

SWEATERS WHOLLY OR IN CHIEF WEIGHT OF MANMADE FIBERS FROM HONG KONG, THE REPUBLIC OF KOREA, AND TAIWAN

Determinations of the Commission in
Investigations Nos. 731-TA-448-450
(Preliminary) Under the Tariff Act
of 1930, Together With
the Information Obtained
in the Investigations

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Washington, DC 20436**

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

Investigations Nos. 731-TA-448, 449, and 450 (Preliminary)

SWEATERS WHOLLY OR IN CHIEF WEIGHT OF MANMADE FIBERS
FROM HONG KONG, THE REPUBLIC OF KOREA, AND TAIWAN

Determinations

On the basis of the record ¹ developed in the subject investigations, the Commission unanimously 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 Hong Kong, the Republic of Korea ("Korea"), and Taiwan of sweaters wholly or in chief weight of manmade fibers ("sweaters of manmade fibers"), ² provided for in subheadings 6103.23.00, 6103.29.10, 6103.29.20, 6104.23.00, 6104.29.10, 6104.29.20, 6110.30.10, 6110.30.20, 6110.30.30, and 6110.90.00 of the Harmonized Tariff Schedule of the United States (previously reported under items 381.24, 381.25, 381.35, 381.66, 381.85, 381.89, 381.90, 381.99, 384.18, 384.27, 384.54, 384.77, 384.80, 384.96, and 791.74 of the former Tariff Schedules of the United States), that are alleged to be sold in the United States at less than fair value (LTFV).

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

² For purposes of these investigations, sweaters of manmade fibers are defined as knitted or crocheted garments wholly or in chief weight of manmade fibers, designed to cover the upper parts of the body and in a variety of forms, including jackets, vests, cardigans with button or zipper fronts, and pullovers, the foregoing usually having ribbing around the neck, bottom, and/or cuffs (if any). The term encompasses garments of various lengths but most typically ending at the waist. The phrase "in chief weight of manmade fibers" includes sweaters containing 50 percent or more by weight of manmade fibers and sweaters where the manmade fibers predominate by weight over each other single textile material. Sweaters of manmade fibers, as defined here, do not include sweaters 23 percent or more by weight of wool or sweaters for infants 24 months of age or younger. Sweaters of manmade fibers include all sweaters regardless of the number of stitches per centimeter, but with regard to sweaters having more than nine stitches per two linear centimeters horizontally, only those with a knit-on rib at the bottom are included.

Background

On September 22, 1989, a petition was filed with the Commission and the Department of Commerce by counsel for the National Knitwear and Sportswear Association, New York, NY, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of sweaters of manmade fibers from Hong Kong, Korea, and Taiwan. Accordingly, effective September 22, 1989, the Commission instituted preliminary antidumping investigations Nos. 731-TA-448, 449, and 450 (Preliminary).

Notice of the institution of the Commission's investigations 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 October 2, 1989 (54 F.R. 40532). The conference was held in Washington, DC, on October 12, 1989, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

On the basis of the information in the record in these investigations, we determine that there is a reasonable indication that the industry in the United States producing sweaters of any fiber is materially injured by reason of imports of sweaters wholly or in chief weight of manmade fiber from Hong Kong, the Republic of Korea, and Taiwan that allegedly are sold at less than fair value (LTFV). ^{1/} ^{2/}

I. Like product and domestic industry.

As a threshold matter in title VII investigations, the Commission must determine what constitutes the domestic industry. The statute defines domestic industry as "the domestic producers as a whole of a like product...." ^{3/} "Like product," in turn, is defined as "a

^{1/} Material retardation is not an issue in this investigation and therefore will not be discussed further.

^{2/} The legal standard in preliminary antidumping investigations is set forth in section 733(a) of the Tariff Act of 1930. 19 U.S.C. § 1673b(a). That section requires the Commission to determine whether, based on the best information available at the time of the preliminary determination, there is a reasonable indication of material injury to a domestic industry, or threat thereof, or material retardation of the establishment of such an industry, by reason of imports of sweaters wholly or in chief weight of manmade fiber. The definition of "material injury" is the same in both preliminary and final investigations, but in preliminary investigations an affirmative determination is based on a "reasonable indication" of material injury, as opposed to the actual finding of material injury or threat required in a final determination. Compare 19 U.S.C. § 1673b(a) with 19 U.S.C. § 1673d(b)(1). See, American Lamb v. United States, 785 F.2d 994 (Fed. Cir. 1986); Shock Absorbers and Parts, Components, and Subassemblies Thereof from Brazil, Inv. No. 731-TA-421 (Preliminary) USITC Pub. 2128 (September 1988) at 4-5.

^{3/} 19 U.S.C. § 1677(4)(A).

product which is like, or in the absence of like, most similar in characteristics and uses with" the articles subject to investigation. ^{4/}

The Commission's like product determination is factual and is made on a case-by-case basis. ^{5/} The Commission has traditionally considered: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) customer and producer perceptions, (5) common manufacturing facilities and employees, and (6) price. ^{6/} No single factor is dispositive, and the Commission may consider other factors. The Commission has not

^{4/} 19 U.S.C. § 1677(10). In its Notice of Initiation (54 Fed. Reg. 42972-4 (Oct. 19, 1989)), Commerce defined the articles subject to investigation as follows:

The products covered by these investigations include sweaters wholly or in chief weight of man-made fiber. For purposes of these investigations, sweaters of man-made fibers are defined as garments for outer wear that are knitted or crocheted, in a variety of forms including jacket, vest, cardigan with button or zipper front, or pullover, usually having ribbing around the neck, bottom and cuffs on the sleeves (if any), encompassing garments of various lengths but most typically ending at the waist, wholly or in chief weight of man-made fiber. The term "in chief weight of man-made fiber" includes sweaters where the man-made fiber material predominates by weight over each other single textile material. This excludes sweaters 23 percent or more by weight of wool. It includes men's, women's, boys' or girls' "sweaters," as defined above, but it does not include sweaters for infants 24 months of age or younger. It includes all sweaters as defined above, regardless of the number of stitches per centimeter, provided that, with regard to sweaters having more than nine stitches per two linear centimeters horizontally, it includes only those with a knit-on rib at the bottom.

^{5/} Asociacion Colombiana de Exportadores de Flores v. United States (ASOCOLFLORES), 12 CIT ___, 693 F. Supp. 1165, 1169 & n.5 (1988); 3.5" Microdisks and Media Therefor from Japan (Microdisks), Inv. No. 731-TA-389 (Final), USITC Pub. 2170 (March 1989) at 6.

^{6/} Certain All-Terrain Vehicles from Japan (ATVs), Inv. No. 731-TA-388 (Final), USITC Pub. 2163 (March 1989) at 4; Dry Aluminum Sulfate from Sweden, Inv. No. 731-TA-430 (Preliminary), USITC Pub. 2174 (March 1989) at 4.

drawn distinctions based on minor physical differences, ^{7/} and instead has looked for clear dividing lines between articles before considering them to be separate like products. ^{8/}

The parties have raised several like product issues in these investigations. Chief among them is whether the like product should include sweaters of all fibers or only sweaters made wholly or in chief weight of manmade fiber.

A. Manmade fibers only v. all fibers.

1. The parties' arguments. Petitioner argues that the Commission should determine that the like product is limited only to sweaters wholly or in chief weight of manmade fiber. ^{9/} Petitioner focuses on: (1) the differences in acrylic yarn versus cotton or wool yarn, (2) the greater difficulties and expense in producing natural-fiber sweaters, (3) the generally higher price for cotton and wool sweaters as compared to acrylic, and (4) the different treatment of manmade-fiber sweaters and natural-fiber sweaters in the Harmonized Tariff Schedule (HTS), in the Multifiber Arrangement (MFA), and in the bilateral textile agreements between the United States and each of the three countries subject to investigation.

Several respondents counter that the like product should include all sweaters. ^{10/} In arguing that there are no clear dividing lines

^{7/} S. Rep. 249, 96th Cong., 1st Sess. 90-1 (1979).

^{8/} Certain Telephone Systems and Subassemblies thereof from Japan, Korea, and Taiwan, Inv. Nos. 731-TA-426-428 (Prelim.), USITC Pub. 2156 (February 1989) at 4.

^{9/} Postconference Brief of petitioner at 16-26; prepared conference statement of Ivan Gordon.

^{10/} Postconference Brief of the American Association of Exporters and Importers -- Textile and Apparel Group (AAEI) at 1-11;

(continued...)

between sweaters on the basis of fiber, respondents emphasize:

(1) similarities in general physical characteristics and end-uses, (2) similarities in production process and machinery, (3) identical distribution channels, and (4) the existence of sweaters made from blends of manmade and natural fibers. Although it is a close question, we find that the appropriate like product is all sweaters regardless of fiber.

2. Analysis.

(a) Physical characteristics and uses. ^{11/} A sweater-- regardless of the type of its fiber--is a well-known form of knit outerwear that has a certain general appearance and the same general uses. Sweaters are produced in all colors, styles, and sizes, without limitation according to fiber. Sweaters of different fibers may differ, however, in such characteristics as durability, washability, and warmth. We believe that on balance the specific differences are outweighed by the overall general similarities; thus this factor supports a like product consisting of all sweaters.

(b) Production processes, machinery, and workers. The basic production process for all sweaters is the same: designing the sweater, knitting the fabric, cutting it into shapes, and sewing the shapes together. The most expensive piece of production equipment--

^{10/} (...continued)

Postconference Brief of Miss Erika, Inc. at 3-8; Postconference Brief of 32 Korean producers at 11-29.

^{11/} We note that there is apparently little or no domestic production of sweaters made from the natural fibers of ramie, silk, or flax. Report at A-4. Thus we discuss only cotton and wool.

the knitting machine--is used to produce sweaters of all fibers. ^{12/}
No significant retooling or retraining of workers is required to
knit sweaters of different fibers on the same machines. ^{13/} Despite
these broad similarities in process, machinery, and employees,
production of natural-fiber sweaters usually requires a greater
investment in equipment than production of manmade-fiber sweaters,
and is in some respects more expensive and time consuming. ^{14/}

Because of some of these difficulties and the greater expense
associated with producing natural-fiber sweaters, many producers--
especially smaller, less sophisticated producers--make only manmade-
fiber sweaters. Testimony at the conference indicated that these
producers probably represent a majority of producers by number, but
may not account for the majority of production of sweaters, which
may be accounted for by larger firms. ^{15/} These larger

^{12/} The typical knitting machine is not limited in the fiber it can
accommodate, but rather in the fineness of the yarn it can use and
of the stitching it can produce, of whatever fiber.

^{13/} It appears, though, that the practice of switching from
production of one fiber to another is not done from day to day;
rather, fiber changes are more likely to be made seasonally. Tr. at
66-7, 175.

^{14/} For example, to control shrinkage, natural-fiber fabric must be
washed. Thus, either (1) washers and dryers must be purchased,
which in turn necessitates greater electrical and sewer capability,
or (2) a producer must contract out for washing. Report at A-4. It
appears, however, that at least some producers also wash their
acrylic fabric, on the same equipment they use to wash natural-fiber
fabric. Report at A-5.

Natural-fiber sweater production is also more difficult and
costly in other respects, such as: the relative cost of yarn, needle
breakage, frequency of flawed sweaters requiring repair, and the
extent of quality control inspection required. Report at A-4; Tr. at
19-21.

^{15/} Tr. at 65-66.

establishments are more likely to make both natural and manmade-fiber sweaters and in the same facilities.

Thus, although there are some specific differences, reflected in the fact that a large number of small producers make only manmade-fiber sweaters, the general production process, knitting machinery and production workers are the same for sweaters of all fibers.

(c) Distribution channels. Sweaters of all fibers are apparently distributed in the same way. Most department stores, specialty shops, and discount stores generally buy both natural and manmade-fiber sweaters, and display them together. ^{16/} This factor supports a finding that sweaters of all fibers are the same like product.

(d) Interchangeability, customers' perceptions, and price. Customers may value certain attributes of the fiber of either natural or manmade-fiber sweaters: wool for its warmth, cotton for its feel, natural fibers generally for their prestige, acrylic for its easy care. However, in buying a sweater it is likely that customers look at other factors as well, such as color, pattern, style, weight of fabric--which can be found both in sweaters of natural fiber and in sweaters of manmade fiber--and price. The parties are in agreement that manmade-fiber sweaters are generally lower priced than either cotton or wool sweaters, although

^{16/} Postconference Brief of Miss Erika at Exhibit 1.

they disagree over the precise extent of the difference and whether the difference amounts to a clear break in the range of prices. 17/

In general, though, because all sweaters have the same basic use, they are in a sense all interchangeable. There is no basic function that sweaters of one fiber can fulfill that sweaters of another fiber cannot. Although the precise extent of substitutability between manmade-fiber and natural-fiber sweaters was not made clear in these preliminary investigations, petitioner's executive director acknowledged that sales of manmade-fiber sweaters affect the sales and price of natural-fiber sweaters. 18/ Such a cross-over effect, while not determinative, is relevant to the Commission's like product determination. 19/ In sum, although information on substitutability is not complete and is somewhat mixed, it provides support for a like product consisting of all sweaters. 20/21/

17/ Compare Tr. at 82; Postconference Brief of Petitioner at 22-23, Attachment 2; with Postconference Brief of Miss Erika at Exhibit 1; Postconference Brief of AAEL at 4, 6.

18/ Tr. at 88-89; see also, Tr. at 97-98.

19/ S. Rep. 249, 96th Cong., 1st Sess., 90-1 (1979) ("nor should the definition of "like product" be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under investigation.").

20/ We note that a finding that there is a clear dividing line between manmade-fiber and natural-fiber sweaters based on the consumer preferences and price differences described above could also support separate like product treatment for other subdivisions of sweaters. For example, high fashion designer sweaters of manmade-fiber--which are included in the scope of the investigations--are clearly distinguishable from ordinary sweaters of manmade fiber in terms of customer perceptions and price. See ASOCOLFLORES at 1168 ("If one has to choose a single basis upon which to make a like product determination, consumer preference would seem to be a poor choice."); Fabric and Expanded Neoprene Laminate from Japan, Inv. No. 731-TA-206 (Final), USITC Pub. 1721 (July 1985) at 6 (Commission rejected respondent's argument for a separate like product based primarily on price differences.).

(continued...)

Based upon the foregoing considerations, we find on balance that the like product is sweaters of all fibers. 22/ This is based on similarities in general appearance and use, manufacturing process, machinery and employees, distribution channels, and on at least some degree of substitutability between the two types of sweaters. 23/24/

21/ (...continued)

21/ Petitioner makes much of the fact that manmade-fiber sweaters are classified under different subheadings from cotton, wool, silk, and other vegetable fiber sweaters in the HTS, in the product classifications under the MFA, and in the bilateral agreements between the United States and Hong Kong, Korea, or Taiwan. Petitioner claims that this is a recognition of the market differences between manmade-fiber sweaters and other sweaters. However, petitioner does not provide any evidence that market differences were the basis for the establishment of the quota categories. In any event, we believe that it is up to the Commission to conduct its own examination of the industry to reach a determination as to the appropriate like product. The Commission is not bound by the way in which products are treated for Customs purposes or elsewhere. See Royal Business Machines, Inc. v. United States, 507 F. Supp. 1007, 1014, n.18 (CIT 1980), aff'd, 669 F.2d 692 (CCPA 1982). Therefore, we give little weight to petitioner's argument.

22/ The scope of the investigation excludes sweaters that are in chief weight of manmade fiber, but that are 23 percent or more by weight of wool. In light of the fact that we have found that the appropriate like product includes all sweaters regardless of fiber, the issue of whether to include such sweaters in the like product becomes moot.

23/ See Natural Bristle Paint Brushes from the Peoples' Republic of China, Inv. No. 731-TA-244 (Final), USITC Pub. 1805 (Jan. 1986) at 6-7 (Like product definition was expanded to include synthetic filament paint brushes in addition to natural bristle brushes, because the two types of brushes were largely interchangeable, had a very similar production process, and had the same channels of distribution).

