
(Preliminary)

Like my colleagues, I have reached an affirmative determination in this preliminary investigation. My analysis of the question of causation of material injury in this case is, however, not reflected in the Views of the Commission. Accordingly, I offer the following Additional Views to explain my analysis of this issue.

In determining whether there is a reasonable indication that the domestic industry has suffered material injury by reason of the allegedly dumped imports, I have conducted the three-part inquiry suggested by the statute that governs our Title VII investigations.^{1/} This approach evaluates the possible causation of material injury by comparing the conditions experienced by the domestic industry to those that would have existed had there been no unfairly traded imports. The first part of the three-part inquiry asks "How were the prices and sales of the subject imports affected by the dumping that is alleged to have taken place"? The second part of the inquiry poses the following question: "To what extent did these apparent changes in the

^{1/} See 3.5" Microdisks and Media Therefor from Japan, Inv. No. 731-TA-389 (Preliminary), USITC Pub. 2076 (April 1988) (Additional Views of Commissioner Cass) at 70-74; Internal Combustion Engine Forklift Trucks from Japan, Inv. No. 731-TA-377 (Final), USITC Pub. 2082 (May 1988) (Additional Views of Commissioner Cass) at 39-41.

market for the subject imports affect prices and sales of the domestic like product"? The third and final question is "What was the apparent impact of these changes in prices and sales of the domestic like product on employment and investment in the domestic industry"? Each of these questions is addressed separately below.

Before turning to a discussion of these issues, I note that the Omnibus Trade and Competitiveness Act of 1988 requires Commissioners to address specifically three factors that are set forth in the statute and also requires explanation of other, unlisted factors that a Commissioner considers relevant.^{2/} In other opinions, I have explained in detail how the three-part inquiry that I have outlined is designed to analyze the particular statutory factors that we are required to consider in Title VII investigations.^{3/} No purpose would be served by repeating that discussion here.

In this case, as in other Title VII investigations, I have also considered certain other relevant economic factors, such as data pertaining to the volume of sales made by Respondent producers in their home markets and the dumping margins (commonly calculated as the relative amounts by which ex-factory prices for

2/ See Pub. L. No. 100-418, 102 Stat. 1107, Section 1328.

3/ See New Steel Rails from Canada, Inv. No. 731-TA-422 (Preliminary), USITC Pub. 2135 (November 1988) (Additional Views of Commissioner Cass) ("Steel Rails") at 35-37; Generic Cephalixin Capsules from Canada, Inv. No. 731-TA-423 (Preliminary), USITC Pub. 2143 (December 1988) (Additional Views of Commissioner Cass) ("Cephalixin Capsules") at 56-58.

sales of the subject product in the exporters' home market exceed comparable prices for sales to the United States).^{4/} The relevance of these factors is explained in the pertinent following subsections of these Additional Views.

LTFV Imports

In this investigation, Petitioner has asserted that the subject imports were sold at prices reflecting substantial margins of dumping. According to Petitioner, if the dumping margins are computed on the basis of the prices charged by the producers of the subject imports in their home market, Taiwan, the dumping margin was approximately 8.5%.^{5/} However, Petitioner also contends that other means of calculating the dumping margin, such as the constructed value approach, would be more appropriate in this case.^{6/} Accordingly, Petitioner has offered alternative margin calculations suggesting that the margins may have been as high as 48% (if calculated on the basis of "third-country" prices) or 60% (if calculated pursuant to a constructed value methodology).^{7/} On the basis of the record evidence before us,

^{4/} Other means of calculating dumping margins are comparison of ex-factory prices for sales to a third country with prices for sales to the United States or comparison of the cost of production (under a particular set of assumptions, known as "constructed value") with the ex-factory sales price to the United States.

^{5/} See Petition at 25.

^{6/} Id.

^{7/} Id. at 25-26.

these claims must be given weight. To begin with, as I have stated elsewhere,^{8/} I do not believe that a full inquiry into margins asserted by a petitioner may be appropriately carried out by the Commission in a preliminary investigation. Therefore, until the Department of Commerce has spoken, the alleged margins will generally be the best evidence available to us.^{9/} Moreover, even if it were appropriate for the Commission to evaluate the credibility of Petitioner's margin allegations, Petitioner's proffer of alternative margin calculations could not, given the evidence on record, be characterized as demonstrably false or implausible. Notably, the record compiled by the Commission in this investigation suggests that it is at least reasonably possible that Commerce will find the other methods preferable, especially given the likelihood that the producers of the subject imports make a relatively small volume of sales of martial arts uniforms in their respective home market, Taiwan. At present, no opinion can be ventured on this issue with confidence. The Commission has been able to obtain import data for only one of the producers in question, Hsin Sheng. Hsin Sheng does, however, appear to have been the major Taiwan exporter of the subject

^{8/} See Steel Rails at 39-40.

^{9/} Indeed, the legislative history of the Trade Agreements Act of 1979 makes clear that, in preliminary investigations such as the one now before us, the Commission is to be "guided by the description of the allegation of the margin of dumping contained in the petition or as modified by . . . [Commerce]". Statements of Administrative Action, Trade Agreements Act of 1979, at 415.

products to the United States^{10/}, and it does not appear to have made any sales of the subject products in its home market during the period covered by the investigation.^{11/} If the other producers of the subject imports likewise sold only small volumes (if any) of the product under investigation in Taiwan, it is quite possible that Commerce will look to the subject producers' sales in other countries or to a constructed value measure in order to determine the existence and/or magnitude of the alleged dumping margins.^{12/} Thus, for the purposes of this preliminary investigation, we must accept Petitioner's claim that margin calculations based upon third-country prices or constructed value computations will support a finding of substantial dumping margins in this case.

Even if there are substantial margins, this does not necessarily mean that the price of the subject imports declined by the full amount of the margins, or even an amount close to that figure. As I have explained elsewhere, the decline in the price of dumped imports that occurs as a result of dumping will usually be less than the full amount of the dumping margin.^{13/} In general, the actual price of the subject imports will, consequent to dumping, decrease in percentage terms by a fraction

^{10/} See Report at A-21, Table 11; A-23, Table 12.

^{11/} See id. at A-21, Table 11.

^{12/} 19 C.F.R. Section 353.4(a).

^{13/} See Steel Rails at 41-42; Cephalixin Capsules at 60-61.

of the dumping margin; that fraction will be a function of the proportion of the combined U.S. and home market sales of the subject foreign producers that is accounted for by sales in their home market.^{14/}

In this case, the record evidence simply does not permit us to determine with any degree of certainty the magnitude of the decline in the price of the subject goods that would have been associated with sales reflecting the substantial dumping margins alleged by Petitioner. On the one hand, as previously noted, we have before us some evidence suggesting that the producers of the subject imports may have made relatively few sales in their home market, Taiwan. Notably, a major producer, Hsin Sheng, appears to have made no such sales.^{15/} On the other hand, we also have evidence indicating that some home market sales occurred. Indeed, Petitioner's calculations of home-market prices were purportedly derived from data relating to sales of martial arts uniforms in Taiwan by another exporter of such goods to the

^{14/} See, e.g., Granular Polytetrafluoroethylene Resin from Japan, Inv. No. 731-TA-385 (Final), USITC Pub. 2112 (August 1988) (Additional Views of Commissioner Cass) at 74; Certain Bimetallic Cylinders from Japan, Inv. No. 731-TA-383 (Final), USITC Pub. 2080 (May 1988) (Additional Views of Commissioner Cass) at 44. An estimate of the decrease in the price of the dumped product that is derived in the fashion described above will somewhat overstate the price decrease as it represents an approximate upper bound of that decrease. For a more detailed explanation of these issues, see USITC Memorandum EC-L-149, Assessing the Effects on the Domestic Industry of Price Dumping, Part I (May 10, 1988) from the Office of Economics at 1, n. 1, 13, 19-21.

^{15/} See discussion, supra, at 4-5.

United States, Kuang Fong Industrial Co., Ltd.^{16/} The evidence on this critical issue is therefore incomplete. A final investigation might well develop the evidence on the operations of the other Taiwan producers that would be needed in order to make a reasonable estimate of the decline in the price of the subject imports, if any, that resulted from the alleged dumping. Accordingly, consistent with Commission practice as approved in American Lamb,^{17/} for the purposes of this preliminary investigation, I must conclude that there is a reasonable possibility that the alleged dumping caused a significant decline in the price of the subject imports.

If there was such a decline in the price of the subject products, the volume of such products sold in the United States may well have increased by a significant amount. Given the record evidence, discussed below, that suggests that the domestic like product and Taiwanese product are at least reasonably close substitutes for each other, a significant decline in the price of the subject imports would have produced a notable increase in the volume of sales of the subject products in the United States.

^{16/} See Petition at 19-23.

^{17/} Under the approved practice, the Commission will reach a negative determination in a preliminary investigation only when there is "no likelihood" that evidence supporting an affirmative determination will be developed in a final investigation. See American Lamb Co. v. United States, 785 F.2d 994, 1001 (Fed. Cir. 1986). For a more detailed discussion of American Lamb and its proper interpretation, see Steel Rails at 19-31.