24/ The Korean respondents argue that the existence of sweaters consisting of blends of different fibers--including manmade-fiber/natural-fiber blends--blurs any distinction between sweaters by fiber. Postconference Brief of Korean producers at 29. We agree with respondents that the existence of blended sweaters is a further reason to doubt the feasibility of drawing a clear dividing line according to "chief weight." However, there was testimony at the conference that the vast majority of domestically produced sweaters

(continued...)

In the event of any final investigations, we will revisit the question of whether to draw a like product distinction according to fiber.

B. Secondary like product issues.

1. Infants' vs. children's and adults' sweaters. The scope of these investigations does not include sweaters for infants 2 years old and younger. Petitioner's proposed like product also excludes sweaters for infants, but defines "infant" as a child whose height is 86 centimeters or less, the definition found in the HTS. 25/

We doubt whether a clear dividing line can be drawn between children's and infants' sweaters. 26/ Although there are a few distinctions between infants' sweaters and other sweaters, 27/ sweaters for infants appear for the most part to be like other sweaters, only smaller. 28/ The Commission generally has not drawn lines based solely on size, and has looked for other points of distinction before finding separate like products. 29/ Were it not

24/ (...continued)

are of a single fiber, and further, that blends tend to be primarily of one fiber with only a small percentage of the second fiber; i.e., there are few blends near the 50/50 line. Tr. at 84-85. If true, this would appear to lessen the importance of blends as a like product consideration.

25/ Petition at 6, n.1.

26/ At the conference, a domestic producer of infants' sweaters conceded the difficulty of choosing a dividing point, stating that the Commission "might be well advised to take some arbitrary setting." Tr. at 90.

27/ See Report at A-5.

28/ For example, it appears that sweaters of all sizes can be knitted on the same machinery and equipment.

29/ See, e.g., Sewn Cloth Headwear from the Peoples' Republic of China, Inv. No. 731-TA-405 (Final), USITC Pub. 2183 at 5-6, and investigations cited therein.

so, the Commission might need to consider further size distinctions, such as between children's and adults' sweaters. Therefore we determine that infants' sweaters are within the like product in these investigations.

2. Finely-knit "sweaters" with a knit-on rib. Garments that are more densely knit than most sweaters, having more than 9 stitches per 2 horizontal centimeters, and having a knit-on rib at the waist, are within the scope of the investigations. Petitioner argues that these garments should be included within the single like product of all manmade-fiber sweaters. ^{30/} Respondent Crystal Knitters of Hong Kong asserts that these garments are not sweaters at all, but shirts, and thus should be considered a separate like product. ^{31/}

From an examination of samples, in our view these garments appear more like sweaters than shirts. In addition, these garments are apparently made by the same manufacturers as other sweaters, ^{32/} and on substantially the same type of machinery. Although we have little information on how these garments compare to less finely knit sweaters and to knit shirts in terms of customer perceptions, interchangeability, distribution channels, and price, for the purpose of these preliminary investigations we find that these garments are the same like product as other sweaters.

^{30/} Petition at 6-8. Petitioner does not argue that all densely knit garments are like sweaters, and it is apparent that they are not. The issue is whether having a knit-on rib makes the garment a sweater rather than a shirt.

^{31/} Postconference Brief of Crystal Knitters at Appendix 2.

^{32/} Tr. at 92.

3. Ensembles. Respondent Crystal Knitters argues that sweaters sold as part of ensembles should be considered as a separate like product from other sweaters. ^{33/} Respondent defines ensembles as "two-piece garment sets consisting of a sweater, shirt or jacket and a pant or skirt."

We do not believe that this separation is justified. Respondent argues that ensembles are not substitutable for sweaters and differ from sweaters in physical characteristics and uses. Although this may be true, this does not answer whether the sweater portion of the ensemble--the only part that is subject to investigation--differs from other sweaters. In fact, there is nothing in the record to suggest that sweaters sold as part of ensembles are in any way different from sweaters sold separately or sold in some other garment combination. ^{34/}

C. Summary of like product findings. We find that all sweaters regardless of fiber is the appropriate like product in these

^{33/} Post-Conference Brief at Appendix 2.

^{34/} The Coronet Group argues that the Commission should exclude hand-knitted sweaters from any determination concerning machine-knit sweaters, on grounds that there is no domestic industry producing a product "like" imported hand-knit sweaters. Postconference Brief of The Coronet Group, Inc. at 3-7. The Commission recently has rejected all such "exclusion" arguments, on grounds that the Commission does not have authority, apart from its like product analysis, to subdivide the articles described in Commerce's notice of investigation. Antifriction Bearings (Other than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany, France, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom (Antifriction Bearings), Invs. Nos. 303-TA-19 & 20, 731-TA-391-399 (Final), USITC Pub. 2185 (May 1989) at 37-8. In a recent case, the CIT upheld the Commission's view of its lack of authority to exclude imports from its determinations. Sony Corp. of America v. United States, Slip Op. 89-55 (Apr. 20, 1989), at 14. Thus we refuse to "exclude" hand-knitted sweaters from our determination or to find that they are a separate like product.

investigations. We further find that this like product includes infants' sweaters, sweaters that have greater than 9 stitches per 2 horizontal centimeters provided that they have a knit-on rib at the bottom, and sweaters that are sold as part of ensembles. Accordingly, we define the domestic industry as domestic producers of all sweaters. 35/36/

II. Cumulation.

Section 777(7)(C)(iv) of the Tariff Act of 1930, as amended by the Trade and Tariff Act of 1984 37/ provides that --

the Commission shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and

35/ One respondent asserts that petitioner lacks standing to bring this petition. It claims that the petitioner has not shown that it represents a majority of domestic producers or that a majority otherwise supports the petition. Postconference Brief of Crystal Knitters at 6-17. The Commission has consistently declined to decide issues of standing. See, e.g., Sewn Cloth Headwear from the Peoples' Republic of China, Inv. No. 731-TA-405 (Prelim.), USITC Pub. 2096 (July 1988) at 7, n.11.

36/ It appears that for one domestic manufacturer that responded to the producers' questionnaire, imported sweaters accounted for the majority of sales in 1988. Report at A-16. This raises at least the possibility that the data for this producer should be excluded under the "related parties" provision of the statute. 19 U.S.C. § 1677(4)(B). However, neither at the conference nor in post-conference briefs did any party raise a related parties issue. An examination of the data supplied by this firm reveals trends in production and profitability that are comparable to overall trends. Thus, the Commission has no information to support a conclusion that there are "appropriate circumstances"--such as where a domestic producer attempts to benefit from an unfair practice--for exclusion of the data of this producer. See Empire Plow v. United States, 675 F. Supp. 1348, 1353-4 (CIT 1987). In any final investigations, we shall seek additional data in order to explore this issue in greater detail.

37/ 19 U.S.C. § 1677(7)(C)(iv), as amended by section 612(a)(2)(A) of the Trade and Tariff Act of 1984 (Public Law 98-573, 98 Stat. 3033).

with like products of the domestic industry in the United States market. 38/

In prior investigations, the Commission has cumulated the volume and effects of imports from more than one country in cases in which the imports satisfy the following criteria:

- (1) they must compete with other subject imports and with the domestic like product; 39/
- (2) they must be marketed within a reasonably coincident period; and
- (3) they must be subject to investigation. 40/

In the present investigations, petitioner argues that cumulation is warranted. No respondent seriously contests the issue of cumulation, although one respondent asserts that there are

38/ The statute provides that the Commission may decline to cumulate imports from a particular country if the imports are "negligible and have no discernable adverse impact on the domestic industry." 19 U.S.C. § 1677(F)(v). There is no basis for concluding that imports from any of the three subject countries are "negligible," and no party makes such an argument.

39/ The Commission has looked to several factors in deciding whether there is competition among imports and between imports and the like product. These are:

- (1) the degree of fungibility of imports from different countries and between the imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
- (2) the presence of sales or offers to sell in the same geographic markets of imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product;
- (4) whether the imports are simultaneously present in the market.

Antifriction Bearings at 62.

40/ Antifriction Bearings at 61.

"significant differences" among the three countries subject to investigation. 41/

We have determined to assess cumulatively the volume and price effects of imports from the three countries subject to these investigations. Because all three countries are subject to investigation and have sold sweaters in the United States along with domestic producers, the only issue is whether imports from each of the three countries compete with each other and with domestic sweaters. Imported and domestic sweaters are marketed nationally through the same channels of distribution. 42/ Given the large volume of trade in both imported and domestic sweaters, and because domestic sweaters and sweaters imported from each of the three subject countries run the gamut of styles, sizes, and colors, there appears to be significant competition among imports and between imports and domestic sweaters. 43/ Although respondents allege that certain imported sweaters are of a higher quality or contain special features that the domestic sweaters do not contain, the evidence of record does not indicate that these differences rise to a level sufficient to prevent cumulation.

III. Data problems in these investigations.

The response rate to the Commission's questionnaires, particularly producers' questionnaires, has been low. Out of 150

41/ Postconference Brief of Taiwan Manmade Fiber Sweater Producers and Exporters at 7-9.

42/ Report at A-17.

43/ Report at A-2.

questionnaires sent to producers, only 36 were returned, with more than half of these indicating that the recipient did not produce sweaters. Questionnaire responses have accounted for less than 15 percent of estimated domestic production of both manmade-fiber and natural-fiber sweaters. ^{44/} Furthermore, the questionnaire responses were almost exclusively from producers in a concentrated geographic region. ^{45/} In the questionnaire responses that were received, very little pricing data were reported by either domestic producers or importers. ^{46/}

^{44/} Report at A-18. The low response rate is likely a result of the small size of many of the domestic sweater knitters. Importers' responses have been somewhat better--just over 25 percent of total estimated imports. Report at A-17, A-42.

^{45/} Almost all of the questionnaire responses were from producers along the east coast of the United States, especially in the Northeast. Although most of the domestic industry is concentrated in this area, a significant percentage is apparently located elsewhere in the United States. See, e.g., Postconference Brief of Crystal Knitters at 10-16. It is possible that the experience of producers in other parts of the country differs from the trends so far observed.

^{46/} On the basis of the lack of responses to producers' questionnaires, the Korean respondents have urged the Commission to draw an adverse inference on the issue of injury to the domestic industry. Postconference Brief of Korean producers at 3-11. The Court of International Trade in Alberta Pork stated that:

The adverse inference rule provides that "when a party has relevant information within his control which he fails to produce, that failure gives rise to an inference that the evidence is unfavorable to him."

Alberta Pork Producers' Marketing Bd. v. United States, 669 F. Supp. 445, 459 (CIT 1987), quoting, International Union (UAW) v. N.L.R.B., 459 F.2d 1329, 1336 (D.C. Cir. 1972).

We believe that an adverse inference is not appropriate in these preliminary investigations. Many domestic producers are apparently small companies, which may help explain why many did not respond in the brief time available for these preliminary investigations. Should there be final investigations, questionnaire recipients would have significantly more time to respond. Thus if the response rate by the domestic industry in any final investigations is not substantially above present levels, the Commission may reconsider
(continued...)

Even in preliminary investigations, there must be information on the record that demonstrates a reasonable indication of material injury caused by the imports under investigation. Despite the significant shortcomings in the information collected here, there nevertheless exists sufficient information to reach an affirmative determination in these investigations. Furthermore, we cannot conclude that "no likelihood exists that ... evidence [sufficient to support an affirmative determination] will arise in a final investigation." 47/

IV. Condition of the industry.

Because questionnaire responses are so few, the "best information available" 48/ with regard to apparent domestic consumption and domestic production is published by the Bureau of the Census and the Department of Commerce. These figures reveal that apparent domestic consumption of sweaters in quantity terms steadily declined by 27.2 percent from 1986 through 1988. In terms of value, apparent domestic consumption fell irregularly from \$4.41 billion in 1986 to \$3.90 billion in 1988. 49/ The quantity of domestic production of sweaters decreased steadily from 12.3 million dozens in 1986 to 9.3

46/ (...continued)

the propriety of drawing an adverse inference against the domestic industry.

47/ American Lamb v. United States, 785 F.2d 994, 1001 (Fed. Cir. 1986).

48/ 19 U.S.C. § 1673b(a).

49/ Report at A-13, Table 2. Unlike the questionnaire data, these figures do not contain data on "interim"--i.e., January to June--1988 or 1989.

million dozens in 1988, a drop of 24 percent. ^{50/} The value of domestic sweater production increased from \$1.22 billion in 1986 to \$1.30 billion in 1987, then declined to \$1.13 billion in 1988, for an overall decrease of 7.4 percent. ^{51/} The only available figures on production capacity are from the Commission questionnaire responses, which show capacity virtually unchanged over the period of investigation. ^{52/} Capacity utilization, determined on the basis of the production and capacity data from the questionnaires, fell from 86.5 percent in 1986 to 76.0 percent in 1988, and increased from 63.1 percent in interim 1988 to 66.9 percent in interim 1989.

Published statistics on domestic shipments are not available. However, because inventories are not large in comparison to domestic shipments, it is possible to use domestic production as a substitute for data on shipments. ^{53/} As noted above, figures from the Bureau of the Census indicate that domestic production of sweaters decreased in both value and quantity terms from 1986 through 1988. The questionnaire data indicate that shipments of domestically produced sweaters fell in quantity from 1986 through 1988, and fell slightly further in interim 1989 in comparison with interim 1988. ^{54/} In value terms, by contrast, the questionnaire data reveal a slight decrease in shipments from 1986 to 1987 followed by

^{50/} Id.

^{51/} The limited questionnaire data show a decline in the quantity of domestic production from 1986 through 1988, and a slight increase in interim 1989 production over production for the same period in 1988. Report at A-20, Table 4.

^{52/} Report at A-20, Table 4.

^{53/} Report at A-26.

^{54/} Report at A-26, Table 7.

a larger increase from 1987 to 1988, for a slight overall increase from 1986 through 1988. The value of shipments in interim 1989 was down from interim 1988.

The questionnaire data show domestic producers' inventories of sweaters increasing steadily from 1986 through 1988, and increasing further in interim 1989 in comparison to interim 1988. Inventories increased as a percentage of shipments from 8.6 percent in 1986 to 11.2 percent in 1988. 55/

With regard to employment, the questionnaire responses reveal a slight overall decrease in production and related workers from 1986 to 1988, and a minor increase from interim 1988 to interim 1989. 56/ The number of hours worked by production and related employees increased marginally from 1986 through 1988, then increased further in interim 1989 in comparison to interim 1988. Total compensation for production and related workers, on the basis of questionnaire data, showed a slight increase from 1986 through 1988, and grew marginally in interim 1989 when compared to the same period in 1988. 57/

The only available source of financial data on the domestic sweater industry was the Commission's questionnaires. The questionnaire data reveal an increase in net sales from 1986 through

55/ Report at A-27, Table 8.

56/ Report at A-29-A-30, Table 9. Published employment figures from the Bureau of Labor Statistics cover the category of "knit outerwear mills," which includes workers in mills producing not only sweaters, but also knit shirts, sweatshirts, sweatpants, and scarves. These figures show a slight overall increase from 1986 to 1988, with little change in partial year 1989 from full year 1988. Report at A-

31.
57/ Report at A-29-A-30, Table 9.

1988, and a further increase in interim 1988 in comparison with interim 1989. 58/ However, due in large part to an increase in the cost of goods sold, operating income as a percentage of sales was down from 9.0 percent in 1986, to 7.1 percent in 1987, and dropped to only 1.8 percent in 1988. For interim 1988, the domestic sweater industry posted an operating loss in the amount of 1.6 percent of net sales, but had a positive margin of 4.9 percent of net sales in interim 1989. 59/

On the basis of the foregoing, we determine that there is a reasonable indication that the sweater industry is materially injured. 60/61/ We base this finding primarily on published figures showing a decline in domestic production, in both value and quantity

58/ Report at A-33, Table 10. These data reflect the financial experience of the establishments at which sweaters are produced, and thus may include operations for the production of other items in addition to sweaters. However, sweater production is believed to account for approximately 90 percent of these financial data. Report at A-32, n. 86.

59/ On the basis of the few companies that supplied such data, domestic capital expenditures increased from 1986 through 1988, and decreased from interim 1988 to interim 1989. Spending on research and development grew from 1986 through 1988, and fell in interim 1989 from interim 1988. Report at A-35.

60/ Chairman Brunsdale and Vice-Chairman Cass do not reach a separate legal conclusion based on the condition of the domestic industry. They believe that the discussion of the domestic industry is accurate and relevant to their decision regarding the existence of a reasonable indication of material injury or threat of material injury by reason of the allegedly LTFV imports. See Additional Views of Vice-Chairman Cass, infra.

61/ Commissioner Eckes believes that consistent, long standing Commission practice and case law direct use of a bifurcated injury and causation analysis. See his Additional Views in New Steel Rails from Canada, Inv. No. 701-TA-297 (Final), USITC Pub. 2217 (Sept. 1989), at 29-70.

terms, and on the Commission's questionnaire data indicating deteriorating profitability of sweater producers. 62/

V. Reasonable indication of material injury by reason of LTFV imports. 63/

The Commission is to determine whether there is a reasonable indication of material injury or the threat thereof to the domestic industry "by reason of" the imports under investigation. 64/ The Commission assesses the volume of imports, their effect on prices for the like product, and their impact on domestic producers. 65/ In doing so, the Commission considers whether import volumes or increases in volume are significant, whether there has been significant underselling by imports, and whether imports significantly depress or suppress prices. 66/

The Commission may consider alternative causes of injury, but it

62/ We note that the trends in the questionnaire data for several of the indicators--capacity, value of shipments, and compensation--are neutral or rising. However, in light of the information on production and financial condition of the domestic industry, and the incompleteness of the questionnaire responses, we do not believe that the standard for a negative preliminary determination set out in American Lamb has been met.

63/ See Additional Views of Chairman Brunsdale, infra.

64/ 19 U.S.C. § 1673b(a).

65/ 19 U.S.C. § 1677(7)(B)(i)(I),(II),(III). The Commission may in its discretion consider other relevant economic factors.

19 U.S.C. § 1677(7)(B)(ii).

66/ 19 U.S.C. § 1677(7)(C).

is not to weigh causes. ^{67/} Rather, the Commission is to determine whether imports are a cause of material injury. ^{68/}

The combined imports of manmade-fiber sweaters from Taiwan, Korea, and Hong Kong increased from 8.76 million dozens in 1986 to 8.85 million dozens in 1987, but decreased to 8.03 million dozens in 1988, for an overall decline of 8.3 percent. ^{69/} Interim 1989 imports were 3.69 million dozens, up from 3.12 million dozens in interim 1988. In terms of value, combined imports from the three subject countries were \$957 million in 1986, \$1.08 billion in 1987, but only \$931 million in 1988, an overall drop from 1986 through 1988 of 2.7 percent. ^{70/} Imports were up from \$340 million in interim 1988 to \$405 million in interim 1989.

Despite the overall declines in the subject imports in both quantity and value terms, these imports accounted for a steadily increasing share of apparent domestic consumption of sweaters. In terms of quantity, the subject imports increased their market share

^{67/} Citrosuco Paulista v. United States, 12 CIT ___, 704 F. Supp. 1075, 1101 (1988); Alternative causes may include: the volume and prices of imports sold at fair value, contraction in demand or changes in patterns of consumption, trade, restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry.

S. Rep. No. 249, 96th Cong., 1st Sess. 74 (1979).

^{68/} LMI - La Mettali Industriale, S.p.A. v. United States, 13 CIT ___, Slip Op. 89-46 (April 11, 1989) at 31, citing British Steel Corp. v. United States, 11 CIT ___, 673 F. Supp. 454, 481 (1987); see also Maine Potato Council v. United States, 613 F. Supp. 1237, 1244 (CIT 1985) (Commission must reach an affirmative determination if it finds that imports are more than a "de minimis" cause of injury.).

^{69/} Report at A-43, Table 14.

^{70/} Id.

from 20.8 percent in 1986, to 23.3 percent in 1987, and to 26.2 percent in 1988. In terms of value, subject imports' share of apparent domestic consumption grew steadily from 21.7 percent in 1986 to 23.9 percent in 1988. 71/

Notwithstanding the fact that domestic producers also increased their share of the domestic sweater market during the period of investigation, 72/ we find that the volume of imports of manmade-fiber sweaters from the three subject countries throughout the period of investigation is significant in absolute terms and in terms of market share. 73/ Of particular significance is the increase in market share of subject imports from 1986 to 1988 in both quantity and value terms, at a time when the profitability of domestic sweater manufacturers was declining. 74/

71/ Report at A-47, Table 16.

72/ The reason that subject imports and domestically produced sweaters both increased market share is that the share of apparent domestic consumption accounted for by non-subject imports decreased substantially during the period of investigation in both quantity and value terms. In terms of quantity, the share of the market held by domestically produced sweaters decreased from 29.2 percent in 1986 to 28.2 percent in 1987, then increased to 30.4 percent in 1988. In terms of value, the market share accounted for by U.S.-made sweaters increased steadily from 27.8 percent in 1986 to 28.9 percent in 1988. Despite the increased market share for U.S.-produced sweaters, as noted above the available production and financial data indicate that there is a reasonable indication that the domestic industry is suffering material injury.

73/ 19 U.S.C. § 1677(7)(C)(i).

74/ Although imports of sweaters from Hong Kong, Korea, and Taiwan are subject to quota restraints negotiated under the Multifiber Arrangement (MFA), this does not necessarily prevent the Commission from finding that there is a reasonable indication that unfairly traded imports are causing material injury to the domestic industry. The quota limitations are merely a factor or condition of trade that is possibly relevant to the Commission's analysis of material injury and threat.

The Commission has made numerous material injury determinations
(continued...)

We also examined the record for evidence of significant underselling by subject imports, and of significant depression or suppression of domestic prices. ^{75/} The Commission requested quarterly sales prices from U.S. producers and importers, and quarterly purchase prices from U.S. retailers that imported directly from Taiwan, Korea, or Hong Kong, for six representative manmade-fiber sweaters.

However, of U.S. sweater producers, only four--whose sales account for under 10 percent of domestic manmade-fiber sweater shipments--provided pricing data. ^{76/} Furthermore, the data that were reported by both domestic producers and importers exhibit wide swings in prices. ^{77/}

Given the sparseness of the data and the wide swings in prices, no clear price trends can be discerned for either domestic or imported sweaters. With regard to price comparisons between imports and the like product, only a few comparisons were possible, and the comparisons were nearly evenly split between underselling and

^{74/} (...continued)

in investigations involving products under MFA quotas and other quotas. See Sewn Cloth Headwear from the Peoples' Republic of China, Inv. No. 731-TA-405 (Final), USITC Pub. 2183 (May 1989); Cotton Yarn from Brazil, Inv. No. 104-TAA-21, USITC Pub. 1530 (May 1984) at 11-12; Sugar from the European Community, Inv. No. 104-TAA-7, USITC Pub. 1247 (May 1982); Spun Acrylic Yarn from Japan, Inv. No. 731-TA-1 & 2 (Final), USITC Pub. 1046 (1980).

^{75/} 19 U.S.C. § 1677(7)(C)(ii).

^{76/} Fifteen importers provided pricing data. Report at A-50. For nearly all of the quarters and for all of the products, prices were obtained from only a single producer or importer.

^{77/} These swings may be explained by style, fashion, or other differences in the sweaters falling within any particular product category. Report at A-50. Such differences would reduce the usefulness of the pricing data for purposes of price comparisons and for determining price trends.

overselling by imports. 78/ Thus the price data in these preliminary investigations are inconclusive.

However, it is likely that more probative pricing data could be developed in any final investigations. The Commission would probably obtain a greater response to its questionnaires, which would mean a more complete view of the domestic marketplace. In addition, in part through purchaser questionnaires, a more accurate picture of the importance of price in the purchasing decisions of retailers and wholesalers could be expected in any final investigations. In these preliminary investigations, conflicting views were expressed on this issue. 79/

Respondents claim that causes other than the subject imports explain whatever injury the domestic industry is experiencing. Several respondents argue that there has been a shift in demand in favor of natural-fiber sweaters--especially cotton--and away from manmade fiber. However, because we have found the like product to include all sweaters, producers of cotton and other natural-fiber sweaters are part of the domestic industry. Thus, although a shift in demand may help explain why producers of manmade-fiber sweaters

78/ There were several hundred potential price comparisons between domestic sweaters and the subject imported sweaters, based on the number of foreign countries, products selected for comparison, and quarters for which data was requested. Out of these, both domestic and import price data were available for fewer than 30 comparisons. Report at A-52, Table 19.

79/ In addition, to avoid the price swings seen in the data in these preliminary investigations, we will attempt to structure the requests for pricing data in the questionnaires in any final investigations so that the sweaters for which prices are reported in any given product category are as similar in attributes as possible.

have been injured, it does not explain the reasonable indication of material injury found above to exist for producers of all sweaters.

Respondents also claim that domestically produced sweaters are of poorer quality than the subject imports. They claim, among other things, that most imports are produced in a much more labor-intensive manner--such as using hand looms--which results in higher quality knitting and allows for production of sweaters having intricate features. ^{80/} In these preliminary investigations, we are not able to assess fully the existence or significance of quality differences between the subject imports and the like product. Purchasers' questionnaires, routinely sent in final investigations, may help shed further light on the issue. In any event, whatever the effect of any quality differences, there is a reasonable indication that the allegedly LTFV subject imports are at least a cause of material injury to the domestic industry. ^{81/}

In sum, we find that there is a reasonable indication that the material injury being experienced by the domestic sweater-producing industry is "by reason of" the imports from Hong Kong, Korea, and Taiwan. This is based on the significant and increasing market share of imports from the three subject countries, and on the

^{80/} See Postconference Brief of Miss Erika at 14-16.

^{81/} Respondents allege additional alternative causes of injury, such as the failure of the domestic industry to invest in the most modern machinery, the difficulty of the domestic industry in hiring workers, and the proliferation of leveraged buy-outs, mergers and acquisitions. Postconference Brief of Miss Erika at 16-17; Postconference Brief of Crystal Knitters at 38; Postconference Brief of Korean producers at 52-53. Even if true, we do not believe that these factors would fully explain the injury being experienced by the domestic industry.

likelihood that further information would be developed in final investigations that would illuminate the effects of import prices on the prices and sales of domestically produced sweaters. 82/83/

VI. Conclusion.

Based on the foregoing discussion, we determine that there is a reasonable indication that the industry in the United States producing all sweaters regardless of fiber is materially injured by reason of allegedly LTFV imports of sweaters wholly or in chief weight of manmade fiber from Hong Kong, the Republic of Korea, and Taiwan.

82/ Commissioner Lodwick finds a reasonable indication that the material injury to the U.S. industry is "by reason of" the imports from Hong Kong, Korea, and Taiwan, on the basis of the significant and increasing market share of the subject imports.
83/ We also note that the domestic industry made few allegations of lost sales or lost revenues, and none of the allegations that was investigated by the Commission staff was confirmed. Report at A-54.

ADDITIONAL VIEWS OF CHAIRMAN ANNE E. BRUNSDALE

**Sweaters Wholly or in Chief Weight of Manmade Fiber
from Hong Kong, the Republic of Korea, and Taiwan**

Investigations Nos. 731-TA-448-450 (Preliminary)

I concur in the views of my colleagues regarding the definition of the like product and the domestic industry in this case. I also conclude, for the reasons expressed in the majority views, that we must cumulate the imports from the three countries subject to investigation. My affirmative determination, however, is based on a somewhat different approach to the evidence in this case.

In Electrolytic Manganese Dioxide from Greece, Ireland, and Japan,¹ two of my colleagues and I set forth an approach to preliminary investigations derived from the decision in American Lamb v. United States.² We noted that the preliminary investigation procedure requires the Commission to evaluate and weigh the evidence on an admittedly incomplete record. We suggested that the Commission

should reach negative determinations when the evidence now on the record on balance does not lend enough support to the Petitioner's claims to provide at least a colorable basis for an affirmative determination and when the relevant information that remains to be gathered does not leave open the prospect that any

¹ Inv. Nos. 731-TA-406 - 408 (Preliminary), USITC Pub. 2097 (July 1988) (Additional Views of Vice Chairman Anne E. Brunsdale, Commissioner Susan Liebler, and Commissioner Ronald A. Cass).

² 785 F.2d 994 (Fed. Cir. 1986).

judgment made on the current record well might be changed at the final stage.³

As I subsequently emphasized in New Steel Rails from Canada,⁴ the quantum of evidence necessary to reach an affirmative determination is a "reasonable indication" of material injury, and not certainty.

Given the preliminary standard, I am constrained to render an affirmative determination in these investigations, although the evidence on the record is flimsy and serious questions have been raised regarding the fairness of petitioner's contentions. In particular, petitioner has presented the Commission with a survey it conducted in anticipation of its petition, the results of which suggest that the constant influx of dumped imports has had a devastating impact on the domestic industry. Respondents argue in rebuttal that the survey selectively canvassed manufacturers in the New York City metropolitan area. Respondents also present evidence from trade publications that these imports have had little or no impact on domestic manufacturers in other parts of the country -- particularly the West Coast.

Petitioner and respondents cannot both be right. Clearly one party or the other is focusing too narrowly on a particular segment of the industry, and is therefore misinterpreting the

³ Electrolytic Manganese Dioxide, *supra*, at 24.

⁴ Inv. Nos. 701-TA-297 and 731-TA-422 (Preliminary), USITC Pub. 2135 (November 1988) at 24-25 (Views of Chairman Anne E. Brunsdale).

overall situation. If the results of the Commission investigation were more complete, we might be able to make a decision on this matter; as the record now stands, I see no basis for choosing one argument over another. In these circumstances, an affirmative determination is usually required.

One respondent presents an economic argument that any injury to the domestic industry could not be by reason of the subject imports because the quantity of such imports is limited by agreements reached under the Multifiber Arrangement:

In sum, nothing in the market share data presented by the petitioner indicates any change in the pricing behavior of the respondent countries. As we shall see, any injury suffered by the petitioner is purely a function of the fact that in a market with quota-constrained imports, decreases in demand or increases in the non-constrained supply must result in decreases in domestic production and declines in market shares.⁵

It is true that the presence of quotas will tend to cause a domestic industry to observe larger fluctuations in imports' market share than would otherwise occur. This is true for two reasons: first, a quota-restrained producer cannot increase the quantity it sells in response to an increase in aggregate demand and, second, such a producer may find it profitable not to decrease its market share below the quota level if demand contracts.

However, this does not conclusively establish that a domestic industry could not be injured if, in order to sell the

⁵ Post-Conference Brief of Crystal Knitters, Ltd. and Hong Kong Woolen and Synthetic Manufacturers' Association, Appendix E at 8.

full quantity granted under the quota, a quota-restrained producer has to sell at a lower price in the United States than the price charged in its home market.⁶ In such a case, the presence of a quota does not alter the normal set of alleged circumstances in a dumping case -- that is, more of the goods being sold at a "dumped" price than would otherwise occur at a "fair" price. It is still necessary to determine whether the dumped imports are causing material injury to the domestic industry.

As stated above, I cannot conclusively make that evaluation at this time. On the basis of the evidence on the record, therefore, I reach an affirmative preliminary determination in these investigations.

⁶ Our reviewing court has suggested, albeit in dictum, that foreign textile producers have an incentive to dump in the face of MFA quotas. *American Association of Exporters and Importers v. United States*, 751 F.2d 1239, 1249 (Fed. Cir. 1985) (Davis, J.) (In the face of restrictive quotas "[f]oreign manufacturers would have a great incentive to dump (in the literal and technical sense of the word) as much material as possible into the United States".)