Domestic Prices and Sales

A significant decline in price, and increase in sales, of the subject imports would, in all likelihood, have produced correspondingly significant changes in the price and sales of the domestic like product. The U.S. market penetration of the subject imports has been relatively [*]. The subject imports, measured on the basis of value, accounted for approximately [*]% of total U.S. consumption of martial arts uniforms in 1987 and [*]% in the first nine months of 1988.^{18/} On a volume basis, market penetration was [* * *], amounting to [*]% of U.S. consumption of martial arts uniforms in 1987 and [*]% in the first nine months of 1988.^{19/} These facts are consistent with an inference that a significant impact on domestic sales would have resulted from any significant changes in the prices and volumes of the subject imports.

There is no evidence of record that makes such an inference implausible. For instance, although there are assertions of some differences between domestic martial arts uniforms and the imported Taiwanese uniforms, there is evidence suggesting that the domestic and imported uniforms are at least reasonably substitutable one for the other. Indeed, Respondent does not claim that domestic and Taiwanese uniforms are not reasonably close substitutes for the same uses. True, Respondents and the

^{18/} Report at A-24, Table 13.

^{19/} Id.

Commission staff have provided the Commission with some evidence suggesting that certain purchasers of martial arts uniforms may perceive the quality of the Taiwan product to be superior.^{20/} However, the record evidence on this point is, at best, fragmentary, and the possibility that a final investigation might develop conflicting evidence can not be precluded. On the record now before us, there is, therefore, no justifiable basis for a finding that the domestic and imported products are so different as to sharply limit the potential effects of the alleged dumping on prices and sales of the domestic like product. Accordingly, I must conclude that there is a reasonable possibility that these effects were significant.

Investment and Employment

The data relating to employment and investment in the domestic industry that have been collected by the Commission are also consistent with, but do not provide any substantial independent support for, an inference that the alleged dumping caused material injury to that industry. As noted in the Views of the Commission, we have found that employment and, to a much lesser extent, financial returns in the domestic industry have recently declined, but we have also suggested that factors other than the subject imports may have caused various changes in the condition of the domestic industry that could be expected to

^{20/} See Transcript of 12/6/88 Conference at 53, 68-69; Report at A-32.

affect adversely employment and financial conditions in the domestic industry. Accordingly, my affirmative determination in this investigation is not based separately on the information that we have developed on these issues; it rests, in large measure, on the other, previously discussed evidence that indicates that the subject imports may have had a significant adverse effect on domestic prices and sales, consistent with a material adverse effect on employment and investment in the domestic industry.

Conclusion

For the foregoing reasons, I find that there is a reasonable indication that the subject imports have caused material injury to the domestic industry producing martial arts uniforms.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On November 15, 1988, a petition was filed with the U.S. International Trade Commission and U.S. Department of Commerce by Century Martial Art Supply, Inc., Midwest City, OK, alleging that martial arts uniforms from Taiwan are being sold in the United States at less-than-fair-value (LTFV) and that an industry in the United States is materially injured and threatened with material injury by reason of such imports.

Accordingly, effective November 15, 1988, the Commission instituted antidumping investigation No. 731-TA-424 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register on November 23, 1988 (53 FR 47587). 1/ The public conference was held in Washington, DC, on December 6, 1988, 2/ and the vote was held on December 22, 1988. Martial arts uniforms have not been the subject of any other investigation conducted by the Commission.

Nature and Extent of Alleged Sales at LTFV

There is no information relating to the nature and extent of the alleged LTFV sales other than the allegations of the petitioner. For purposes of estimating a fair market value, the petitioner calculated an average home market price, a third country price (Japan), and a constructed price (based on estimated cost of production) for one Taiwan producer--Taiwan Hsin Sheng Industrial Co., Taipei. By comparing these prices to an average price of one type of uniform 3/ to a single, unrelated U.S. customer in November 1987, the petitioner arrived at dumping margins ranging from 8.5 percent (using home market price) to 60.93 percent (using constructed price). Two other firms in Taiwan--Kuang Fong Industrial Co., Ltd., Taipei; and Shun Mao Garment Industrial Co., Ltd., Taipei--are alleged by the petitioner to be manufacturing and/or exporting the subject merchandise.

1/ Copies of the Commission's and Commerce's notices instituting the investigation are shown in app. A.

2/ A list of witnesses appearing at the conference is presented in app. B.

3/ Karate uniform, white, traditional style, 100 percent cotton, size 5.

The Product

Description and uses

The imported articles subject to the petitioner's complaint are tops, pants, and belts suitable for wearing while practicing any form of martial art, including, but not limited to, Judo, Karate, Kung Fu, Tae Kwon Do, Ninja, Ninjutsu, Hakama, Tai Chi, Jujitsu, and Hapkido. Some form of top, pant, and belt, in complementary combination, is characteristic of nearly every form of martial art. Together, as a coordinated ensemble, they constitute a "uniform", one specific to each martial art, and are usually sold as such. 1/

Invariably, martial arts uniforms are simply designed, loose fitting, long sleeved, and long legged. A somewhat different design of top, pant, and/or belt, however, is associated with each kind of martial art. In the United States the Karate design, used for Karate and Tae Kwon Do (the Korean version of Karate), 2/ is by far the most prevalent. Other than basic design, martial arts uniforms are primarily differentiated in terms of weight and composition of fabric, the vast majority being of cotton or a blend of cotton and manmade fiber, available in lightweight (6-7 oz./sq.yd.), mediumweight (8 oz./sq.yd.), heavyweight (10-12 oz./sq.yd.), and/or extra heavyweight (14-15 oz./sq.yd.) fabric. Heavier fabrics are generally associated with more expertise in practicing the art. To accommodate various consumer tastes, martial arts uniforms are also available in a limited number of colors and color combinations, a wide variety of sizes, and with elastic waistband, drawstring waist, or a combination thereof.

What is currently available from one manufacturer is not necessarily available from another, but there are no particular technical requirements that would prevent any manufacturer from producing a full range of uniforms. Indeed, the equipment used to produce martial arts uniforms is common to the garment industry as a whole and may be used with equal efficiency to produce other articles of stitched fabric. Basically, the production of martial arts uniforms involves sourcing the fabric, cutting the fabric into specific patterns, and stitching or sewing these patterns into tops, pants, and belts.

Other than for use as costumes or as uniforms in the practice of martial arts, there are no significant applications for the subject tops, pants, and belts, and there are no products which may substitute for these articles.

1/ For some martial arts, such as Ninja and Kung Fu, footwear, hoods, and/or other accessories are an integral part of the uniform along with top, pant, and belt; however, these articles are not subject to the petitioner's complaint and, at least in the case of footwear, are always sold separately.

2/ In an effort to differentiate Tae Kwon Do from Karate, many practitioners of the former have recently begun using a V-necked pullover top in place of the traditional double breasted cardigan top.

U.S. tariff treatment

Together, as a martial arts uniform, the subject articles are provided for in items 381.08, 381.32, 381.63, 381.97, 384.09, 384.24, 384.50, and 384.92 of the Tariff Schedules of the United States (TSUS). The column 1 (most-favored-nation) rates of duty for these items, applicable to imports from Taiwan, are as follows:

<u>Item</u>	<u>Description</u>	<u>Rate of duty (percent)</u>
381.08	Men's or boy's uniform, predominantly cotton, ornamented	14.0 ad valorem
381.32	Men's or boy's uniform, predominantly man-made fiber, ornamented	22.7
381.63	Men's or boy's uniform, predominantly cotton, not ornamented	6.5
381.97	Men's or boy's uniform, predominantly man-made fiber, not ornamented	17.0
384.09	Women's, girl's, or infant's uniform, predominantly cotton, ornamented	14.0
384.24	Women's, girl's, or infant's uniform, predominantly man-made fiber, ornamented	22.7
384.50	Women's, girl's, or infant's uniform, predominantly cotton, not ornamented	6.5
384.92	Women's, girl's, or infant's uniform, predominantly man-made fiber, not ornamented	17.0

Approximately 98 percent of imports from Taiwan in 1987 entered under items 381.63 and 384.50.

Separately, the subject articles are additionally provided for in TSUS items 381.05, 381.31, 381.33, 381.56, 381.62, 381.65, 381.95, 381.98, 384.05, 384.07, 384.23, 384.26, 384.46, 384.47, 384.52, 384.90, 384.91, and 384.94 as jackets, trousers, and apparel accessories. As of the date of the publication of this report, however, no imports of tops, pants, or belts for martial arts uniforms are known to have entered under these items, all of which have quota restrictions and relatively high duties. Currently, imports of martial arts uniforms are not eligible for any preferential tariff treatment other than that provided to products of Israel.