ADDITIONAL VIEWS OF VICE CHAIRMAN RONALD A. CASS

Sweaters Wholly or in Chief Weight of Manmade Fiber
from Hong Kong, the Republic of Korea, and Taiwan

Invs. Nos. 731-TA-448-450 (Preliminary)

I join my colleagues in determining that there exists a reasonable indication that an industry in the United States has been materially injured by reason of unfairly traded imports of certain sweaters from Hong Kong, the Republic of Korea, and Taiwan. I also join my colleagues in their findings with respect to issues concerning the like product and cumulation, and concur with their conclusion that the Commission should explore the like product issue again in a more complete final investigation. However, the very weak basis on which Petitioner rests its assertion of standing to initiate this investigation, and the unusually scanty evidence presented to the Commission by the Petitioner or gathered thus far by Commission staff, requires some explanation of my willingness to allow these investigations to go forward. In addition, since my approach to the analysis of Title VII investigations remains distinct from that of some of my colleagues, I present an explanation of the basis on which I have reached affirmative determinations.

I. ISSUES RESPECTING THE ADEQUACY OF THE PETITION

1. Standing

Under Title VII, antidumping and countervailing duty petitions must be

filed "on behalf of an industry".^{1/} This requirement has been interpreted to mean that a Petition must be supported by a majority of the domestic industry producing the domestic like product.^{2/} Several parties opposing the Petition in these investigations have raised the question of whether the Petitioner has the requisite standing here, that is, whether Petitioner indeed represents the domestic industry or merely a small subset of domestic producers.^{3/}

There is much force to these parties' objections. The Petition, brought by a "national trade association," included a partial list of domestic manufacturers, but failed to provide identification of its member companies, the products they make, which of its members support the petition, and which other members of the domestic industry also support the petition. The list of domestic producers submitted in the Petition cannot on the present record be taken to catalogue the companies supporting the Petition. Only a tiny fraction of these producers has participated in the investigation even to the limited extent of filing a response to the Commission's questionnaire. While this may suggest that only a small fraction of producers supports the Petition, at this point the Commission simply has no idea just how small the proportion of the domestic industry that supports the petition is. The Petition does not purport to give a comprehensive listing of domestic manufacturers, so the Commission does not yet know the identity of producers

^{1/} 19 U.S.C. §§ 1671a(b)(1) and 1673a(b)(1).

^{2/} See Gilmore Steel Corp. v. United States, 585 F. Supp. 670 (Ct. Int'l Trade 1984).

^{3/} See Post-conference Br. on Behalf of Korean Producers, at 10; Post-Conference Br. of Crystal Knitters, Ltd. and Hong Kong Woolen and Synthetic Manufacturers' Assn., at 8; Post-conference Br. of Laws Fashion Knitters, Inc., at 3.

other than the possibly narrow group identified in the Petition. Some 200 producers were listed in the Petition, without comment as to their support, but virtually all of these producers were located in the Northeastern region of the country. This apparently does not reflect the full concentration of the U.S. industry, as evidence on the record suggests that a substantial proportion of the domestic sweater industry is located elsewhere, including the West Coast.^{4/} There is thus reason to believe that a substantial portion, of unknown magnitude, of the industry has simply been ignored by this Petition, and the vast bulk of the industry identified by Petitioner appears at best indifferent to the Petition.

Petitioner has provided inadequate answer to these objections. It bases its assertion that the "industry" supports the petition on the claim that, of the very few responses received to the "survey" Petitioner distributed to at least some members of the domestic industry, none voiced overt objection.^{5/} Yet this is hardly a demonstration of standing, particularly when the survey was apparently sent to a rather restricted subset of domestic manufacturers. Given the lack of clarity as to members of the domestic industry and the support of the industry for this petition, certainly any reasonable standing requirement implicit in the statutory language would be quite likely not to be met here. There is ample basis then for terminating these investigations for want of standing at this point. Were the Commission the sole agency with jurisdiction over the investigation of antidumping Petitions, I would conclude that the Petition lacked adequate support from the domestic industry to be allowed to proceed.

^{4/} Post-conference Br. on behalf of Korean Producers, at 10.

^{5/} Petitioner's Post-conference Comments, at 4.

Although the Commission may have authority to reach standing determinations in Title VII investigations, we certainly are not alone in that regard. In light of the bifurcated responsibility for these investigations, I have concluded that the wiser course is that the Commission not reach the question of standing. Instead, I believe the Commission should allow the Department of Commerce to assess the issue and to reach a determination as to the adequacy of domestic industry support for the petition, to avoid the possibility of conflict between the Commission and the Department of Commerce over the question.

The Court of International Trade in Gilmore Steel^{6/} has noted that the Commerce Department has authority to terminate investigations for lack of standing. The court adverted to an explicit grant of statutory authority to Commerce to terminate a proceeding for insufficiency of the petition^{7/} but its actual holding in Gilmore respecting Commerce's authority appeared to rest on the general proposition that administrative agencies, like courts, enjoy inherent authority to recognize an absence of jurisdiction.^{8/} Although a generally applicable rule governing authority to deny jurisdiction would indicate that the Commission also is authorized to determine Petitioner's standing, conflicts between the agencies might occur if both Commerce and the Commission independently could determine the existence of standing.

Furthermore, a choice by the Commission not to decide the adequacy of domestic support for a petition would be in accord with the overall structure

^{6/} Supra note 5.

^{7/} 19 U.S.C. 1673a(c) (3).

^{8/} Gilmore Steel, 585 F. Supp. at 674. This was critical because the determination of standing made by Commerce came well beyond the statutory deadline for decision on the facial sufficiency of the Petition.

of Title VII. Title VII carefully divides authority over antidumping and countervailing duty investigations between Commerce and the Commission, and its drafters appear to have taken some pains to prevent inter-agency conflicts arising from this division.^{9/} Congress has chosen to grant Commerce, but not the ITC, the authority to initiate investigations without benefit of a Petition. Commerce, then, appears to be the agency authorized to determine whether an antidumping investigation should proceed to disposition on the substantive merits. This does not necessarily preclude legal authority for an ITC decision on standing, but it does suggest the probability that Commerce is the more appropriate agency to make that decision. For these reasons, I do not believe it would be appropriate for us to dismiss the Petition for lack of standing.

I have argued in earlier investigations that, whether or not the Commission has formal authority to rule on the standing of the petitioner, the possibility of conflict between the agencies in those investigations made it unwise for the Commission to address the question.^{10/} Those were final Commission investigations; Commerce had thus implicitly accepted the standing of Petitioners in those investigations, since it had chosen to go forward with its investigations and had determined the existence of unfair trade practices. In this preliminary investigation, in contrast, Commerce has not

^{9/} Thus, for example, rather than direct the Commission to assess the effects of "dumped imports," which might be taken to authorize the Commission to assess independent of Commerce (and potentially in conflict with Commerce) which imports were sold at LTFV, the statute refers the Commission back to Commerce's decision on that score. 19 U.S.C. § 1673d(b)(1).

^{10/} See Certain Electrical Conductor Aluminum Redraw Rod from Venezuela, USITC Pub. 2103, Inv. Nos. 701-TA-287 and 731-TA-378 (Final) 20-22 (Aug. 1988) (Additional Views of Commissioner Cass) ("Aluminum Rod"); 3.5" Microdisks and Media Therefor from Japan, USITC Pub. 2170, Inv. No. 371-TA-389 (Final) (Mar. 1989) (Additional Views of Commissioner Cass).

yet had an opportunity to examine the question of standing. Nevertheless, I believe that even in such circumstances sufficient possibility of conflict exists to make it the wiser course for the Commission similarly to defer to the clear authority of Commerce over the standing determination. For example, if the Commission were to find that support for a petition was adequate and reach an affirmative preliminary determination, the possibility would exist that the Commerce Department would disagree and terminate the petition on the basis of inadequate domestic support. Rather than create the possibility of such conflicts, I believe the Commission should simply allow the Commerce Department to make the single definitive determination of a petitioner's standing.

Therefore, despite my reservations concerning the standing of Petitioner in these investigations, I reach no determination on this matter, in the hope that the Commerce Department will pay significant attention to this concern at the appropriate time.

2. Legal Standard in Preliminary Determinations

Many of the parties opposing the petition in these investigations argue that Petitioner has presented inadequate evidence of material injury to justify the Commission in reaching an affirmative determination. They point out that the Petitioner has offered to the Commission only three allegations in support of a finding of material injury, and they contend, with some justice, that the evidence in support of each of these allegations is inadequate. They conclude that the Commission should dismiss the Petition as failing to meet a threshold standard of plausibility.

The Petitioner cites three bases for its assertion that the manmade fiber sweater industry has been materially injured. First, it points out the volume of imports of such sweaters is large and growing, has captured a large share of the U.S. market for such sweaters, and indeed has captured a large share of the U.S. market for sweaters generally. Second, Petitioner points to United States knitters which have left the manmade fiber sweater industry, and asserts, without apparent evidence, that imports have been responsible for their departure from the industry. Third, Petitioner points to its own survey of domestic manmade fiber sweater producers, which purports to find evidence that domestic producers have reduced their production of such sweaters by a significant amount over the past two years, and have recently incurred significant losses on such operations.^{11/}

In response, parties opposing the petition note that the evidence in support of each of these contentions is dubious. Though the large share of imports in the U.S. market is undeniable, they point to the existence of bilateral quota arrangements which limit the imports of such sweaters, argue that the quotas have been filled in every year, and reason that importers have no reason to price unfairly in such circumstances.^{12/} Second, they argue that the Petitioner's allegations concerning exit of some manufacturers from the manmade fiber sweater industry is fatally flawed by evidence that at least some of the firms cited in fact have not left the industry or have left for reasons entirely unrelated to imports; they also note that, while some firms have left, other firms have entered the industry, leaving it unclear

^{11/} Petition at 32-33.

^{12/} See Posthearing Economic Submission, submitted on behalf of Hong Kong Woolen and Synthetic Manufacturers' Assn. and Crystal Knitters, Ltd., at 10.

whether the exits indicate some net injury to the industry or simply the competitive failure of certain manufacturers.^{13/} Finally, they argue that Petitioner's survey was so limited in the number of firms surveyed and in the number of responses received that its results simply mean nothing with respect to the state of the domestic industry as a whole.^{14/}

It is well established that the quantum of proof required to sustain an affirmative determination is clearly lower than that required in order to reach an affirmative determination in a final investigation.^{15/} That is because, as our reviewing courts have noted, Congress intended to "weight the scales in favor of affirmative and against negative determinations."^{16/} Put another way, the preponderance of the evidence need not be in favor of a petitioner in a preliminary investigation before an affirmative determination may be made.

By the same token, however, it is just as plain that the "reasonable indication" standard was not intended to preclude any possibility of negative determinations in preliminary investigations. It is for that reason that Congress clearly intended that, even in preliminary investigations, there must be an affirmative demonstration of material injury from the imports under investigation, albeit with less evidentiary support necessary to that

^{13/} Postconference Br. on Behalf of Taiwan Producers, at 15.

^{14/} Post conference Br. on Behalf of Korean Producers, at 31-33.

^{15/} See, e.g., New Steel Rails from Canada, Inv. No. 701-TA-297, USITC Pub. 2135 (November 1988) (Additional Views of Commissioner Cass).

^{16/} American Lamb v. United States, 785 F.2d 994, 1001 (Fed. Cir. 1986); see also Yuasa-General Battery Corp. v. United States, slip op. 88-89 (Ct. Int'l. Trade, July 12, 1988), at 5.

demonstration.^{17/} This is not exactly the same as placing a legal burden on the petitioner, as the Commission in all instances is obligated to conduct its own investigation. Together, however, the evidence adduced by the petitioner and the Commission must satisfy us that there is "at least a colorable basis" for an affirmative final determination.^{18/} The question presented by the parties opposing the petition, then, is whether the evidence presented by the Petitioner is so inadequate as not to meet this minimal standard.

Despite some confusing judicial dicta, the Commission need not have clear and convincing evidence of the absence of material injury before it may reach a negative determination, as I have argued in the past^{19/} and as the Federal Circuit has indicated in approving past Commission practice.^{20/} Such a requirement would preclude negative determinations in all but the rarest of cases. The legal standard contemplates negative decisions in other instances, although not exactly the same instances as would lead to negative final determinations. On disputed issues, information in preliminary investigations can be used to draw inferences adverse to the petitioner only if that evidence clearly and convincingly favors the respondent. Such evidence can,

^{17/} See S. Rep. No. 96-249, 96th Cong., 1st Sess. 49, 66 (1979).

^{18/} Electrolytic Manganese Dioxide from Japan, Ireland and Greece, Inv. Nos. 731-TA-406-408 (Preliminary), USITC Pub. 2097 (July 1988) (Additional Views of Vice Chairman Brunsdale and Commissioners Liebler and Cass) at 23-24.

^{19/} New Steel Rails, *supra* n. 1, at 30. I have also reached affirmative preliminary determinations when there was little information before the Commission, but the possibility of obtaining information which would support an affirmative determination in a final investigation was sufficient to warrant proceeding. See Sewn Cloth Headwear from the People's Republic of China, Inv. No. 731-TA-405 (Preliminary), USITC Pub. 2096 (July 1988) (Additional Views of Commissioner Cass).

^{20/} American Lamb Co. v. United States, 785 F. 2d 994 (1986).

in rare cases suffice to require a negative conclusion. More commonly, in the course of the preliminary investigation, there may be insufficient evidence before the Commission that the required quantum of material injury exists to warrant an affirmative determination in a subsequent final investigation. This of itself will not suffice for a negative preliminary determination unless the evidence falls so far short of that standard as to fail to indicate a reasonable likelihood that the final determination will be affirmative. Of course, where the record evidence is "thin," the Commission must be careful not to reach a negative determination solely on the basis of evidentiary gaps. Rather, the Commission must assess the perhaps ambiguous information before it and evaluate the likelihood that additional information supporting the petitioner might be adduced in a later, more extensive investigation, and that such information, together with other information of record, would suffice for an affirmative determination.

In short, even in preliminary investigations, there must be information on the record that demonstrates a reasonable indication of material injury caused by the imports under investigation, though with less evidentiary support than would be needed to reach a final affirmative determination. Despite the significant shortcomings in the information collected here, there nevertheless exists sufficient information to reach an affirmative determination in these investigations. Given the existence of information tending to demonstrate a plausible possibility that the Commission might reach an affirmative determination if this proceeded to a final investigation, I cannot conclude that no reasonable likelihood exists that

evidence sufficient to support an affirmative determination will arise in a final investigation.^{21/}

II. LIKE PRODUCT

I concur with my colleagues that manmade fiber sweaters and sweaters of all other fibers constitute a single like product within the meaning of Title VII of the Tariff Act.^{22/} Under that statute, the Commission must assess the effects of LTFV imports on the industry in the United States comprised of "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."^{23/} The term "like product," in turn, is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."^{24/}

Traditionally, the Commission's general approach to defining the like product has entailed the examination of six factors: (1) product characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) customer or producer perceptions of the relevant articles,

^{21/} See *American Lamb v. United States*, 785 F.2d 994, 1001 (Fed. Cir. 1986).

^{22/} Tariff Act of 1930, ch. 497, Title VII, § 735, as added by the Trade Agreements Act of 1979, Pub. L. No. 96-39, Title I, § 101, 93 Stat. 150, 169 (codified as amended at 19 U.S.C. § 1673d(b)).

^{23/} 19 U.S.C. § 1677(4).

^{24/} 19 U.S.C. § 1677(10).

(5) common manufacturing equipment, facilities, and production employees,^{25/} and (6) the similarity (or disparity) of prices for imports and potential like domestic products.^{26/}

As I have argued in the past,^{27/} these factors on which the Commission has traditionally relied serve to provide the Commission with information about the nature of the markets for closely competing domestic products and the operation of firms that produce them or that participate in their production. Information about the market for products is obtained by analyzing the physical characteristics and uses of products, their interchangeability, their channels of distribution, customer perceptions of their similarity or dissimilarity, and prices. It is likely that products compete closely if they are interchangeable, or if they evidence high degrees of similarity in characteristics and uses and in channels of distribution. The extent to which they compete should be reflected in customer perceptions of their similarity, which in turn should be reflected in similar prices for products of comparable quality. Furthermore, the existence of common production facilities and employees indicates competitiveness between the products in hiring factors of production and coincident interests in relation to the imports at issue. Necessarily, the decision to regard two products as

^{25/} See, e.g., Fabric and Expanded Neoprene Laminate from Taiwan, USITC Pub. 2032, Inv. No. 731-TA-371 (Final) at 4 and n. 5 (Nov. 1987) (suggesting the relevance of these first five factors).

^{26/} See, e.g., Asociacion Colombiana de Exportadores de Flores v. United States, 12 Ct. Int'l Trade ___, 693 F. Supp. 1165, 1170 n. 8 (citing use of comparative pricing data as a suitable factor in analyzing like product issues).

^{27/} Digital Readout Systems and Subassemblies Thereof from Japan, Inv. No. 731-TA-390 (Final), at 64 (March 1989) (Concurring and Dissenting Views of Commissioner Cass).

"like" or unlike may involve judgments as to when substitutability is sufficiently imperfect or incomplete to justify treating the products as distinct for the Commission's purposes.

I believe that, on the basis of evidence presently before us, manmade fiber sweaters and sweaters of natural fibers are most appropriately considered to be a single like product. The Commission's opinion, with which I generally concur, explains this conclusion in some detail, and I believe it is unnecessary to replicate that explanation. However, to some extent the evidence offered by the parties on the traditional Commission criteria appears to be in direct conflict, and staff has apparently not independently collected information concerning these matters.^{28/} For example, Petitioner argues that the production of natural-fiber sweaters requires additional processing steps, involving significantly more sophisticated knitting machinery and higher cost.^{29/} By contrast, witnesses in opposition to the petition have testified that manmade-fiber sweaters and some natural fiber sweaters are knit on the same machines, and that manmade fiber sweaters are subject to many of the same production processes which Petitioner has claimed distinguish the production of natural fiber sweaters.^{30/} Similarly, the parties have disagreed on the degree to which manmade and natural fiber sweaters are substitutes from the perspective of consumers, and the Commission staff has apparently adduced no independent evidence on this matter.^{31/} For this reason, I believe that, should these investigations

^{28/} See Report at A-4 -- A-5.

^{29/} Report at A-4.

^{30/} Report at A-5.

^{31/} Report at A-5.

ultimately proceed to final investigations, it would be quite appropriate for the Commission to revisit the question of like product, and that further evidence needs to be gathered on the appropriate distinctions to be drawn between products with respect to matters such as fiber content, type of knit, and weight.

III. REASONABLE INDICATION OF MATERIAL INJURY

In order to determine whether there is a reasonable indication that the domestic industry has suffered material injury by reason of the subject imports, I have carried out the three-part inquiry suggested by the statute that governs Title VII investigations.^{32/} Under this approach, the possible existence of material injury is analyzed by comparing the conditions experienced by the domestic industry to the conditions that would have existed had there been no unfairly traded imports. Three questions must be examined in order to perform this analysis. First, it is necessary to examine the volumes of allegedly less than fair value imports, including the volume relative to domestic production and consumption, and to assess the extent to which volumes of the subject imports, and correlatively the prices at which they were offered for sale, were affected by the alleged unfair trade practices. Second, the effect of these apparent changes in the market for the subject imports on prices, and, concomitantly, on sales, of the domestic like product must be assessed. Finally, the impact of these changes in prices and sales of the domestic like product on the domestic industry, as reflected in employment and investment in that industry, must be considered. The Commission must evaluate whether these effects are "material" within the

^{32/} See, e.g., Microdisks at 70-74.

meaning of the statute. Furthermore, the recently-enacted Omnibus Trade and Competitiveness Act of 1988 has directed that the Commission explicitly consider and state its conclusions on the factors that form the basis for each of these inquiries.

A. Volumes and Prices of LTFV Imports

In the period during which dumping will be assessed by Commerce, imports of allegedly LTFV sweaters accounted for nearly 3.7 million dozen sweaters.^{33/} Imports from the countries whose products are at issue here have been a large part of the U.S. sweater market throughout the period investigated. Over the period covered by our investigation, it appears that the volume of imports of manmade and natural fiber sweaters from the countries named in this investigation has declined in quantity terms. Quantities of imports of manmade fiber sweaters from Hong Kong, Korea, and Taiwan first increased slightly, from 8760 thousand dozen to 8850 thousand dozen, between 1986 and 1987, and then declined to 8029 thousand dozen in 1988. However, in quantity terms imports of manmade fiber sweaters from the subject countries apparently rose in the first half of 1989, as compared to the same period in 1988, from some 3119 thousand dozen to some 3692 thousand dozen. In value terms, similar trends were present; the value of imports of manmade fiber sweaters from the three subject countries rose from \$957 million in 1986 to \$1.08 billion in 1987, and fell to some \$931 million in 1988. Again, in value terms imports rose in the first half of 1989 as compared to the first half of 1988, from some \$340 million to some \$405 million. Unit values of manmade fiber sweaters from the subject countries rose over the period of investigation, from \$109.25 per dozen in 1986 to

^{33/} Report at A-43.

\$121.80 in 1987, dropping to \$115.97 in 1988, and apparently continued to rise in early 1989; unit values over the first half of 1989 were some \$109.71 per dozen compared to some \$108.06 in the same period of 1988.34/

The volumes of the LTFV imports are closely related to the prices at which those imports are sold.35/ The record evidence in this investigation seems to indicate that relatively little of the alleged dumping margins are reflected in decreases in the prices of the subject imports, but that the alleged margins were sufficiently large that, if accurate, they may well have caused domestic price decreases that were not completely negligible. The margins alleged range from 44.18 percent to 190.6 percent for manmade fiber sweaters from Taiwan, from 13.2 percent to 94.35 percent for such sweaters from Korea, and from 24.6 percent to 115.5 percent for such sweaters from Hong Kong.36/

These LTFV calculations are based on three different methods of calculation: comparisons between U.S. import values and home market prices for certain manmade fiber sweaters from Korea, comparisons between the prices at which manmade fiber sweaters were exported to countries for certain sweaters from all three of the countries; and comparisons between U.S. import values and "constructed value" calculations developed by "an expert consulting organization."37/ Petitioner did not develop home market pricing for Hong Kong because it appears from a variety of sources that the Hong Kong

34/ Report at A-43.

35/ Digital Readout Systems and Subassemblies Thereof from Japan, USITC pub. 2150, Inv. No. 731-TA-390 (Final), at 25-26 (Jan. 1989) (Concurring and Dissenting Views of Commissioner Cass).

36/ Petition at 11.

37/ Petition at 11.

sweater industry is essentially export oriented, with insignificant home market sales,^{38/} and did not collect home market price information for Taiwan because it appeared that collecting such information would be quite expensive, though the Petition does not indicate why this would be so.^{39/}

Generally, at least where the dumping margin is based on comparison of actual sales prices, dumping causes a decrease in the price of the dumped product by a fraction of the dumping margin roughly comparable to the share of the sales at issue that are made in the foreign producer's home market. In the present investigation, we have only some dumping margins based on actual price comparisons. Moreover, in the case of all three subject countries, sales in the United States have been quite large relative to their sales in their home markets. This makes it likely that, had they charged a single price in their home and foreign markets, the price which it charged in the United States would not have risen by the full extent of the alleged dumping margin.^{40/} As a result, the actual price effects undoubtedly were considerably smaller than the alleged margins themselves. However, the size of the alleged margins makes it plausible that the price effects of the alleged dumping were sufficiently great that they may well have contributed to some degree of material injury. We have little basis at this time to

^{38/} Petition at 15.

^{39/} Petition at 16.

^{40/} As I have elsewhere suggested, I believe that, in general, Petitioner's allegations concerning the LTFV margins are the best available evidence of the true dumping margin until the Department of Commerce has made a determination as to the true margin. New Steel Rails from Canada, *supra* n. 1, at 39. That does not suggest, however, that the Commission necessarily must accept those alleged margins uncritically if there is reason to believe that the allegations are inherently implausible or are contradicted by record evidence.

assess the accuracy of Petitioner's allegations on this point, and will, of course, in any final investigation rely only on the conclusions of the Commerce Department as to the magnitude of the dumping margins.

Petitioner's argument, essentially unrefuted, that imports have captured a large share of the domestic market, whether that market is defined in terms only of manmade fiber sweaters or of all sweaters, cannot be dismissed lightly, for it is consistent with the possibility of material injury. It is arguable that, given the market share that imports have achieved (by assumption in the presence of dumping), that the injury to the domestic industry from LTFV imports has been substantial. Indeed, the argument of the economists representing the Hong Kong producers, that dumping in the presence of binding quotas is not reasonable behavior and in any case would not alter imports' market share, simply misses the point. After all, we are without evidence as to whether, absent dumping, the quota in fact would have been filled, and the essence of Petitioner's "use or lose" discussion is that the quotas would not in fact have been filled had not importers dumped in order to ensure that the quotas would be filled.^{41/} We are thus left with the possibility, unrefuted by Respondents' economic arguments, that the significant dumping margins alleged by Petitioner might have played a role in reducing the share of the domestic market which might have otherwise gone to domestic sweater manufacturers.

B. Effects on Domestic Prices and Sales

Substantial alleged margins, while relevant, are not by themselves determinative of the question of whether material injury has been caused to a

^{41/} Petition at 28.

domestic industry by LTFV imports. In this case, there is reason to believe that the dumping alleged to have occurred might have caused material injury to the domestic industry, even though the alleged margins undoubtedly were not fully reflected in U.S. prices, and even though there is reason to be skeptical of much of the evidence offered by the Petitioner.

There is little doubt that the evidence advanced by the Petitioner in this investigation is extraordinarily thin. For example, it clearly would be inappropriate to rely to any degree on the "survey" which Petitioner has advanced as supporting its contention that the domestic industry is suffering substantial financial losses on its manmade fiber sweater production; the results of that survey are so obviously limited, and the responses so obviously unrepresentative of the industry as a whole, that, were that the principal evidence suggesting injury from LTFV imports, I believe it would be appropriate to reach a negative determination here. Similarly, recognizing that an industry comprised largely of small, marginally viable producers is likely to be constantly subject to entry and exit of firms, the failure of the Petitioner to give a complete picture of the changes in the industry, would not be fatal; but the mere assertion of some instances of exit from the industry, accompanied by evidence that substantial entry into the industry has occurred, certainly is insufficient to sustain an affirmative decision were there no other supporting evidence.

As noted above, the volumes of the subject imports in this case are quite substantial, relative to the size of the market as a whole. In 1988, imports of the subject imports constituted approximately 26.2 percent of the domestic sweater market, while domestic sweater production constituted some

30.4 percent of that market.^{42/} It seems not to be disputed by Respondents that domestically produced sweaters are close substitutes for the subject imports, and indeed they argue that the subject manmade fiber sweaters substitute relatively easily even with domestically produced natural fiber sweaters.^{43/} Even under the assumption that the effects of this large sales volume on the price of domestically produced sweaters was relatively small, the effects on domestic sales might have been significant.

Looking beyond the record's information on market conditions, there is at least some anecdotal indication from the record that the subject imports were able to preempt domestic producers from sales they otherwise would have made.^{44/} Recognizing that the anecdotal nature of lost sales and lost revenue information limits its usefulness, and recognizing that, as alleged by some Respondents, there may be problems with the credibility of domestic producers, there is at the present time little basis on which to question the validity of these lost sales allegations.

Petitioner shows evidence that domestic sales of its member companies are contracting, and that evidence is buttressed by U.S. Bureau of the Census data on production.^{45/} The parties to the investigation agree that the market for manmade fiber sweaters is declining, in large part because consumers at the present seem to prefer sweaters made of natural fiber and consume manmade fiber sweaters in large part because of their price advantage.^{46/} Given the

^{42/} Report at A-47.

^{43/} See, e.g., Postconference Br. on Behalf of Korean Producers, at 6.

^{44/} Report at A-54.

^{45/} See, e.g., Report at A-14.

^{46/} Petitioner's Postconference Br. at 17.24.

importance of price in the choice between manmade and natural fiber sweaters, it is plausible that significant price reductions by importers may well have been an important factor in their ability to maintain a significant market share. While we are at this time unable to assess the validity of Petitioner's arguments that the quotas provide an incentive to importers to reduce the price of their sweaters to ensure that their quotas are filled in every year, it is quite plausible that, if in fact Respondents have significantly lowered their prices, that may have been a competitive factor of considerable significance in the domestic sweater market.

C. Effects of Imports on Employment and Investment

Little in the evidence the Commission has gathered exists to refute the possibility suggested by Petitioner that the domestic sweater industry is continuing to undergo a relatively difficult period. U.S. production of manmade fiber sweaters has fallen from 871 thousand dozen in 1986 to 645 thousand dozen in 1988; while production of other sweaters rose between 1986 and 1987, production fell the following year, and apparently has continued to decline in the first half of 1989.^{47/}

With respect to employment, evidence provided by domestic producers in response to Commission inquiry was of ambiguous direction; all indicators of employment demand were in decline over the period of investigation with respect to the production of manmade fiber sweaters, while the same indicators when calculated for all sweater production indicated that demand for labor in the industry might well be rising. Given the uncertainty which I have voiced with respect to our like product determination in these

^{47/} Report at A-20.

investigations, this ambiguous information should not, I believe, be taken as a basis not to reach an affirmative preliminary determination.

Surely the financial picture of this industry at least suggests the possibility that substantial injury may be present. With respect to their overall operations, the gross profits of U.S. producers on their overall operations (presumably including both manmade fiber and natural fiber sweaters) fell from some \$32 million in 1986 to some \$22 million in 1988, a decline of substantial magnitude in a relatively short period.^{48/} Operating income fell even more dramatically over the same period, declining from some \$12 million in 1986 to only \$2 million in 1988; and net income from some \$10 million in 1986 to only \$462,000 in 1988.^{49/} While none of this evidence at this point constitutes a definitive indication that the industry is suffering material injury, in part at least because of the inadequate response to the Commission questionnaire, there is at least no basis in such data to reject the possibility that such injury is occurring, and it is surely possible that more detailed evidence will be developed in any final investigation.

I therefore find it appropriate to reach an affirmative determination at this time. I believe that it is imperative that the Commission make a determined effort to obtain more reliable information in any final investigation, for the sketchy information and the hypothetical interpretations on which this preliminary determination is reached would almost surely not suffice to support an affirmative final determination.

Conclusion

^{48/} Report at A-34.

^{49/} Id.

For the foregoing reasons, I determine that a reasonable indication exists that an industry in the United States has been materially injured by reason of imports of manmade fiber sweaters from Taiwan, the Republic of Korea, and Hong Kong.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On September 22, 1989, a petition was filed with the U.S. International Trade Commission ("Commission") and the U.S. Department of Commerce ("Commerce") by counsel for the National Knitwear and Sportswear Association ("NKSA"),¹ alleging that an industry in the United States is materially injured and threatened with further material injury by reason of imports from Hong Kong, the Republic of Korea ("Korea"), and Taiwan of sweaters wholly or in chief weight of manmade fibers ("sweaters of manmade fibers" or "manmade-fiber sweaters")² that are alleged to be sold in the United States at less than fair value (LTFV). Accordingly, effective September 22, 1989, the Commission instituted antidumping investigations Nos. 731-TA-448, 449, and 450 (Preliminary) under section 733 of the Tariff Act of 1930, 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 imports of such merchandise into the United States.