Beginning in January 1989, the TSUS will be replaced by the Harmonized Tariff Schedule (HTS) of the United States. There are significant changes in the HTS with respect to the classification of martial arts uniforms. Unlike the TSUS, the HTS does not distinguish between ornamented and nonornamented uniforms; and uniforms of predominantly manmade fiber, even when imported as a unit, will be subject to duty on the individual components as though they had been imported separately. The tops of manmade-fiber uniforms will be classifiable as either a shirt or a jacket, the bottom will be classifiable as a trouser, and the belt as other. As in the TSUS, the rates of duty for manmade fiber shirts, jackets, trousers, and accessories are substantially higher than those applicable to cotton martial arts uniforms. The classification and the column 1 duty rates for martial arts uniforms under the HTS are as follows:

<u>HTS item</u>	<u>Description</u>	<u>Rate of duty (percent)</u>
6203.2210	Men's or boys' martial arts uniforms of cotton	8.0 ad valorem
6203.2300	Men's or boys' ensembles of synthetic fibers	The rate applicable to each garment in the ensemble if separately entered.
6203.2920	Men's or boys' ensembles of artificial fibers	do
6203.2930	Men's or boys' ensembles of other fibers	do
6204.2210	Women's or girls' martial arts uniforms of cotton	8.0
6204.2300	Women's or girls' ensembles of synthetic fibers	The rate applicable to each garment in the ensemble if separately entered.
6204.2920	Women's or girls' ensembles of artificial fibers	do
6204.2940	Women's or girls' ensembles of other fibers	do

Although U.S. imports of martial arts uniforms are subject to restraints under the Multifiber Arrangement (MFA), ^{1/} the current U.S. bilateral

^{1/} The MFA, formally known as the Arrangement Regarding International Trade in Textiles, is an international agreement negotiated under the auspices of the General Agreement on Tariffs and Trade (GATT). The MFA was implemented in 1974 and was extended in 1986, for a third time, through July 1991. It provides the framework for the negotiation of bilateral agreements between importing and exporting countries, or for unilateral action by importing countries in the absence of an agreement, to control textile and apparel trade among its signatories and prevent market disruption.

agreements with Taiwan and Korea exempt martial arts uniforms from the MFA quotas. This allows martial arts uniforms from Taiwan and Korea unrestricted entry into the United States.

U.S. Market and Channels of Distribution

Most tops, pants, and belts for martial arts uniforms sold in the United States by U.S. manufacturers are sold at wholesale either to large martial arts schools, which in turn sell at retail to their students, or to regional suppliers--storefront businesses that sell at retail to walk-in customers or smaller martial arts schools within a 150-mile radius. U.S. producers also sell at retail via catalogue, but in relatively small quantities.

Most tops, pants, and belts for martial arts uniforms sold in the United States by Taiwan manufacturers are sold to large, unrelated national suppliers, which compete directly with U.S. producers for sales to large martial arts schools, regional suppliers, and catalogue customers. Both U.S. manufacturers and suppliers that import advertise and distribute nationally.

U.S. Producers

The exact number of firms in the United States producing tops, pants and/or belts for martial arts uniforms is unknown. The vast majority, in whatever quantity, are small, family-operated enterprises that produce relatively small quantities of these articles for local martial arts schools. Such firms, located in major metropolitan areas, account for an estimated 10 percent of U.S. production. Only three firms in addition to the petitioner are known to have produced large quantities of martial arts uniforms and/or parts thereof, and to have marketed these articles nationally and/or regionally, during the period for which data were collected (January 1985-September 1988): Choi Brothers, Inc., Chicago, IL; Pro-Tech Manufacturing Co., St. Louis, MO; and BDK Enterprises, Inc., Cleveland, OH. BDK Enterprises ceased producing martial arts uniforms in late 1987 and filed for bankruptcy in early 1988. Its marketing subsidiary--Wolverine Karate Supply Co., Cleveland, OH--is still in business, selling martial arts uniforms purchased from other manufacturers both foreign and domestic.

Choi Brothers, Pro-Tech, and BDK--each geared to about the same level of operations--accounted for 30 to 40 percent of U.S. production from 1985 to September 1988; Century accounted for at least half during this period. Each produced the subject articles at a single location, and each produced a complete uniform. Only the petitioner, however, produced a wide range of designs. Martial arts uniforms accounted for a substantial portion, if not the bulk, of these firms' production and sales, most of the remaining sales being either other articles of stitched fabric that they produce or additional uniforms and/or other accessories and hardware related to the practice of martial arts that they import.

U.S. Importers

Many firms, including the petitioner, are known to have imported the subject articles from Taiwan during the period for which data were collected. The largest, accounting for approximately *** percent of imports during this period, is ***. Four others--****--account for the bulk of the remainder. All are large national suppliers.

Consideration of the Alleged Material Injury

With the exception of U.S. producers' financial experience, most of the data in the following sections represent an estimated 70 to 80 percent of U.S. production during the period for which data were collected. Of the four major producers of martial arts uniforms in the United States since 1985, only Pro-Tech failed to respond to Commission inquiries.

Throughout the following sections, and the remainder of this report, the data are presented in terms of complete uniforms. When producers have reported separate sales of tops and pants, it is generally because of reporting procedures that record the sale of a pant and top separately if they are of different sizes when sold together. Selling uniforms with different sized tops and pants is fairly common in the industry. To avoid confusion, sales of pants and tops so reported by producers are combined in this report into an equivalent number of uniforms. Remaining tops, pants, and or belts are indicated by footnote.

Virtually all of the data herein are company estimates;; none of the firms have sophisticated data reporting and retrieval systems. Imprecise data, combined with their mixed use of resources--raw materials, labor, plant, and equipment--render impracticable any strict assessment of these firms' costs and profitability along product lines.

U.S. production, capacity, and capacity utilization

The equipment used to produce martial arts uniforms in the United States can be and is used to produce other products constructed of stitched fabric, including tote bags, equipment bags, playsuits, jeans, meat frocks, and medical uniforms. Currently, the production of other products accounts for about *** percent of Century's equipment's time and about *** percent of Choi Brothers' equipment's time, ***. Data for U.S. producers' capacity, shown in table 1, reflect the amount of the equipment's time U.S. producers allocated or made available to the subject products. As shown in table 1, total capacity remained relatively stable from 1985 to 1987. The sharp increase in capacity in January-September 1988 reflects ***.

Table 1

Martial arts uniforms: U.S. production, average practical capacity, and capacity utilization, by firms, 1985-87, January-September 1987, and January-September 1988

Item and firm	1985	1986	1987	January-September--	
				1987	1988
Production (1,000 uni- forms, or the equi- valent thereof of tops, pants, and belts):					
Century <u>1</u> /.....	***	***	***	***	***
Choi Brothers <u>2</u> /.....	***	***	***	***	***
Pro-Tech.....	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /
BDK.....	***	***	***	***	-
Total.....	***	***	***	***	***
Average capacity (1,000 uniforms, or the equivalent thereof of tops, pants, and belts):					
Century <u>4</u> /.....	***	***	***	***	***
Choi Brothers <u>4</u> /.....	***	***	***	***	***
Pro-Tech.....	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /
BDK.....	***	***	***	***	-
Total.....	***	***	***	***	***
Ratio of production to capacity (percent):					
Century.....	***	***	***	***	***
Choi Brothers.....	***	***	***	***	***
Pro-Tech.....	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /
BDK.....	***	***	***	***	-
Average.....	***	***	***	***	***

1/ Numbers used are fiscal year numbers: 1985 = May 85-April 86; 1986 = May 86-April 87; 1987 = May 87-April 88; January-September 1987 = May 87-January 88; January-September 1988 = January 88-September 88. Additional production of pants (1,000's): 1985-***; 1986-***; 1987-***; January-September 1987-***; January-September 1988-***. Additional production of belts (1,000's): 1985-***; 1986-***; 1987-***; January-September 1987-***; January-September 1988-***.

2/ Additional production of belts (1,000's): 1985-***; 1986-***; 1987-***; January-September 1987-***; January-September 1988-***.

3/ Not currently available.

4/ Capacity based on operating the firm's facilities 40 hours per week, 50 weeks per year.

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

U.S. production declined by 60.1 percent from 1985 to 1987 and by 18.3 percent from January-September 1987 to January-September 1988. All of the reporting firms show declines in production, and one--BDK--has ceased producing altogether. According to Mr. Kim Hartman, the former president of BDK, the firm's failure was entirely due to its inability to remain price competitive with imports from Taiwan. None of the producers reported any significant losses in production due to employment-related problems, sourcing problems, transitions, power shortages, natural disasters, or any other unusual circumstances. For the most part capacity utilization reflects the changes in production, as shown in table 1.

U.S. producers' domestic shipments

Virtually all U.S. production of martial arts uniforms, at least since 1985, has been sold domestically. U.S. producers' domestic shipments, shown in table 2, declined by 48.5 percent from 1985 to 1987 and by 30.6 percent from January-September 1987 to January-September 1988. Because of the complex mix of uniforms--in terms of design, style, fabric, size, etc.--unit values are not shown.

Inventories

U.S. producers' end-of-period inventories of U.S.-produced martial arts uniforms are shown in table 3. After increasing by 7.1 percent from 1985 to 1986, such inventories declined by 31.4 percent in 1987, and further, by 2.7 percent, from January-September 1987 to January-September 1988. As a percentage of total shipments during the preceding period, however, inventories increased throughout the period, as shown in table 3.

Employment

As noted previously, the equipment used to produce martial arts uniforms can be and is used to produce other products. Workers at these plants apportion their time accordingly. Theoretically, the data shown for U.S. producers' employment in tables 4 and 5 reflect the proportional number of workers and time devoted to the subject product (equivalent to the proportion of the equipment's time used to produce the subject product). All of the reporting firms show declines in employment. In the aggregate, the average number of production and related workers producing martial arts uniforms in the United States increased slightly from 1985 to 1986 and then declined by 28.6 percent in 1987, as firms reduced employment in the face of declining sales.

The decline continued in January-September 1988, when the average number of workers was 26.9 percent less than in the corresponding period of the previous year. Output, or the number of martial arts uniforms produced per worker, declined by 45.4 percent from 1985 to 1987, but then increased by 11.7 percent from January-September 1987 to January-September 1988. Average hourly compensation and unit labor costs generally increased during the period, as shown in table 5.

Table 2

Martial arts uniforms: U.S. producers' domestic shipments, by firms, 1985-87, January-September 1987, and January-September 1988

(Quantity in 1,000's of uniforms, or the equivalent of tops, pants, and belts; value in 1,000 dollars)

Sales, and Exports, Value in 1,000 Dollars					
Firm	1985	1986	1987	January-September--	
				1987	1988
Quantity					
Century 1/.....	***	***	***	***	***
Choi Brothers 2/.....	***	***	***	***	***
Pro-Tech.....	3/	3/	3/	3/	3/
BDK.....	***	***	***	***	-
Total.....	***	***	***	***	***
Value					
Century 4/.....	***	***	***	***	***
Choi Brothers 5/.....	***	***	***	***	***
Pro-Tech.....	3/	3/	3/	3/	3/
BDK 6/.....	***	***	***	***	-
Total.....	***	***	***	***	***

1/ Numbers used are fiscal year numbers: 1985 = May 85-April 86; 1986 = May 86-April 87; 1987 = May 87-April 88; January-September 1987 = May 87-January 88; January-September 1988 = January 88-September 88. Additional sales of pants (1,000's): 1985-***; 1986-***; 1987-***; January-September 1987-***; January-September 1988-***. Additional sales of belts (1,000's): 1985-***; 1986-***; 1987-***; January-September 1987-***; January-September 1988-***.

2/ Additional sales of belts (1,000's): 1985-***; 1986-***; 1987-***; January-September 1987-***; January-September 1988-***.

3/ Not currently available.

4/ Includes value of additional pants and belts noted in footnote 1 above.

5/ Includes value of additional belts noted in footnote 2 above.

6/ Estimated on the basis of average unit values of Century and Choi Brothers.

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

Table 3

Martial arts uniforms: U.S. producers' end-of-period inventories, by firms, 1985-87, January-September 1987, and January-September 1988

Item and firm	1985	1986	1987	January-September--	
				1987	1988
Inventories (1,000 uniforms, or the equivalent thereof of tops, pants, and belts):					
Century <u>1</u> /.....	***	***	***	***	***
Choi Brothers <u>2</u> /.....	***	***	***	***	***
Pro-Tech.....	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /
BDK.....	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /
Total.....	***	***	***	***	***
Ratio of inventories to total shipments during the preceding period (percent):					
Century.....	***	***	***	<u>4</u> /	***
Choi Brothers.....	***	***	***	<u>4</u> /	***
Pro-Tech.....	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /
BDK.....	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /	<u>3</u> /
Average.....	***	***	***	<u>4</u> /	***

1/ Numbers used are end of fiscal period 1985 = April 30, 1986; 1986 = April 30, 1987; 1987 = April 30, 1988; January-September 1987 = January 1, 1988; January-September 1988 = September 30, 1988. Additional inventories of tops (1,000's): 1985-***. Additional inventories of pants (1,000's): 1985-***; 1986-***; 1987-***. Additional inventories of belts: 1986-***; 1987-***; January-September 1987-***; January-September 1988-***.

2/ Additional inventories of belts (1,000's): 1985-***; 1986-***; 1987-***; January-September 1987-***; January-September 1988-***.

3/ Not currently available.

4/ Annualized.

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

Table 4

Average number of production and related workers producing martial arts uniforms, hours worked by such workers and output per worker, by firms, 1985-87, January-September 1987, and January-September 1988

Item and firm	1985	1986	1987	January-September--	
				1987	1988
Average number of production and related workers producing martial arts uniforms:					
Century.....	***	***	***	***	***
Choi Brothers.....	***	***	***	***	***
Pro-Tech.....	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
BDK.....	***	***	***	***	-
Total.....	***	***	***	***	***
Hours worked by production and related workers producing martial arts uniforms (1,000 hours):					
Century.....	***	***	***	***	***
Choi Brothers.....	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
Pro-Tech.....	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
BDK.....	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
Total.....	***	***	***	***	***
Output (production) of martial arts uniforms per worker:					
Century.....	***	***	***	***	***
Choi Brothers.....	***	***	***	***	***
Pro-Tech.....	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
BDK.....	***	***	***	***	-
Average.....	***	***	***	***	***

1/ Not currently available.

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

Table 5

Total compensation and average hourly compensation paid to production and related workers producing martial arts uniforms, and unit labor cost of such production, by firms, 1985-87, January-September 1987, and January-September 1988

Item and firm	1985	1986	1987	January-September--	
				1987	1988
Total compensation paid to production and related workers producing martial arts uniforms (1,000 dollars):					
Century.....	***	***	***	***	***
Choi Brothers.....	***	***	***	1/	1/
Pro-Tech.....	1/	1/	1/	1/	1/
BDK.....	1/	1/	1/	1/	1/
Total.....	***	***	***	***	***
Hourly compensation paid to production and related workers producing martial arts uniforms:					
Century.....	***	***	***	***	***
Choi Brothers.....	1/	1/	1/	1/	1/
Pro-Tech.....	1/	1/	1/	1/	1/
BDK.....	1/	1/	1/	1/	1/
Average.....	***	***	***	***	***
Unit labor cost of producing martial arts uniforms (per uniform):					
Century.....	***	***	***	***	***
Choi Brothers.....	***	***	***	1/	1/
Pro-Tech.....	1/	1/	1/	1/	1/
BDK.....	1/	1/	1/	1/	1/
Average	***	***	***	***	***

1/ Not currently available.

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

Financial experience of U.S. producers

Two producers, Century and Choi Brothers, supplied usable income-and-loss data on their overall establishment operations. Neither firm, however, was able to furnish reliable income-and-loss data on the subject product. The subject product accounted for less than half of these firms' total establishment sales during each of the periods under review. As a share of their respective overall establishment sales, subject product sales for Century and Choi are summarized below (in percent):

<u>Producer</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Interim--</u>	
				<u>1987</u>	<u>1988</u>
Century.....	***	***	***	***	***
Choi.....	***	***	***	-	-
Weighted average...	***	***	***	***	***

Overall operations.--As noted previously, Century is both a manufacturer and importer of martial arts supplies. In addition to the production of martial arts uniforms, the company manufactures martial arts training equipment (heavy bags, targets, shields, etc.), tote bags, equipment bags, jeans, and playsuits. The petitioner is also an importer of martial arts uniforms and items such as martial arts shoulder pads, arm bands, and samurai swords. Between 1985 and 1987 the subject product accounted for an average of approximately *** percent of total establishment sales, other manufacturing operations were approximately *** percent and imports about *** percent. In interim 1988, the subject product accounted for *** percent of overall sales. The firm does not maintain separate product cost data and claims that it is unable to provide specific income-and-loss data on the subject product. ^{1/} (In its petition, the firm provided income-and-loss data for the "industry"; however, these figures represent net income for the overall establishment).

The income-and-loss experience for the establishment in which Century manufactures martial arts uniforms is presented in table 6. Net sales increased *** percent from *** in 1985 to *** in 1986. In 1987, sales totaled ***, a decrease of *** percent from 1986 sales. Operating income totaled *** in 1985, *** in 1986, and *** in 1987. Operating income margins, as a percent of sales, were *** in 1985, *** in 1986, and *** in 1987. Interim 1988 sales amounted to ***, a decrease of *** percent from 1987 interim sales of ***. Operating income totaled *** in interim 1987 and *** in interim 1988. Operating income margins, as a percent of sales, were *** and *** in interim 1987 and interim 1988, respectively.

Choi Brothers manufactures meat frocks, kitchen wares, and medical supplies in addition to martial arts uniforms. In 1987 these items accounted for *** percent of total establishment sales. Martial arts uniforms accounted for *** percent of overall sales. In 1985 and 1986 the subject product accounted for *** percent and *** percent of overall sales, respectively.

^{1/} Telephone conversations with Bill Csizmadia, controller (December 7, 1988) and Gary Hestilow, president (December 8, 1988).

Table 6

Income-and-loss experience of Century Martial Art Supply, Inc., on the overall operations of its establishment in which martial arts uniforms are produced, accounting years 1985-87, and interim periods ended September 30, 1987, and September 30, 1988 ^{1/}

Item	1985	1986	1987	Interim period ended Sept. 30--	
				1987	1988
Value (1,000) dollars					
Net sales.....	***	***	***	***	***
Cost of goods sold.....	***	***	***	***	***
Gross profit or (loss).....	***	***	***	***	***
General, selling, and administrative expenses.....	***	***	***	***	***
Operating income or (loss)....	***	***	***	***	***
Startup or shutdown expense...	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other income (expense), net...	***	***	***	***	***
Net income or (loss) before income taxes.....	***	***	***	***	***
Depreciation and amortization included above.....	***	***	***	***	***
Cash flow 2/.....	***	***	***	***	***
Share of net sales (percent)					
Cost of goods sold.....	***	***	***	***	***
Gross profit	***	***	***	***	***
General, selling, and administrative expenses.....	***	***	***	***	***
Operating income or (loss)....	***	***	***	***	***
Net income or (loss) before income taxes.....	***	***	***	***	***

^{1/} The firm's fiscal year ends April 30. However, the company reported 9 months of data for each of the two interim periods ended September 30.