The statute directs the Commission to make its preliminary determination within 45 days after receipt of the petition or, in these investigations, by November 6, 1989. Notice of the institution of these investigations 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 October 2, 1989 (54 F.R. 40532). Commerce published its notice of initiation in the Federal Register of October 19, 1989 (54 F.R. 42972).³ The Commission held a public conference in Washington, DC, on October 12, 1989, at which time all interested parties were allowed to present information and data for consideration by the Commission.⁴ The Commission voted on these investigations on November 1, 1989. The Commission has not conducted previous or related investigations concerning sweaters of manmade fibers.

¹ The NKSA, headquartered in New York, NY, is a national trade association of firms directly engaged in various aspects of sweater manufacturing, including knitting sweater components; dyeing yarns; designing, sewing, assembling, and dyeing garments; and providing fashion services.

² For purposes of this investigation, "sweaters of manmade fibers" are defined as knitted or crocheted garments wholly or in chief weight of manmade fibers, designed to cover the upper parts of the body and in a variety of forms, including jackets, vests, cardigans with button or zipper fronts, and pullovers, the foregoing usually having ribbing around the neck, bottom, and/or cuffs (if any). The term encompasses garments of various lengths but most typically ending at the waist. The phrase "in chief weight of manmade fibers" includes sweaters containing 50 percent or more by weight of manmade fibers and sweaters where the manmade fibers predominate by weight over each other single textile material. Sweaters of manmade fibers, as defined here, do not include sweaters 23 percent or more by weight of wool or sweaters for infants 24 months of age or younger. Sweaters of manmade fibers include all sweaters regardless of the number of stitches per centimeter, but with regard to sweaters having more than nine stitches per two linear centimeters horizontally, only those with a knit-on rib at the bottom are included.

³ Copies of the Commission's and Commerce's Federal Register notices are presented in app. A.

⁴ A list of the participants in the conference is presented in app. B.

The Products

Description and uses

The imported articles under investigation are sweaters for men, women, and children, wholly or in chief weight of manmade fibers. Sweaters are defined by the petitioner as "garments for outerwear that are knitted or crocheted, in a variety of forms including jacket, vest, cardigan with button or zipper front, or pullover, and usually having ribbing around the neck, bottom, and cuffs on the sleeves, if any." ⁵ Sweaters may be of various lengths, but most typically end at the waist. Under the Harmonized Tariff Schedule of the United States (HTS), sweaters are defined as being constructed essentially with nine or fewer stitches per two centimeters, measured in the horizontal direction. ⁶ Also included in this investigation are garments, similar to those described by the petitioner above, having more than nine stitches per two centimeters horizontally if they have a knit-on rib at the bottom. ⁷ For purposes of clarity, the latter garments will be referred to as "fine-knit sweaters." According to the petitioner, fine-knit sweaters are included in the definition of a sweater as it is known in domestic production. In addition, their inclusion in the petition would prevent circumvention of additional tariffs on the coarser-knit sweaters should the petition be successful. ⁸

The vast majority of the items under investigation are believed to be sweaters, not fine-knit, of a spun manmade-fiber yarn known as acrylic. Manmade-fiber sweaters accounted for approximately 55 percent of domestic sweater production, by quantity, reported by fiber type, during 1988. Of these, approximately 69 percent were for women or girls and 31 percent were for men or boys. ⁹

Manmade-fiber sweaters are worn both for warmth and for fashion. Although most of the manmade-fiber sweater consumption is seasonal, primarily being purchased and worn during the fall and winter, some sweaters are purchased and worn year-round. A large percentage of the styles change completely each season, making it extremely difficult to keep inventory from year to year.

Manmade-fiber sweaters from Hong Kong, Korea, and Taiwan are generally comparable in style and function to domestically produced manmade-fiber sweaters, use the same yarn, and compete in the same marketplace. Petitioners contend that the sweaters are largely fungible, having no significant difference in quality, finish, or availability that would explain why imports are rising as a percent of domestic consumption other than price. ¹⁰ Witnesses in opposition to the petition stated that some of the imported products from the three countries were full-fashioned, i.e., made from panels which were knit to shape and then "looped" or knitted together rather than sewn, producing a garment with less bulky seams. They also stated that some

⁵ Petition, p. 6.

⁶ HTS, ch. 61, statistical note 3.

⁷ Petition, p. 6.

⁸ Transcript of the conference (transcript), pp. 91-92.

⁹ Bureau of the Census, Industry Division, Current Industrial Reports; Apparel 1988, printed October 1989.

¹⁰ Transcript, p. 60.

of the imported garments had more labor-intensive details, such as embroidery and crochet work generally not available from U.S. production.¹¹

Manufacturing processes

The manufacturing of manmade-fiber sweaters (including fine-knit sweaters) generally involves design, transmittal of the design to knitting machines, knitting, cutting, assembly, and pressing. In the United States, the design, design transmittal, and knitting are done on equipment of varying age and sophistication. For the more modern knitting equipment, the stitch and yarn-color designs can be worked on a computer, then transferred by computer tape or electronic methods to the knitting machine. For the older knitting equipment, the design must be hand-punched into a series of metal or plastic pattern cards.

Sweater sections are knit from yarn into panels in the color and stitch patterns specified on the cards or computer tape, with the panels being held together by separating threads that are knit into the material. Each of the sections, i.e., backs, fronts, or sleeves, are knit in separate panels. There are two basic types of knitting machines, flat-bed knitting machines where the yarn goes back and forth from side to side, and circular knitting machines where the yarn goes around the knitting needles continuously. The flat-bed machines are more versatile, can produce more intricate stitching, and are generally newer. The circular knitting machines are faster and are generally used for the high-volume knitting of less intricate designs.

For most U.S. sweater firms, after the manmade-fiber panels are knit they are separated and cut to shape for armholes and other features. The pieces are then sewn together with overlock stitching and buttons, labels and other items are added. The sewn garment is then steamed, pressed to specified dimensions, packed, and shipped.

In addition to the cut-and-sew method, manmade-fiber sweaters in Hong Kong, Korea, and Taiwan, and to a much lesser extent in the United States, can be produced by the "full-fashioned" method, wherein each piece is knit-to-shape, a much slower method of knitting. The pieces are then "looped" together by a process similar to knitting (rather than being sewn together), which produces less bulky collar and section attachments. The looping operation is highly labor-intensive and, according to a witness in opposition to the petition, Korean firms tend to use the looping operation to connect the collar of a sweater whereas U.S. firms tend to use a sewing operation.¹² Also, in Hong Kong, Korea, and Taiwan, a portion of the sweaters are knit on hand-powered knitting machines, where the flat-bed mechanism moves back and forth by hand operation. A witness in opposition to the petition indicated that, for the most part, domestic manmade-fiber sweaters are produced on motorized machines.¹³

¹¹ Ibid, pp. 149-151, 171-173.

¹² Ibid, pp. 171-173.

¹³ Ibid, p. 171.

Substitute products

In addition to manmade fibers, sweaters are made of natural fibers such as cotton, wool, ramie, flax, and silk. Of these, there is virtually no commercial U.S. production of ramie, flax, or silk sweaters. Of the U.S. production in 1988 reported by fiber in a quarterly survey conducted by the Census Bureau, sweaters of manmade fibers accounted for approximately 55 percent; those of cotton, 38 percent; and those of wool or other fibers, the remaining 7 percent. During 1988, the production of manmade-fiber sweaters declined by 14 percent in quantity from that in 1987 and the production of cotton sweaters declined by 10 percent.¹⁴

The petitioners argue that the appropriate "like" products in these investigations are manmade-fiber sweaters only (i.e., excluding cotton and other natural-fiber sweaters), given the significant differences between manmade-fiber sweaters and natural-fiber sweaters in terms of physical characteristics, production processes, customer requirements, price, and treatment under both the HTS and the bilateral agreements with Hong Kong, Korea, and Taiwan.¹⁵ With regard to fiber differences, they argue that manmade-fiber yarn has a more consistent quality and does not require the special testing needed for dye lot variations and moisture absorption essential in working with cotton and wool yarns.¹⁶ Witnesses also stated that manmade-fiber yarn has lower and more stable pricing than other yarns.¹⁷

With regard to manufacturing, petitioners state that the production of natural-fiber sweaters requires additional processing steps which add to the product cost. They stated that cotton sweater panels require washing and drying to control shrinkage and that wool items require a process known as "fulling" to enhance fiber loft. They indicated that the natural-fiber yarns cause costly needle breakage, require that knitting machines be run at slower speeds than when running manmade-fiber yarns, and must be separated by barriers to prevent fibers and lint from one color yarn from migrating into the machinery being used to knit a different color.¹⁸ Witnesses in support of the petition stated that because of the fiber quality and processing differences, natural-fiber sweaters require more sophisticated manufacturing expertise and more capital investment in such items as washing equipment and water-waste control systems than do manmade-fiber sweaters.¹⁹ According to the petitioner, the expertise and capital requirements are formidable barriers for the small contractor attempting to shift from acrylic to other fibers.²⁰ They estimated that approximately 75 percent of the domestic firms are contractors.²¹

In terms of consumer perceptions and price, witnesses stated that retail buyers specify sweater products by fiber and make their yearly and seasonal

¹⁴ Bureau of the Census, Current Industrial Reports: Apparel 1988, printed October 1989.

¹⁵ Petitioner's postconference brief, p. 7.

¹⁶ Conference exhibit 1, statement of Ivan Gordon, pp. 7-12.

¹⁷ Transcript, p. 54, 70-72.

¹⁸ Conference exhibit 1, pp. 7-12, transcript, pp. 18-20, 66-68.

¹⁹ Transcript, pp. 20-26.

²⁰ Ibid, pp. 29-31.

²¹ Ibid, pp. 101-102.

import and domestic buying plans in terms of both fibers and price points.²² Manmade-fiber sweaters were presented as being much less expensive than sweaters of cotton and wool, providing the bulk of the sweaters required by buyers for the mass market. Sweaters of manmade fibers were also said to require less special handling and care in cleaning by the ultimate consumers than sweaters of other fibers.²³

Petitioners also argue that under both the HTS and the quota program manmade-fiber sweaters are treated separately from sweaters of other fibers.²⁴ Under the HTS, sweaters of manmade fibers are generally subject to a tariff of 34.2 percent ad valorem; those of cotton, 20.7 percent; those of wool, 17 percent; and those of other fibers, 6 to 6.3 percent. Under the quota program separate categories are provided for sweaters of manmade fibers (categories 645/646); those of cotton (categories 345/346); those of wool (categories 445/446); those of other vegetable fibers such as ramie and flax (category 845); and those of silk blends (category 846).

A witness in opposition to the petition agreed that cotton and wool are considerably more difficult to work with than acrylic fibers. However, he testified that manmade-fiber sweaters and cotton sweaters are knit on the same machines, and that in his factory the yarns are changed seasonally. He indicated that, in addition to the washing procedure required for cotton articles to control shrinkage, he frequently must also wash acrylic sweaters to remove dirt. He also argued that for retail buyers the primary concern is the price of a garment rather than the fiber content.²⁵

The petitioner also excludes sweaters that are of manmade fibers but that contain 23 percent or more by weight of wool from the products under investigation, arguing that they are not "like" products. These items are treated as wool sweaters rather than manmade-fiber sweaters, both for purposes of the level of tariff assessment and for purposes of implementation of the quota system. Under the HTS, they are subject to a tariff rate of 17 percent ad valorem as are wool sweaters, rather than the 34.2 percent assessed on sweaters of manmade fibers. In addition, under the quota system, sweaters of manmade fibers containing 23 percent or more by weight of wool are classified in the quota categories for wool sweaters (categories 445/446) rather than those for manmade-fiber sweaters (categories 645/646).

The petitioner also excludes sweaters for infants, or garments for young children of a body height not exceeding 86 centimeters, from the products under investigation. These garments, both for purposes of tariff assessment under the HTS and for purposes of implementation of the quota system, are considered separately from all other sweaters. Imports of sweaters for infants are primarily imported as sets rather than as individual sweaters. In addition, a witness for the petitioner indicated that garments for the 0-24 month size range are primarily sold as sets with hats or booties and that 80 to 85 percent of these items are purchased as gifts.²⁶

²² Ibid, pp. 27, 52, 86.

²³ Ibid, pp. 27-28, 82.

²⁴ See section on "Quota restrictions" for a description of the quota program.

²⁵ Ibid, pp. 172-185.

²⁶ Telephone conversation with * * *, Oct. 13, 1989.

U.S. tariff treatment

The sweaters under investigation are classified for tariff purposes in chapter 61 of the HTS, which covers knit or crocheted apparel and clothing accessories. The tariff classification depends on whether the garments are imported as parts of ensembles or as separate garments, and on the fiber composition.

Sweaters are classified under the HTS headings for ensembles if entered as parts thereof, or under the HTS heading for sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles if entered separately. The vast majority of manmade-fiber sweaters are reported as separate garments under HTS statistical reporting numbers 6110.30.3010-6110.30.3025, which cover sweaters of manmade fibers other than those containing 23 percent or more by weight of wool or 30 percent or more by weight of silk, as shown in table 1. Fine-knit manmade-fiber sweaters are recorded primarily under HTS statistical reporting numbers 6110.30.3050-6110.30.3055, which cover garments with a similar fiber definition having more than nine stitches per two centimeters horizontally.²⁷ Included in the same tariff provisions as fine-knit sweaters are knit shirts, which are believed to account for the vast majority of the trade under these provisions. The weighted-average duty rate for imports of manmade-fiber sweaters from Hong Kong, Korea, and Taiwan during January-June 1989 was 34.2 percent ad valorem.²⁸

Duties on certain sweaters assembled in Guam have been temporarily suspended through October 31, 1992.²⁹ Other imports of manmade-fiber sweaters are not eligible for preferential duty treatment other than that provided for garments from Israel and Canada, both small suppliers.³⁰

²⁷ Prior to the adoption of the HTS in 1989, some fine-knit sweaters, those having 12 stitches per inch (9.4 stitches per two centimeters) and certain other features, were classified as sweaters. These garments are believed to have accounted for a very small percentage of the total sweater imports during 1986-88.

²⁸ In addition, pursuant to the Omnibus Budget Reconciliation Act of 1986, a user fee is charged on most U.S. imports to cover the cost of the U.S. Customs Service's processing of imports. The user fee is currently 0.17 percent ad valorem.

²⁹ See HTS subheading 9902.61.00.

³⁰ Preferential rates of duty in the special rates column of the HTS are indicated by "(IL)" for products from Israel under the United States-Israel Free Trade Area Implementation Act of 1985 and by "(CA)" for eligible products from Canada under the United States-Canada Free-Trade Agreement, as provided in general note 3(a) of the HTS.

Table 1

Sweaters wholly or in chief weight of manmade fibers: HTS subheadings, 1989 most-favored-nation (MFN) tariff rates, and U.S. imports from Hong Kong, Korea, and Taiwan, January-June 1989

HTS subheading	Description	January-June 1989 imports from--			1989 MFN tariff rate Percent ad valorem
		Hong Kong	Korea	Taiwan	
		-----1,000 dollars 1/-----			
	<u>Men's or boys' sweaters:</u>				
	Imported as parts of ensembles:				
6103.23.0070	Of synthetic fibers...	0	0	0	2/
6103.29.1040	Of artificial fibers..	0	0	0	2/
6103.29.2062	Of other textile materials, subject to manmade fiber restraints.....	0	0	0	2/
	Other, of manmade fibers:				
6110.30.1010	Containing 25 percent or more by weight of leather.....	0	49	37	6.0
6110.30.2010	Containing 30 percent or more by weight of silk or silk waste..	0	0	25	6.3
	Other:				
6110.30.3010	Men's.....	5,453	61,523	18,733	34.2
6110.30.3015	Boys'.....	1,055	7,648	5,709	34.2
6110.90.0014	Other, of other materials, subject to manmade fiber restraints.	43	0	0	6.0
	Total or average..	6,551	69,220	24,504	34.2

Footnotes appear at end of table.