^{2/} Cash flow is defined as net income or (loss) plus depreciation and amortization.

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

Specific product cost data are not available, however, and the company accountant was unable to prepare specific product income-and-loss data.

The establishment income-and-loss experience for Choi Brothers is presented in table 7. Net sales declined by *** percent from *** in 1985 to *** in 1986. In 1987, sales totaled ***, a decrease of *** percent from 1986 sales. Operating income was *** in 1985 and *** in 1986. *** was incurred in 1987. *** margins, as a percent of sales, were ***, ***, and *** in 1985, 1986, and 1987, respectively.

The combined establishment income-and-loss experience of the two producers is shown in table 8. Net sales increased *** percent from *** in 1985 to *** in 1986, but declined *** percent to *** in 1987. Operating income was *** in 1985, *** in 1986, and *** in 1987. Operating income margins, as a percent of sales, were ***, ***, and *** in 1985, 1986, and 1987, respectively. ***. (Only the petitioner provided data for the two interim periods, as shown previously).

Investment in productive facilities.--The value of property, plant, and equipment for the petitioner, in addition to its return on assets, is shown in table 9.

Capital expenditures.--The capital expenditures for the petitioner's overall operations are presented in table 10.

Research and development expenses.--Neither of the two reporting companies reported any expenditures for research and development.

Capital and investment.--The Commission requested U.S. producers to describe any actual or potential negative effects of imports of martial arts uniforms from Taiwan on their firm's existing development and production efforts, growth, investment, and ability to raise capital. Their responses are shown below:

Century.--"***."

Choi Brothers.--"***."

Table 7

Income-and-loss experience of Choi Brothers, Inc., on the overall operations of its establishment in which martial arts uniforms are produced, accounting years 1985-87, and interim periods ended September 30, 1987, and September 30, 1988 ^{1/}

Item	1985	1986	1987	Interim period ended Sept. 30--	
				1987	1988
Value (1,000) dollars					
Net sales.....	***	***	***	<u>3/</u>	<u>3/</u>
Cost of goods sold.....	***	***	***	<u>3/</u>	<u>3/</u>
Gross profit or (loss).....	***	***	***	<u>3/</u>	<u>3/</u>
General, selling, and administrative expenses.....	***	***	***	<u>3/</u>	<u>3/</u>
Operating income or (loss)....	***	***	***	<u>3/</u>	<u>3/</u>
Startup or shutdown expense...	***	***	***	<u>3/</u>	<u>3/</u>
Interest expense.....	***	***	***	<u>3/</u>	<u>3/</u>
Other income (expense), net...	***	***	***	<u>3/</u>	<u>3/</u>
Net income or (loss) before income taxes.....	***	***	***	<u>3/</u>	<u>3/</u>
Depreciation and amortization included above.....	***	***	***	<u>3/</u>	<u>3/</u>
Cash flow <u>2/</u>	***	***	***	<u>3/</u>	<u>3/</u>
Share of net sales (percent)					
Cost of goods sold.....	***	***	***	<u>3/</u>	<u>3/</u>
Gross profit	***	***	***	<u>3/</u>	<u>3/</u>
General, selling, and administrative expenses.....	***	***	***	<u>3/</u>	<u>3/</u>
Operating income or (loss)....	***	***	***	<u>3/</u>	<u>3/</u>
Net income or (loss) before income taxes.....	***	***	***	<u>3/</u>	<u>3/</u>

^{1/} The firm's fiscal year ends June 30.

^{2/} Cash flow is defined as net income or (loss) plus depreciation and amortization.

^{3/} Not available.

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

Table 8

Income-and-loss experience of U.S. producers on the overall operations of their establishments in which martial arts uniforms are produced, accounting years 1985-87, and interim periods ended September 30, 1987, and September 30, 1988 ^{1/}

Item	Interim period ended Sept. 30--				
	1985	1986	1987	1987	1988
Value (1,000) dollars					
Net sales.....	***	***	***	***	***
Cost of goods sold.....	***	***	***	***	***
Gross profit or (loss).....	***	***	***	***	***
General, selling, and administrative expenses.....	***	***	***	***	***
Operating income or (loss)....	***	***	***	***	***
Startup or shutdown expense...	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other income (expense), net...	***	***	***	***	***
Net income or (loss) before income taxes.....	***	***	***	***	***
Depreciation and amortization included above.....	***	***	***	***	***
Cash flow 2/.....	***	***	***	***	***
Share of net sales (percent)					
Cost of goods sold.....	***	***	***	***	***
Gross profit	***	***	***	***	***
General, selling, and administrative expenses.....	***	***	***	***	***
Operating income or (loss)....	***	***	***	***	***
Net income or (loss) before income taxes.....	***	***	***	***	***
Number of firms reporting					
Operating losses.....	***	***	***	***	***
Net losses.....	***	***	***	***	***
Data.....	***	***	***	***	***

^{1/} Only Century reported interim-period data.

^{2/} Cash flow is defined as net income or (loss) plus depreciation and amortization.

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

Table 9

Martial arts uniforms: Value of property, plant, and equipment of Century, accounting years ended 1985-87, and interim periods ended September 30, 1987, and September 30, 1988

(In thousands of dollars, except where noted)					
Item	As of end of accounting year--			As of Sept. 30 --	
	1985	1986	1987	1987	1988
All products of establishments:					
Original cost.....	1/	***	***	***	***
Book value	1/	***	***	***	***
Total assets 2/.....	1/	***	***	***	***
Return on fixed assets 3/					
(percent).....	1/	***	***	***	***
Return on total assets 4/					
(percent).....	1/	***	***	***	***

1/ Data are not available for 1985.

2/ Defined as book value of fixed assets plus all other assets.

3/ Defined as operating income or loss divided by book value of fixed assets.

4/ Defined as operating income or loss divided by total assets.

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

Table 10

Martial arts uniforms: Capital expenditures by Century, accounting years 1985-87, and interim periods ended September 30, 1987, and September 30, 1988

(In thousands of dollars)					
Item	1985	1986	1987	Interim period ended Sept.30-	
				1987	1988
All products of establish- ments:					
Land and land improve- ments.....	***	***	***	***	***
Building and leasehold improvements.....	***	***	***	***	***
Machinery, equipment, and fixtures.....	***	***	***	***	***
Total.....	***	***	***	***	***

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

Consideration of Alleged Threat of Material Injury

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. 1677(7)(F)(i)) provides that--

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission shall consider, among other relevant factors 1--

(I) If a subsidy is involved, 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),

(II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 736, are also used to produce the merchandise under investigation,

1/ Section 771(7)(F)(ii) of the act (19 U.S.C. 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

(IX) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product. 1/

Available information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the Causal Relationship Between the Alleged LTFV Imports and the Alleged Material Injury"; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in the section entitled "Consideration of alleged material injury". Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), (VIII), and (IX) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows.

Of the major importers of martial arts uniforms from Taiwan, only Asian World submitted data on its end-of-period inventories. Asian World, which accounts for *** percent of imports of the subject merchandise from Taiwan, reported that its end-of-period inventories of Taiwan-produced martial arts uniforms increased by *** percent from *** uniforms in 1985 to over *** uniforms in 1987. Its end-of-period inventories of these articles increased again from January-September 1987 to January-September 1988 by nearly *** percent.

As of the publication of this report, little is known of the Taiwan industry other than the operations of Hsin Sheng Industrial Co., Ltd., the firm for which the petitioner has calculated alleged dumping margins and the major supplier for Asian World. According to information it supplied in response to Commission inquiries, shown in table 11, Hsin Sheng's annual capacity remained at *** uniforms throughout the period for which data were requested. Production, on the other hand, varied considerably. After increasing by more than 100 percent from 1985 to 1986, production fell by 9.7 percent from 1986 to 1987, and continued to fall from January-September 1987 to January-September 1988 by 53.0 percent. The amount produced in excess of capacity in 1986 and

1/ Section 771(7)(F)(iii) of the act (19 U.S.C. 1677(7)(F)(iii)) further provides that, in antidumping investigations, "...the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

Table 11

Martial arts uniforms: Hsin Sheng's capacity, production, and exports, 1985-87, January-September 1987, and January-September 1988

Item	1985	1986	1987	January-September--	
				1987	1988
Capacity					
(1,000 uniforms) 1/.....	***	***	***	***	***
Production					
(1,000 uniforms).....	***	***	***	***	***
Capacity utilization					
(percent).....	***	***	***	***	***
Exports to--					
United States					
(1,000 uniforms).....	***	***	***	***	***
All other					
(1,000 uniforms).....	***	***	***	***	***
Total					
(1,000 uniforms).....	***	***	***	***	***
Share of production that					
was exported					
(percent)	***	***	***	***	***
Share of total exports					
to--					
United States (percent) ..	***	***	***	***	***
All other (percent).....	***	***	***	***	***
Total (percent).....	100.0	100.0	100.0	100.0	100.0

1/ Capacity based on 48 working hours of plant operation per week, unknown number of weeks per year.