Table 1--Continued

Sweaters wholly or in chief weight of manmade fibers: HTS subheadings, 1989 MFN tariff rates, and U.S. imports from Hong Kong, Korea, and Taiwan, January-June 1989

		January-June 1989			
HTS		<u>imports from--</u>			1989 MFN
<u>subheading</u>	<u>Description</u>	<u>Hong Kong</u>	<u>Korea</u>	<u>Taiwan</u>	<u>tariff rate</u>
					<u>Percent ad</u>
		<u>-----1,000 dollars 1/-----</u>			<u>valorem</u>
	<u>Women's or girls' sweaters:</u>				
	, Imported as parts of ensembles:				
6104.23.0040	Of synthetic fibers...	23	0	101	2/
6104.29.1060	Of artificial fibers..	0	0	0	2/
6104.29.2060	Of other textile materials, subject to manmade fiber restraints.....	0	0	0	2/
	Other, of manmade fibers:				
6110.30.1020	Containing 25 percent or more by weight of leather.....	1	111	109	6.0
6110.30.2020	Containing 30 percent or more by weight of silk or silk waste..	36	21	19	6.3
	Other:				
6110.30.3020	Women's.....	29,060	68,976	86,155	34.2
6110.30.3025	Girls'.....	468	2,167	3,111	34.2
6110.90.0030	Other, of other materials, subject to manmade fiber restraints.	89	0	0	6.0
	Total or average..	29,677	71,275	89,495	34.1

1/ Customs value.

2/ The tariff rate for items imported as parts of ensembles is the rate applicable to each garment in the ensemble if separately entered.

Note: In addition to the HTS subheadings shown above, there are as many as 26 HTS subheadings under which fine-knit sweaters and fine-knit sweater-vests may be entered. Imports under these additional subheadings, however, include very substantial imports of knit shirts and other items not included in the scope of these investigations.

Source: Harmonized Tariff Schedule of the United States (USITC Publication 2030, as supplemented) and official statistics of the U.S. Department of Commerce.

Quota restrictions

U.S. imports of sweaters wholly or in chief weight of manmade fibers are subject to restraint under the Multifiber Arrangement (MFA). ³¹ The MFA covers trade in textiles and apparel of cotton, wool, manmade fibers, and, since August 1, 1986, other vegetable fibers, such as linen and ramie, and silk blends. 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. During 1988, the United States had bilateral import restraint agreements with 43 countries, including Hong Kong, Korea, and Taiwan, as well as with other major suppliers.

The current bilateral agreements with both Korea and Taiwan, which took effect January 1, 1986, expire this year, on December 31, 1989. Both agreements are in the process of being renegotiated. The current bilateral agreement with Hong Kong also took effect on January 1, 1986, but expires 2 years later, on December 31, 1991. All three agreements have specific limits, or quantitative quotas, on manmade-fiber sweaters (quota categories 645/646), and on knit shirts and blouses (quota categories 638/639) (which include fine-knit sweaters). The individual categories are also part of product groups which have aggregate restrictions. Product group or aggregate limits are restricted to an annual growth of 1 percent, by quantity. Import quotas on individual product categories can be increased within certain guidelines through the use of flexibility provisions in the agreements. ³²

These specific limits can also be adjusted in other ways. An agreement between the United States and Korea, which shifts a portion of quota allotment from category 846 (silk blend sweaters) to category 645/646 (manmade-fiber sweaters), became effective on October 13, 1989. The "special shift" was granted by the United States, as part of overall negotiations in December 1987, in order to compensate for the possible migration in trade between quota categories for certain sweaters of tri-fiber blends when the HTS was adopted on January 1, 1989. The shift amounts to a 13-percent increase over the original 1989 quota level for manmade-fiber sweaters from Korea for the 1989 quota year.

During 1986-88 most of the quotas on imports from Hong Kong, Korea, and Taiwan, on the product categories under investigation, were filled, as seen in the following tabulation compiled from the U.S. Department of Commerce, Office

³¹ 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.

³² Flexibility includes (1) "swing" or shifting unused quota from one category to another, (2) "carryover" of unused quota for the same category from the previous year, and (3) "carryforward" or borrowing quota from the next-year limit for the same category. A specific limit may not be increased by more than 5 to 7 percent with swing, or not at all in the case of manmade-fiber sweaters from Taiwan and Hong Kong. Carryforward and carryover for sweaters and knit shirts are restricted to a maximum of 2 percent of which carryover can not represent more than 1 percent of the total.

of Textiles and Apparel, Performance Report: Textile and Apparel Bilateral Agreements and Unilateral Import Restraints:

<u>Item/country</u>	<u>Final adjusted</u>	<u>Percentage filled</u>		
	<u>quota level, 1988</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
	<u>(1,000 dozen)</u>			
Manmade-fiber sweaters, category 645/646:				
Hong Kong.....	1,250,499	102.2	100.5	97.8
Korea.....	3,646,885	97.9	99.5	96.4
Taiwan.....	4,106,025	98.0	98.9	79.1
Manmade-fiber fine-knit sweaters and knit shirts, category 638/639:				
Hong Kong.....	4,311,056	102.0	100.0	98.7
Korea.....	5,611,915	99.6	98.1	90.7
Taiwan:				
Men's and boys'.....	1,865,946	102.1	98.7	86.2
Women's and girls'.....	4,974,617	40.6	98.6	92.5

The effect of quotas

The petition states that the annual entitlements or allocations of U.S. quota by the governments of the exporting countries to their local sweater manufacturers are of a "use-or-lose" nature. They claim that although the effect of this system may be somewhat modified in Hong Kong by the open market in quota rights there, the main effect of the allocation policy in the three countries is to encourage manufacturers to fill their quota allotments, notwithstanding poor market conditions in the United States, by reducing prices. According to the petitioner, this policy enables exporting manufacturers to retain their U.S. quota allotments for later years when market conditions and prices might improve.³³ Petitioner claims that the net effect of the policy is for the three countries to have a steady level of exports to a declining U.S. market, thereby taking market share and sales from U.S. domestic producers.³⁴

Witnesses in opposition to the petition argued that manufacturers in Hong Kong, Korea, and Taiwan are "price-takers" in the U.S. market. They stated that changes in production costs would not be reflected in the price of the exported product because, in the presence of binding quotas, the volume of exports to the United States could not be increased to meet any increase in demand.³⁵

³³ Petition, pp. 26-28, amendment to the petition, exhibit I, p. 61; transcript, pp. 45-47.

³⁴ Transcript, p. 193.

³⁵ Ibid, pp. 124-127.

Nature and Extent of the Alleged Sales at LTFV

In order to obtain estimated dumping margins for sweaters of manmade fibers imported from Hong Kong, Korea, and Taiwan, the petitioner compared the United States price of the sweaters with their foreign market value. The petitioner developed alternative margin estimates for each country, depending on whether foreign market value was based on home-market prices, prices to third countries, or constructed value.

Hong Kong

As Hong Kong produces manmade-fiber sweaters almost entirely for export, the petitioner did not develop margin estimates based on home-market prices. Rather, the petitioner based foreign market value on prices to third countries, specifically the average export price to all non-Communist countries (other than the United States) during January-April 1989.³⁶ U.S. price was based on monthly data on export prices from the Hong Kong Census and Statistical Department. These data, according to the petitioner, were essentially equivalent to official U.S. import data for the same January-April period. Based on this comparison, the petitioner found margins of between 24.6 and 29.2 percent.

The petitioner also developed margins basing foreign market value on constructed value. Production cost estimates were developed for four specific manmade-fiber sweater types. Components of these estimates included costs of material (including yarn), fabrication, quota cost, selling, general, and administrative expenses, and profit. After adjusting for weight differences, these production cost estimates were compared with U.S. census f.o.b. values for the principal HTS items under which such sweaters are entered, namely HTS Nos. 6110.30.30.10 and 6110.30.30.20. Based on this comparison, the petitioner found margins of 33.1 to 115.2 percent.

Korea

The petitioner developed margin estimates for Korea based on all three measures of foreign market value. By means of a special market research study, the petitioner obtained information on the home-market prices of four sample manmade-fiber sweater types. The petitioner compared the average "manufacturer's prices" of these sweaters (net of discounts and taxes) to the average U.S. import prices for January-June 1989, based on Census data. In this way, margins ranging from 13.2 to 53.6 percent were calculated.

In order to calculate LTFV margins based on third-country sales prices, the petitioner compared Korean export prices to the United States with Korean export prices to Japan (Korea's largest export market other than the United States) for the period January-March 1989. These data were obtained from the Office of Customs Administration, Republic of Korea. In this manner, the petitioner calculated margins ranging from 33.5 to 69.1 percent. Constructed value was calculated using the same methodology as that for Hong Kong. A

³⁶ The petitioner did not use prices to the United Kingdom, Hong Kong's largest export market after the United States, due to concern that prices may have been affected by related-party transactions.

comparison of the Korean production cost estimates with U.S. import data yielded margins of 51.1 to 94.4 percent.

Taiwan

The petitioner computed margins for Taiwan based alternatively on third-country prices and constructed value. As with Korea, Japan is Taiwan's largest export market after the United States. Accordingly, foreign market value was based on the average export prices of manmade-fiber sweaters to Japan, as obtained from the Taiwan Inspectorate General of Customs, Statistical Department, for January-April 1989. When these prices were compared with import data for HTS Nos. 6110.30.30.10 and 6110.30.30.20, the petitioner found margins of 63.0 to 190.6 percent. When foreign market value was based on constructed value, using a methodology identical to that employed for Hong Kong and Korea, petitioner found margins of 44.2 to 135.5 percent.

The U.S. Market

Apparent U.S. consumption

Because of the limited response from U.S. producers and importers of sweaters, ³⁷ apparent U.S. consumption is presented using the quantity and value of U.S. production of all sweaters (table 2) and manmade-fiber sweaters (table 3), as published by the U.S. Census Bureau in its Current Business Reports, ³⁸ and the quantity and value of imports of all sweaters, and manmade-fiber sweaters, for the HTS and TSUS numbers under which such merchandise was imported during the period of investigation. Census data on production value are available only for the aggregate category of all sweaters; accordingly, for manmade-fiber sweaters, consumption data are presented only in terms of quantity. In addition, Census data are unavailable on an interim (i.e., January-June) basis.

All sweaters.--In terms of quantity, apparent U.S. sweater consumption decreased moderately, by 10 percent, from 1986 to 1987 but then suffered a sharper decline in 1988, falling to less than three-quarters of its 1986 level. Trends in overall consumption levels were mirrored by those of U.S. imports; U.S. production also fell steadily throughout the period. In terms

³⁷ As noted in the section entitled "Consideration of Alleged Injury to an Industry in the United States," coverage is estimated to be 13.6 percent for manmade-fiber sweaters, and 14.2 percent for all sweaters, based on 1988 data.

³⁸ For 1988, a number of establishments were added to the annual survey conducted by the Bureau of the Census. These establishments were identified as a result of the 1987 Census of Manufacturers and most began operating after the 1982 Census. For 1988, these firms were asked to provide production by product but not by fiber detail. Census did not adjust the data for product level detail for 1986-87 or for fiber level detail for 1986-88 to account for the additions to the survey. Accordingly, staff made adjustments based on the portion of 1988 value and quantity of production accounted for by these establishments, based on data provided to the Commission by the Bureau of the Census. 1986 adjustments were based on a prorated percentage of the 1988 increases (80 percent). Adjusted data for manmade-fiber sweater production may be somewhat understated as no estimates were made to account for production not reported by fiber for firms in the original survey base.

of value, a slightly different pattern is evidenced; the value of apparent U.S. sweater consumption rose from 1986 to 1987, then fell in 1988. 1988 levels, however, were below those of 1986. Again, both U.S. imports and U.S. production showed the same pattern as overall apparent consumption during 1986-88.

Table 2

Sweaters: U.S. production, imports, and apparent U.S. consumption, 1986-88

Item	1986	1987	1988
<u>Quantity (1,000 dozen)</u>			
U.S. production.....	12,320	10,725	9,325
Imports.....	29,827	27,307	21,356
Apparent consumption.....	42,147	38,032	30,681
<u>As a share of the quantity of apparent U.S. consumption (percent)</u>			
U.S. production.....	29.2	28.2	30.4
Imports.....	70.8	71.8	69.6
Apparent consumption.....	100.0	100.0	100.0
<u>Value (1,000 dollars)</u>			
U.S. production.....	1,226,100	1,302,900	1,127,600
Imports.....	3,183,207	3,326,180	2,772,156
Apparent consumption.....	4,409,307	4,629,080	3,899,756
<u>As a share of the value of apparent U.S. consumption (percent)</u>			
U.S. production.....	27.8	28.1	28.9
Imports.....	72.2	71.9	71.1
Apparent consumption.....	100.0	100.0	100.0

Source: U.S. production: Bureau of the Census, Current Business Reports: Apparel 1988, October 1989, as adjusted by staff, based on information made available to the Commission by the Industry Division, Bureau of the Census; Imports: Official statistics of the U.S. Department of Commerce.

Sweaters of manmade fibers.--Apparent U.S. consumption of sweaters of manmade fibers decreased steadily from 1986 to 1988; the overall decline for the period was 22 percent. From 1986 to 1987, U.S. production declined at a faster rate than U.S. imports; however, both indicators declined by approximately 14 percent from 1987 to 1988. Despite their overall decline, imports increased their share of the U.S. market throughout the period, holding almost 70 percent of the market by 1988.

Estimates of apparent U.S. consumption of manmade-fiber sweaters, other sweaters, and all sweaters, based on data received in response to Commission questionnaires, are presented in appendix C.

Table 3

Sweaters of manmade fibers: U.S. production, imports, and apparent U.S. consumption, 1986-88

Item	1986	1987	1988
	<u>Quantity (1,000 dozen)</u>		
U.S. production.....	6,976	5,517	4,745
Imports.....	12,995	12,413	10,753
Apparent consumption.....	19,971	17,930	15,498
	<u>As a share of the quantity of apparent U.S. consumption (percent)</u>		
U.S. production.....	34.9	30.8	30.6
Imports.....	65.1	69.2	69.4
Apparent consumption.....	100.0	100.0	100.0

Source: U.S. production: Bureau of the Census, Current Business Reports: Apparel 1988, published October 1989, as adjusted by Commission staff, based on information made available to the Commission by the Industry Division, Bureau of the Census; Imports: Official statistics of the U.S. Department of Commerce.

The petition estimates the size of the manmade-fiber sweater market as 18.3 million dozen in 1986, 16.8 million dozen in 1987, and 13.9 million dozen in 1988. Based on the petitioner's data, U.S. producers have been taking a declining share of a declining market since 1986.³⁹ Parties to these investigations, however, have generally characterized the long-term trend in the manmade-fiber sweater market as fairly flat.⁴⁰ Moreover, although domestic industry witnesses acknowledged at the conference that there is a trend in the market towards natural-fiber sweaters such as cotton sweaters, they alleged that manmade-fiber sweaters still dominate the market.⁴¹ Respondents charged, on the other hand, that one explanation for the perceived declining nature of the manmade-fiber sweater market is a shift in consumer preference towards sweaters made of natural fibers.⁴²

East Asian producers, notably those in Hong Kong, Korea, and Taiwan, have historically dominated not only the U.S. market, but the world market as well. Parties have depicted the industries in those countries as similar to the U.S. industry in that they are made up of hundreds of small firms. Notwithstanding the small size of many of the sweater producers in those countries, however, East Asian companies are apparently the only world producers that concentrate on serving export markets. U.S. manufacturers, on the other hand, as seen in the section of this report entitled "U.S. producers' shipments," have to date not generally produced for export.

³⁹ See petition, appendices 27 and 28.

⁴⁰ Transcript, p. 23.

⁴¹ Transcript, p. 23.

⁴² See, e.g., Taiwan respondents' postconference brief, p. 23.

U.S. producers

Although staff is unaware of any official published listing of U.S. sweater manufacturers, there are believed to be hundreds of domestic firms currently producing sweaters.