Source: Hsin Sheng, as submitted to Mr. Peter Gadzinski of the American Institute in Taiwan in response to a Commission request sent through the U.S. Department of State.

1987 was produced under subcontract by another firm. In any case, capacity utilization levels remained fairly high. Hsin Sheng ***, and the United States accounted for a large, but declining, share of those exports, as shown in table 11. According to Hsin Sheng, its production for 1989 will largely depend on the U.S.-Taiwan exchange rate. If, as they anticipate, the rate drops to ***, they would expect to receive purchase orders totaling *** uniforms, and production will be cut accordingly. It plans to reduce annual capacity by *** percent in 1989. The extent to which Hsin Sheng may be dumping in other countries is not known.

Consideration of the Causal Relationship Between the Alleged
LTFV Imports and the Alleged Material Injury

Imports

Martial arts uniforms have been imported from at least 22 countries since 1985. The largest sources, by far, are South Korea and Taiwan, together accounting for about 75 percent of exports of these articles to the United States in January-September 1988 (table 12). Other significant sources are China, Pakistan, and Japan.

From 1985 to 1986, total imports increased by 18.4 percent and then continued to increase, albeit only slightly, in 1987. From January-September 1987 to January-September 1988, however, imports declined by more than half. Imports from Taiwan have declined substantially, both in terms of quantity and as a percent of total quantity, since 1986. After more than doubling from 1985 to 1986, imports from Taiwan declined by 17.4 percent from 1986 to 1987 and by 66.0 percent from January-September 1987 to January-September 1988.

U.S. consumption and market penetration

Data on U.S. consumption of martial arts uniforms, shown in table 13, clearly show an increase from 1985 to 1986 and a decline thereafter. The reasons for such variability are not clear. Sales of martial arts uniforms tend to increase or decrease according to popular trends, which may originate in television programming, cinema productions, and/or other forms of media. Such popularization occurred in 1986 with the release of movies like The Karate Kid and films which portrayed the art of Ninja in Japanese culture. There is no evidence that the practice of martial arts is permanently declining. On the contrary, producers, importers, and purchasers alike report that the number of martial arts schools has remained constant, if not increased in recent years. There is evidence which suggests that marginal students and novelty buyers, prompted by the popularization of some of the martial arts in 1985-86, have recently declined in great numbers.

Imports accounted for the bulk of U.S. consumption throughout the period for which data were collected, as shown in table 13. Import's share of U.S. consumption also increased, rising from *** percent in 1985 to *** percent in 1987, then falling to *** percent in January-September 1988 from *** percent in January-September 1987. Correspondingly, imports from Taiwan rose from *** percent of consumption in 1985 to *** percent in 1986, but then fell to *** percent in 1987 and to *** percent in January-September 1988, a decline of more than 10 percentage points from the corresponding period of the previous year.

Table 12

Martial arts uniforms: U.S. imports, by principal sources, 1985-87, January-September 1987, and January-September 1988

Source	1985	1986	1987	January-September--	
				1987	1988
	Quantity (1,000 uniforms)				
Republic of Korea.....	352	497	590	450	295
Taiwan.....	281	604	499	420	143
China.....	86	119	324	210	78
Pakistan.....	53	42	63	47	25
Japan.....	48	47	43	36	24
All other.....	498	252	48	32	13
Total.....	1,318	1,560	1,570	1,195	577
	Value, c.i.f. duty-paid (1,000 dollars)				
Republic of Korea.....	2,776	2,992	3,380	2,430	1,459
Taiwan.....	1,946	3,829	2,998	2,418	1,194
China.....	480	485	923	607	331
Pakistan.....	385	316	364	268	156
Japan.....	689	762	778	660	410
All other.....	657	716	313	238	195
Total.....	6,932	9,100	8,757	6,620	4,245
	Percent of total quantity				
Republic of Korea.....	26.7	31.9	37.6	37.6	51.2
Taiwan.....	21.3	38.7	31.8	35.1	24.8
China.....	6.5	7.6	20.6	17.6	13.4
Pakistan.....	4.0	2.7	4.2	4.0	4.3
Japan.....	3.7	3.0	2.7	3.0	4.1
All other.....	37.8	16.1	3.1	2.7	2.2
Total.....	100.0	100.0	100.0	100.0	100.0

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

Note: Quantities may not add to totals shown because of rounding.

Table 13

Martial arts uniforms: Apparent U.S. consumption and ratio of imports to consumption, 1985-87, January-September 1987, and January-September 1988

(Quantity in 1,000's of uniforms; value in 1,000 dollars)

	Apparent U.S. con- sumption 1/	Ratio (percent) of imports to consumption		
Period		For Taiwan	For all other countries	Total
Quantity				
1985.....	***	***	***	***
1986.....	***	***	***	***
1987.....	***	***	***	***
Jan.-Sept.--				
1987.....	***	***	***	***
1988.....	***	***	***	***
Value				
1985.....	***	***	***	***
1986.....	***	***	***	***
1987.....	***	***	***	***
Jan.-Sept.--				
1987.....	***	***	***	***
1988.....	***	***	***	***

1/ Domestic shipments plus imports

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

Prices

Although each type of martial art (e.g. Karate, Judo, Tae Kwon Do, Ninjutsu) has a specific style of uniform, all of these uniforms are typically sold as a set, including the top, pants, and belt. Two producers and one importer reported that a majority of their sales are made to wholesalers, including martial arts schools and distributors of martial arts uniforms and supplies, and less than 10 percent of sales are mail-order sales. One importer sold approximately 44 percent of its uniforms to the public through magazines and catalogs. Sales are generally made on a cash, check, or c.o.d. basis.

Producers and importers all reported selling martial arts uniforms throughout the United States. Generally, sales are not limited to martial arts uniforms but also include martial arts weapons, videos, books, and other supplies.

All U.S. producers and importers reported publishing price lists from which discounts are made based on the size of an order. Century's discounts range from *** to *** percent, while importers discount *** to *** percent. Century, the petitioner, offers wholesale prices to companies with an initial order of \$150 and also to regular customers such as martial arts schools. Asian World, ***, requires a minimum order of \$75, and discounts begin with a \$500 order. Lions Oriental Martial Arts, another large importer, requires a minimum order of \$50 and discounts 20 percent to dealers and longstanding, high-volume customers. The average lead time between a customer's order and the shipment date was 2 to 3 days for both producers and importers.

According to the petitioner, domestic and imported martial arts uniforms are similar in terms of quality and availability. The primary difference, according to Mr. Hestilow of Century, is in the fabric content. Uniforms imported from Taiwan are primarily 100 percent cotton, 1/ while the Century product is primarily manufactured from a 65 percent polyester/35 percent cotton blend. Asian World believes the uniforms that they import from Taiwan are superior to the U.S. product in terms of the quality of the fabric. 2/ A supplier of martial arts uniforms commented that uniforms produced in the United States are not as well constructed as uniforms imported from Taiwan. 3/ George Anderson, president of the USA Karate Federation, the national governing body for karate, believes that the quality of uniforms produced in Taiwan is "unbelievably better" than Century's uniforms. He said that the cloth and the stitching of the petitioner's product are inferior to imports. 4/

The most popular uniform sold is a basic, mediumweight karate uniform. The petitioner alleges that the greatest competition between imported and domestically-produced uniforms is for sales of this item. According to one supplier of martial arts uniforms, this is the uniform worn by beginning

1/ Transcript of the conference, p. 68.

2/ Transcript of the conference, p. 53.

3/ Conversation with ***, December 13, 1988.

4/ Conversation with ***, December 14, 1988.

students of karate. Generally, students do not purchase this uniform, but receive it as part of the instructional package at the onset of a course. 1/

The petitioner considers the market for martial arts uniforms to be strong. An importer, Asian World, disputed this in their testimony at the conference, saying that the market is in decline. The importer attributed this to the aging of the "baby boom" population and the passing of the ninja craze. 2/ Mr. Anderson, of the USA Karate Federation, did not agree with the baby boom argument, but he commented that involvement in karate in the United States has drastically declined during the past year, adding that the 500 to 600 clubs registered by the Federation all report declining enrollment in karate courses.

A representative of the U.S. Tae Kwon Do Union (TKD Union), reported a contrasting picture for tae kwon do. Currently there are over 1.1 million practitioners of tae kwon do in the United States, including students, instructors, club owners, athletes, and masters, which is an increase of 500 percent since 1984. Kay Flora, a representative of the TKD Union stated that there are 20,000 members of the TKD Union, representing 800 clubs. 3/

The Commission requested U.S. producers and importers of martial arts uniforms from Taiwan to provide pricing information for f.o.b. prices on their largest quarterly sales to a wholesaler, of the following items:

Product 1.--Karate uniform, 8 oz. (mediumweight) chief value cotton, white, complete with jacket, pants, and belt, for person 5'10" to 6'.

Product 2.--Karate uniform, 10-12 oz. (heavyweight) chief value cotton, white, complete with jacket, pants, and belt, for person 5'10" to 6'.

Product 3.--Judo uniform, 12 oz., chief value cotton, unbleached, white, complete with jacket, pants, and belt, for person 5'10" to 6'.

Product 4.--Karate uniform, 8 oz. (mediumweight) 50 percent cotton, 50 percent polyester, white, complete with jacket, pants, and belt, for person 5'6" to 5'9".

Product 5.--Ninja uniform, traditional styling, complete with hood, jacket, pants, and forearm covers, for person 5'10" to 6'.

One domestic producer, Century, provided price information for products 2 and 4. Century was able to provide only total value and quantity information for product 5. Product 3 is imported by Century from Korea. 4/ Two importers

1/ Conversation with Henry Guidobni, Martial Art Supply Co., Woburn, MA, December 13, 1988.

2/ Transcript of the conference, p. 46.

3/ Conversation with Kay Flora, U.S. Tae Kwon Do Union, December 14, 1988.

4/ A second U.S. producer, Choi Brothers, Chicago, IL, responded to some of the questions in the pricing section but was able to provide usable pricing information only for two quarters for product 4.

of Taiwan-produced martial arts uniforms provided usable price information for products 1-5. These importers accounted for at least 40 percent of 1987 imports of the subject products.

Price trends and price comparisons.--Prices of U.S.-produced martial arts uniforms and those imported from Taiwan showed no clear trends, fluctuating throughout the entire period (tables 14 and 15). Century reported prices for sales to one customer, the American Tae Kwon Do Association (ATA). Mr. Hestilow, of Century, said that price fluctuations were a result of changes in competition from imported uniforms. He stated that the ATA purchased uniforms from Century at a discount greater than that offered to wholesalers and then resold the uniforms to members of the association (such as martial arts schools). As more imports entered the market, schools began to buy directly from producers and importers at prices better than those quoted by the ATA.

Table 14

Martial arts uniforms: F.o.b. sales prices to wholesalers in the United States, for U.S.-and Taiwan-produced products 1 and 4, by quarters, January-March 1985 through July-September 1988.

(Dollars per unit)					
Period	Product 1		Product 4		
	Taiwan		U.S.	Taiwan	
	Asian World	Lions	Century	Asian World	Lions
1985:					
Jan.-Mar....	***	***	***	***	***
Apr.-June...	***	***	***	***	***
July-Sept...	***	***	***	***	***
Oct.-Dec....	***	***	***	***	***
1986:					
Jan.-Mar....	***	***	***	***	***
Apr.-June...	***	***	***	***	***
July-Sept...	***	***	***	***	***
Oct.-Dec....	***	***	***	***	***
1987:					
Jan.-Mar....	***	***	***	***	***
Apr.-June...	***	***	***	***	***
July-Sept...	***	***	***	***	***
Oct.-Dec....	***	***	***	***	***
1988:					
Jan.-Mar....	***	***	***	***	***
Apr.-June...	***	***	***	***	***
July-Sept...	***	***	***	***	***

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

Table 15

Martial arts uniforms: F.o.b. sales prices to wholesalers in the United States, for U.S.-and Taiwan-produced product 2, by quarters, January-March 1985 through July-September 1988.

(Dollars per unit)			
Period	Product 2		Lions
	U.S. Century	Taiwan Asian World	
1985:			
Jan.-Mar.....	***	***	***
Apr.-June.....	***	***	***
July-Sept.....	***	***	***
Oct.-Dec.....	***	***	***
1986:			
Jan.-Mar.....	***	***	***
Apr.-June.....	***	***	***
July-Sept.....	***	***	***
Oct.-Dec.....	***	***	***
1987:			
Jan.-Mar.....	***	***	***
Apr.-June.....	***	***	***
July-Sept.....	***	***	***
Oct.-Dec.....	***	***	***
1988:			
Jan.-Mar.....	***	***	***
Apr.-June.....	***	***	***
July-Sept.....	***	***	***

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

Mr. Hestilow reported that the first price decrease shown for Century's products, in July-September 1986, and any additional decreases, were attempts to continue to supply the ATA with uniforms at prices low enough for them to sell the uniforms to their members at a profitable margin.

One importer, Byong G. Pak of Lions Oriental Martial Arts Supply, commented that much of this fluctuation might be explained by the quantity of the sale for which the quarterly prices were reported and the discount applied at that volume of sale. Asian World of Martial Arts reported that the fluctuation is a result not only of discounts, but also of changes in the duty rate on these items that occurred during the period under investigation.

Domestic price trends.--Century does not produce products 1 and 3. Prices for product 2 were steady at *** from January-March 1985 through April-June 1986, before decreasing to ***. Prices remained at this level until January-March 1988, when they were increased to ***. Prices rose again in July-September 1988, showing an overall increase of 11 percent for the period.

Prices for product 4 remained at *** during 1985 and the first half of 1986 before decreasing to *** in the third quarter of 1986. Prices stayed at this level for four quarters, and then fell further to *** in July-September 1987. Prices increased to *** in July-September 1988, but showed an overall decrease of 7 percent for the investigation period. ^{1/}

Taiwan price trends and comparisons.--Prices for Taiwan-produced martial arts uniforms imported by Lions Oriental showed overall decreases for the period of the investigation. Asian World could not provide quarterly price information for the entire investigation period, but prices that were reported generally increased during the period.

Products 1 and 4 are 8-ounce karate uniforms considered by the petitioner and importers to compete head-to-head in the market for basic martial arts uniforms, despite differences in fabric content and size. Prices for product 1 and 4 imported from Taiwan were below the Century price for product 4 in all but a few quarters. Although product 4 imported by Lions Oriental was priced above the U.S. product 1 during the first three quarters of 1985, prices for the Lions Oriental product 4 then remained below the Century price in all of the following quarters. Prices for product 1 imported by Lions Oriental were above or equal to the Century price for product 4 in 6 of 15 quarters. The Asian World price for product 4 fell below the domestic price in all but one quarter, while prices for product 1 were consistently below the Century price.

Prices for imports of Taiwan-produced product 2, the heavy-weight karate uniform, were consistently below the domestic price for that product.

Lost sales and lost revenues

Century was not able to provide specific instances of lost sales and lost revenues. Gary Hestilow, president of Century, stated that because of the large number of small accounts that make up Century's business, it is difficult to document specific instances. ^{2/} Century reported, however, that it has had to reduce the price of its middle-weight polyester/cotton-blend karate uniform (product 4) to compete with imports.

A second U.S. producer, Choi Brothers, submitted six specific instances in which it allegedly reduced prices to compete with prices quoted on imported martial arts uniforms. These lost revenues involved *** uniforms. No total dollar value was reported, although Choi Brothers reported lowering the per unit price by *** to ***.

Commission staff contacted one firm, ***, to which Choi Brothers reported lowering prices to complete a sale in two instances. These allegations accounted for *** uniforms. ***, ***, reported purchasing mostly U.S.-produced uniforms, although he did state that imported uniforms are

^{1/} Choi Brothers reported a July-September 1987 price of \$*** and an October-December 1987 price of \$***.

^{2/} Conversation with Gary Hestilow, Century Martial Art Supply, Inc., December 13, 1988.

sometimes less expensive. He said that the price difference between U.S.-produced and imported uniforms varied depending on the type of uniform.

Choi Brothers allegedly had to lower prices on a sale of *** karate uniforms to *** in *** 1986. *** reported that he purchases only from Choi Brothers and that he is not familiar with Taiwan-produced uniforms.

Choi Brothers reported lowering prices on a sale of *** karate uniforms to *** in *** 1986. *** of *** stated that he does not compare prices. He reported having two suppliers, and if one does not have the uniforms he needs, he simply purchases these uniforms from the other supplier.

Choi Brothers named two additional companies in lost revenue allegations. *** of *** would not respond to Commission questions. Staff could not complete a call to ***.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during January 1985 - June 1988 the nominal value of the New Taiwan dollar appreciated by 37.2 percent (table 16). ^{1/} Adjusted for relative movements in producer price indices during the period, the real value of the Taiwan currency appreciated vis-a-vis the U.S. dollar by 21.4 percent.

^{1/} International Financial Statistics, August 1988.

Table 16

Indexes of the nominal and real exchange rates between the U.S. dollar and the Taiwan dollar, 1/ and indexes of producer prices in the United States and Taiwan, 2/ by quarters, January 1985-June 1988

(January-March 1985=100)				
Period	Nominal exchange- rate index	Real exchange- rate index	U.S. producer price index	Taiwan producer price index
--US dollars/NT\$--				
1985:				
Jan.-Mar....	100.0	100.0	100.0	100.0
Apr.-June...	98.8	98.0	100.1	99.2
July-Sept...	97.5	96.7	99.4	98.6
Oct.-Dec....	98.3	96.4	100.0	98.0
1986:				
Jan.-Mar....	100.2	98.8	98.5	97.1
Apr.-June...	102.4	101.3	96.6	95.5
July-Sept...	105.1	103.6	96.2	94.9
Oct.-Dec....	108.3	105.9	96.5	94.4
1987:				
Jan.-Mar....	112.5	107.7	97.7	93.5
Apr.-June...	121.3	112.4	99.2	91.9
July-Sept...	129.0	116.7	100.3	90.8
Oct.-Dec....	133.0	118.3	100.8	89.6
1988:				
Jan.-Mar....	137.4	122.1	101.2	89.9
Apr.-June...	137.2	121.4	103.0	91.0

1/ Based on exchange rates expressed in U.S. dollars per Taiwan dollar.

2/ The real exchange rate index is derived from the nominal exchange rates adjusted by the producer price indexes of each country. These indexes are derived from line 63 of the International Financial Statistics.

Source: International Monetary Fund, International Financial Statistics, June 1988.

APPENDIX A

COMMERCE'S AND COMMISSION'S FEDERAL REGISTER NOTICES

(Investigation No. 731-TA-424 (Preliminary))**Martial Arts Uniforms From Taiwan**

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-424 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Taiwan of martial arts uniforms,¹ provided for in items 381.05, 381.08, 381.31, 381.32, 381.33, 381.56, 381.62, 381.63, 381.65, 381.95, 381.97, 381.98, 384.05, 384.07, 384.09, 384.23, 384.24, 384.26, 384.46, 384.77, 384.50, 384.52, 384.90, 384.91, 384.92, and 384.94 of the Tariff Schedules of the United States (subheadings 6203.22.10, 6203.23.00, 6203.29.20, 6203.42.40, 6203.43.40, 6203.49.20, 6204.22.10, 6204.23.00, 6204.23.00, 6204.29.20, 6204.62.40, 6204.63.35, 6204.69.25, 6209.20.30, 6209.20.50, 6209.30.20, 6209.30.30, 6209.90.20, 6209.90.30, and 6217.10.00 of the Harmonized Tariff Schedule of the United States), that are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by December 30, 1988.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and

Procedure, Part 207, subparts A and B (19 CFR Part 207), and Part 201, subparts A through E (19 CFR part 201).

EFFECTIVE DATE: November 15, 1988.

FOR FURTHER INFORMATION CONTACT: Larry Reavis (202-252-1185), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1810. Persons with mobility impairment who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-252-1000.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted in response to a petition filed on November 15, 1988, by Century Martial Art Supply, Inc., Midwest City, OK.

Participation in the investigation.—Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than seven (7) days after publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service list.—Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3, as amended), each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Limited disclosure of business proprietary information under a protective order.—Pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a) as amended), the Secretary will make available business proprietary information gathered in this preliminary investigation to authorized applicants under a protective order, provided that the application be made not later than seven (7) days after the publication of

¹ For purposes of this investigation, "martial arts uniforms" refers to tops, pants, and belts, imported separately or as ensembles, for men, boys, women, girls, and infants, of cotton or of man-made fibers, whether ornamented, or not ornamented, suitable for wearing while practicing all forms of martial arts, including but not limited to Judo, Karate, Kung Fu, Tae Kwon Do, Ninja, Ninjutsu, Hapkido, Tai Chi, Jujitsu, and Hapkido.

this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive business proprietary information under a protective order. The Secretary will not accept any submission by parties containing business proprietary information without a certificate of service indicating that it has been served on all the parties that are authorized to receive such information under a protective order.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on December 6, 1988, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Larry Reavis (202-252-1158) not later than December 2, 1988, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written submissions.—Any person may submit to the Commission on or before December 9, 1988, a written brief containing information and arguments pertinent to the subject matter of the investigation, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rule (19 CFR 201.8). All written submissions except for business proprietary data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any information for which business proprietary treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Business Proprietary Information." Business proprietary submissions and requests for business proprietary treatment must conform with the requirements of §§ 201.6 and 207.7 of the Commission's rules (19 CFR 201.6 and 207.7).

Parties which obtain disclosure of business proprietary information pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a)) may comment on such information in their written brief, and may also file additional written comments on such information no later than December 14, 1988. Such additional comments must be limited to comments on business

proprietary information received in or after the written briefs.

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

By order of the Commission.

Kenneth R. Mason,
Secretary.

Issued: November 17, 1988.

[FR Doc. 88-27130 Filed 11-22-88; 8:45 am]

BILLING CODE 7020-02-M

[A-583-805]

**Initiation of Antidumping Duty
Investigation; Martial Arts Uniforms
From Taiwan**

AGENCY: Import Administration,
International Trade Administration,
Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping duty investigation to determine whether imports of martial arts uniforms from Taiwan are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of martial arts uniforms materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before December 30, 1988. If that determination is affirmative, we will make a preliminary determination on or before April 24, 1989.

EFFECTIVE DATE: December 13, 1988.

FOR FURTHER INFORMATION CONTACT:
Mary S. Clapp, Office of Antidumping
Investigations, Import Administration,
International Trade Administration, U.S.
Department of Commerce, 14th Street
and Constitution Avenue NW.,
Washington, DC 20230; telephone (202)
377-3965.

SUPPLEMENTARY INFORMATION:

The Petition

On November 15, 1988, we received a petition filed in proper form by Century Martial Art Supply, Inc. on behalf of the domestic martial arts uniform industry. In compliance with 19 U.S.C. 1677(2)(B), we are publishing this notice.

requirements of 19 CFR 353.36, petitioner alleges that imports of martial arts uniforms from Taiwan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, a U.S. industry.

United States Price and Foreign Market Value

Petitioner's estimate of United States price is based on a price to an unrelated party in the United States, less a wholesaler's mark-up, U.S. duty, ocean freight, brokerage fees, drayage and associated charges. Petitioner's estimate of foreign market value (FMV) is based on a retail price in the home market, less retailer and wholesaler mark-ups.

Based on a comparison of FMV to the United States price, petitioner alleges a dumping margin of 8.5 percent.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation, whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on martial arts uniforms from Taiwan and found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of martial arts uniforms from Taiwan are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by April 24, 1989.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of Customs nomenclature. On January 1, 1989, the U.S. tariff schedules will be fully converted to the *Harmonized Tariff Schedule* (HTS) and all merchandise entered or withdrawn from warehouse for consumption on or after this date will be classified solely according to the appropriate HTS item number(s). Until that time, however, the Department will be providing both the appropriate *Tariff Schedules of the United States Annotated* (TSUSA) item numbers and the appropriate HTS item numbers with our product descriptions. As with the TSUSA, the HTS item numbers are provided for convenience and Customs purposes. The written description

remains dispositive as to the scope of the product coverage.

We are requesting petitioners to include the appropriate HTS item number(s) as well as the TSUSA item number(s) in all new petitions filed with the Department. A reference copy of the proposed HTS schedule is available for consultation at the Central Records Unit, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue NW, Washington, DC 20230. Additionally, all U.S. Customs offices have reference copies, and petitioners may contact the Import Specialist at their local Customs office to consult the schedule.

The products covered by this investigation include the following articles: Martial art uniforms for men, boys, women, girls and infants. The uniforms consist of tops, pants and belts and are imported from Taiwan separately or as ensembles. They are made of cotton or of man-made fibers, either ornamented or not ornamented. They are suitable for wearing while practicing all forms of martial arts, including but not limited to: Judo, Karate, Kung Fu, Tae Kwon Do, Ninja, Ninjutsu, Hakama, Tai Chi, Jujitsu and Hapkido. These products are normally provided for in TSUSA items 381.6300, 381.0830, 381.3200, 384.0950, 281.9700, 384.2400, 384.5000 and 384.9200 (HTS subheadings 6203.22.1000, 6203.23.0070, 6203.23.0080, 6203.23.0090, 6203.29.20, 6204.22.1000, 6204.23.00 and 6204.29.20) and may also be entered under TSUS items 381.05, 381.08, 381.31, 381.32, 381.33, 381.56, 381.62, 381.63, 381.65, 381.95, 381.97, 381.98, 384.05, 384.07, 384.09, 384.23, 384.24, 384.26, 384.46, 384.47, 384.50, 384.52, 384.90, 384.91, 384.92, and 384.94 (HTS subheadings 6203.22.10, 6203.23.00, 6203.29.20, 6203.42.40, 6203.43.40, 6203.49.20, 6204.22.10, 6204.62.40, 6204.63.35, 6204.69.25, 6209.20.30, 6209.20.50, 6209.30.20, 6209.30.30, 6209.90.20, 6209.90.30, and 6217.10.00).

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in our files, provided it confirms in writing that it will not disclose such information either publicly or under administrative protective order without the written consent of the Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by December 30, 1988, whether there is a reasonable indication that imports of martial arts uniforms from Taiwan materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory and regulatory procedures.

This notice is published pursuant to section 732(c)(2) of the Act.

Jen W. Mares,
Assistant Secretary for Import
Administration.
December 6, 1988.

[FR Doc. 88-28560 Filed 12-12-88; 8:45 am]
BILLING CODE 3510-05-M

APPENDIX B

LIST OF WITNESSES AT THE COMMISSION'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

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

Subject: Martial arts uniforms from Taiwan

Inv. No. 731-TA-424 (Preliminary)

Date and time: December 6, 1988 - 9:30 a.m.

Sessions were held in connection with the investigation in the Hearing
Room of the United States International Trade Commission, 500 E Street SW,
Washington, DC.

In support of the imposition of antidumping duties

Century Martial Art Supply, Inc.

Gary Hestlow, President

In opposition to the imposition of antidumping duties

Dilworth, Paxson, Kalish & Kauffman-Counsel
Washington, DC
on behalf of

Asian World of Martial Arts, Inc.

Georgette Ciukurscu, President

Abigail A. Shain)--OF COUNSEL