The proportion of the universe of sweater manufacturers represented by the petitioner, the National Knitwear and Sportswear Association, is unknown.⁴³ The petitioner did provide, however, a listing of approximately 200 firms which it believed to have produced sweaters during the period of investigation. This was combined with a list of 300 firms purchased from a marketing research company, TRINET, which yielded an additional 70 sweater producers. These firms were then divided into three groups depending on firm size. From these groups, staff sent questionnaires to all 68 companies classified in the "large" segment, and to approximately 50 percent of the firms classified in the "medium" and "small" segments.⁴⁴ In all, staff sent 150 questionnaires to producers known to produce or suspected of producing manmade-fiber sweaters, sweaters of other fibers, infants' sweaters, or blended manmade-fiber sweaters containing 23 percent or more of wool.

Of the 150 questionnaire recipients, only 36 provided timely responses.⁴⁵ Nineteen firms reported that they did not produce either manmade-fiber sweaters, sweaters of other fibers, or infants' or blended manmade-fiber sweaters during the period of investigation. Only 17 firms provided data, 16 of which are members of the petitioning organization. Thirteen of the 17 companies providing data stated support for the petition; 4 took no position, 1 of which was not a member of the petitioner. Fifteen of the 17 companies providing data reported production of manmade-fiber sweaters; 12 reported production of sweaters of other fibers. With regard to production of sweaters of other fibers, no information was received on U.S. production of silk and ramie sweaters; such production is believed to be negligible or non-existent.⁴⁶

Most sweater-manufacturing firms are very small contractors whose activities are limited to producing sweaters from yarn provided by larger sweater manufacturers. These larger manufacturers ("manufacturer/sellers") both produce and market the sweaters themselves. The 17 firms providing data were fairly evenly divided between manufacturers and contractors.⁴⁷ Even from the limited data sample available to staff, it was clear that it was the larger firms almost exclusively that tended to produce both types of sweaters, whereas the smaller contractors tended to specialize in production of one type or another.

⁴³ As of Oct. 13, 1989, the National Knitwear and Sportswear Association consists of 243 "regular" members. Petitioner indicated that 48 of these companies either specialize in products other than manmade-fiber sweaters, such as natural-fiber sweaters, knit shirts, or headwear, or provide fashion or design services to the industry. See letter from Seth M. Bodner to Kenneth R. Mason, Oct. 17, 1989.

⁴⁴ Firms were chosen from these segments on a random basis.

⁴⁵ Accordingly, 114 companies, or 76 percent of the firms receiving questionnaires, failed to respond to the producers' questionnaire.

⁴⁶ Transcript, p. 72.

⁴⁷ Of these 17, 15 of 16 firms reporting production of sweaters reported production of manmade-fiber sweaters.

The two largest manufacturer/sellers providing data to the Commission are * * *. * * *, a * * *, produces * * * in its * * * plant. ⁴⁸ * * * makes up * * * percent, by quantity, of reported 1988 domestic shipments of manmade-fiber sweaters. * * *, the * * * firm providing data to the Commission, produces * * * in * * * plants located in * * *. ⁴⁹ * * * has an * * * in * * *. * * * accounts for * * * percent, by quantity, of reported 1988 domestic shipments of manmade-fiber sweaters.

Manufacturer/sellers and contractors differ in several important respects. The market radius served by manufacturer/sellers is primarily national in scope, whereas contractors tend to produce for manufacturer/sellers in their immediate geographical area. ⁵⁰ In addition, manufacturer/sellers that do produce generally handle ancillary production steps such as finishing, washing, and dyeing themselves; contractors are usually forced to subcontract out these processes. ⁵¹ The manufacturer/seller firms, however, are diverse in that many manufacturer/sellers do no production at all, but rely solely on contractors to produce for them, whereas others handle both production and marketing in-house. Both types of firms generally use the same types of machinery, such as flat-bed and circular knitting machines; responding firms did not report any plans to introduce new technology, expand facilities, or install new equipment in the foreseeable future.

Two domestic producers indicated that they imported sweaters during the period of investigation; one firm, * * *, reported that such imports consisted of * * * percent of its sales during 1988. Overall, however, industry representatives claimed that imports were more the exception than the rule for U.S. sweater producers. ⁵²

U.S. importers

Approximately 40 firms were named in the petition as importing manmade-fiber sweaters during the period of investigation. Based on a review of the Customs Net Import File, staff identified hundreds of firms importing under the TSUS and HTS numbers for sweaters of all types. From this group, and including the complete list identified in the petition, staff selected 140 firms to receive questionnaires covering their imports of manmade-fiber sweaters, sweaters of other fibers, infants' sweaters, and blended manmade-

⁴⁸ Approximately * * * percent of * * *'s sweater production * * *. * * * is primarily * * *.

⁴⁹ * * * noted * * *.

⁵⁰ Transcript, p. 79.

⁵¹ Transcript, p. 30. Larger manufacturer/sellers commonly bring all these processes under one roof, increasing the level of control over the entire process. One large firm commented that contractors are at a distinct disadvantage in this respect, particularly when trying to meet tight delivery schedules. Field visit with * * *, Oct. 5, 1989.

⁵² Transcript, p. 80.

fiber sweaters, 23 percent or more of wool.⁵³ Forty-three companies responded, 37 of which provided usable data on imports.⁵⁴ Thus, 97 companies, or 69 percent of those receiving the Commission's importers' questionnaire, did not respond.⁵⁵ Data received comprise 26 percent, by value, and 27 percent, by quantity, of 1988 official import statistics for manmade-fiber sweaters from Hong Kong, Korea, and Taiwan.

U.S. importers of sweaters basically fall into two categories: (1) middlemen or resellers, which buy the goods from foreign producer/exporters and then resell them, generally to retail outlets, and (2) large mass-market retail stores, which import the sweaters for their own account and ship the merchandise directly to their own company stores or to catalog outlets. The latter group includes virtually all the well-known chain and department store retailers, such as Sears Roebuck, J.C. Penney, Montgomery Ward, K-Mart, Zayre, etc. Of the first group, many responding companies indicated that they are subsidiaries of much larger companies, as seen in the tabulation below.

<u>Importer</u>	<u>Parent company</u>	<u>Percent ownership</u>
*	*	*

Two importers, both middlemen/resellers, indicated that they have either recently entered into or are planning joint production ventures. Since 1986, * * * has * * *. * * *, for its part, * * *.

Imports are generally well dispersed throughout the United States; many of the larger retail stores have separate buying units spread throughout the country that service local groups of stores. Parties at the conference testified that there is no great degree of concentration of imports in any particular region.⁵⁶

Channels of distribution

Sweaters of manmade and natural fibers are sold by U.S. producers and importers through the same channels of distribution: retailers, wholesalers, and outlet stores. The majority of sweaters are sold to retailers that include discount stores, department stores, and chain stores. Wholesalers are primarily firms that purchase specially designed sweaters for their private-label brands for resale to retailers.

Mail-order catalogs are also used to sell sweaters by both wholesalers and retailers. U.S. producers reported that they are selling more sweaters to these purchasers with catalogs primarily because the producers have an order

⁵³ In reviewing the Customs Net Import File, staff selected only companies making significant imports of sweaters, in particular, 10,000 dozen or more per quarter.

⁵⁴ Staff received information on imports of manmade-fiber sweaters, sweaters of other fibers, and blended manmade-fiber sweaters, but did not receive any information on imports of infants' sweaters.

⁵⁵ Non-responding firms believed to be major importers of sweaters include * * *.

⁵⁶ Transcript, p. 79.

lead time advantage over imported products. This enables these catalog houses to reduce the risk of being caught without merchandise or being unable to fill reorders quickly on popular merchandise.

U.S. producers and importers were requested to report the number of sweaters of manmade fibers that were shipped to retailers, wholesalers, and outlet stores during 1988. According to questionnaire responses, approximately 90 percent of manmade-fiber sweaters were shipped to retailers, 4 percent were shipped to wholesalers, and 6 percent were shipped to outlet stores.

Consideration of Alleged Injury to an Industry in the United States

The information in this section of the report is generally based on data received from responses to Commission questionnaires. With regard to U.S. production and shipments of manmade-fiber sweaters, the Commission received responses from 17 firms, accounting for 13.6 percent, by quantity, of 1988 production.⁵⁷ With regard to U.S. production and shipments of sweaters of other fibers, infants' sweaters, and manmade-fiber sweaters having 23 percent or more of wool, the Commission originally sent questionnaires to 150 firms that it had reason to believe may have produced one or more of these products during the period of investigation.⁵⁸ Of these companies, over 60 are companies identified by the petitioner as relatively large sweater producers, and 34 were firms estimated by the petitioner to account individually for 2 percent or more of domestic production during the period of investigation.⁵⁹

Because of the paucity of data from domestic producers regarding production, shipments, and employment levels, available public data is also presented regarding these indicators. No public data are available, however, regarding capacity and inventory levels; thus, information on these indicators is based on questionnaire data.

One reason for the lack of response on the part of domestic producers may be the extremely small size of many of the firms investigated, particularly the contractor segment of the industry. Many firms apparently do not keep the kind of financial and accounting records necessary to produce a quick response to a survey document such as the Commission's questionnaire.⁶⁰ A particular

⁵⁷ Based on U.S. Census Bureau, Current Business Reports: Apparel 1988, October 1989. Coverage is estimated to be similar for shipments; because inventory levels maintained by domestic producers are minimal, shipments closely paralleled production.

⁵⁸ Commission staff gathered information on these products because of the possibility that the Commission may want to include them in its definition of the domestic industry. Of producers reporting data, 12 reported production of sweaters of other fibers, and 2 reported production of blended manmade-fiber sweaters, 23 percent or more of wool. The Commission received no information on production of infants' sweaters.

⁵⁹ Of the firms believed to account for 2 percent or more of domestic production, only 10 firms responded to the Commission's questionnaire.

⁶⁰ It should be noted, however, that in these investigations, at petitioner's request, the questionnaire issued to domestic producers was simplified and shortened from the generic questionnaire normally issued to firms in

difficulty for such producers was the need to allocate data across sweaters of various fibers; many producers indicated that they could report data on "all sweaters," but had no way even of estimating the percentage allocable to sweaters of manmade fibers.⁶¹

U.S. production, capacity, and capacity utilization

During 1986-88, U.S. capacity to produce manmade-fiber sweaters, as reported by 14 producers, first fell considerably from 1986 to 1987, then recovered part of that loss in 1988, for an overall drop during the period of 6 percent (table 4). Capacity was unchanged in January-June 1989 when compared with the corresponding period of 1988. Production, on the other hand, declined steadily from 1986 to 1988, with the sharpest drop, of 23 percent, occurring between 1986 and 1987. Production rose in January-June 1989 when compared with that in January-June 1988. Capacity utilization declined by nearly 13 percentage points between 1986 and 1987, and registered a further fall, to a level of 59 percent, in 1988. This indicator rose in January-June 1989 when compared with that in January-June 1988, but even with the increase, was below the levels during 1986-88.

In contrast to U.S. capacity to produce manmade-fiber sweaters, capacity to manufacture sweaters of other fibers rose from 1986 to 1988, for an overall increase of 11 percent, before declining slightly when the January-June periods are compared. Production also generally increased during 1986-88 although, as with sweaters of manmade fibers, production fell from 1987 to 1988, constituting a decline of over 5 percent. The downward trend continued in the first 6 months of 1989, compared with that of the corresponding period of 1988. Capacity utilization rates for firms producing sweaters of other fibers were quite high throughout the period, but were substantially lower in both January-June 1988 and the corresponding months of 1989.

When viewed together, U.S. capacity to produce all types of sweaters demonstrated a generally flat trend during 1986-88, whereas production fell markedly, by 12 percent, during that period. Production rebounded slightly during January-June 1989, compared with that in the corresponding months of 1988, whereas capacity dropped slightly. Capacity utilization rates declined steadily from 1986 to 1988, reversing direction only in January-June 1989, when compared with those in the corresponding period of 1988.

⁶⁰ (...continued)

preliminary investigations. For example, the financial data requested was requested at a much more basic level of detail. Nor were data collected on domestic purchases or imports by U.S. producers.

⁶¹ E.g., conversation with * * *, Oct. 6, 1989.

Table 4

Sweaters: U.S. capacity, production, and capacity utilization, 1/ by products, 1986-88, January-June 1988, and January-June 1989

				<u>January-June--</u>	
<u>Item</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1988</u>	<u>1989</u>
	<u>End-of-period capacity (1,000 dozen)</u>				
Sweaters of manmade fibers...	1,286	1,198	1,211	594	594
Other sweaters.....	656	754	729	380	372
Total.....	1,942	1,952	1,940	974	966
	<u>Production (1,000 dozen)</u>				
Sweaters of manmade fibers...	871	670	645	179	206
Other sweaters.....	635	713	677	261	255
Total 2/.....	1,506	1,383	1,323	440	461
	<u>Capacity utilization 3/ (percent)</u>				
Sweaters of manmade fibers...	74.1	61.6	58.6	43.8	52.0
Other sweaters.....	93.6	92.3	91.3	76.7	77.0
Average.....	86.5	79.0	76.0	63.1	66.9

1/ 14 firms reporting for sweaters of manmade fibers; 9 firms reporting for sweaters of other fiber.

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

3/ Computed from responses of firms providing both capacity and production.

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

Capacity figures were reported differently, depending on whether they concerned producers' cutting and sewing operations or their knitting operations. The latter processes usually occurred 24 hours a day, 5 days a week, for a 120-hour workweek. ⁶² The former operations, far more labor-intensive, were conducted on a 40- to 48-hour workweek basis. Virtually all firms reporting data indicated that they operate 48 to 50 weeks a year.

⁶² Contractors were less likely to operate their knitting facilities continuously.

According to the Bureau of the Census, Current Business Reports: Apparel 1988, published October 1989 (as adjusted by Commission staff, based on information made available to the Commission by the Industry Division, Bureau of the Census), official statistics on the production of manmade-fiber sweaters and all sweaters, for 1986-88, are presented in the following tabulation (in thousands of dozens):

<u>Product</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Manmade-fiber sweaters.....	6,976	5,517	4,745
All sweaters.....	12,320	10,725	9,325

Four firms reported that they produce sweaters other than manmade-fiber sweaters on the same machinery. Three of these firms were relatively large manufacturer/sellers. Two of the smaller contractors, * * *, reported that they produce other apparel products in the same facilities, such as cotton dresses and skirts, and acrylic and wool scarves.

Parties to these investigations generally agree that manmade-fiber sweaters and sweaters of other fibers can be produced on the same machinery. Petitioners argued, however, that for natural fibers such as cotton, additional processing equipment is needed in order to complete the finished garment, such as washers, dryers, and pressers.⁶³ Although production can be shifted from fiber to fiber, petitioners stressed that such shifting is done only in response to seasonal demand, and not on a day-to-day basis.⁶⁴

There apparently are no constraints on operation due to availability either of manmade-fiber, cotton, or wool yarn. Prices of manmade-fiber yarn were generally characterized as flat throughout the period of investigation, with a recent small rise.⁶⁵ Cotton yarn prices, on the other hand, were depicted as volatile, and suppliers less reliable than the large multinational firms that produce manmade fiber.⁶⁶ U.S. producers' procurement of both manmade and natural fiber is done almost exclusively domestically. Nor do there appear to be any constraints on operations due to availability of labor. Domestic producers acknowledged that the level of skill necessary for most workers in plants producing sweaters is relatively low, and the degree of training necessary for cutters and sewers is minimal.⁶⁷

⁶³ Conference testimony of Ivan Gordon, President, Gloray Knitting Mills; transcript, p. 17.

⁶⁴ Transcript, pp. 66-67.

⁶⁵ Manmade acrylic fiber was described as a worldwide fungible commodity, with the market dominated by U.S. and Japanese producers. However, importers alleged that the quality of the Japanese yarn is superior; transcript, pp. 148, 152. Furthermore, some domestic producers have alleged that there is currently a shortage of domestically produced acrylic yarn, and that such shortages have contributed to a glut of imported acrylic sweaters on the market. Conversation with * * *, Oct. 3, 1989.

⁶⁶ Domestic industry witnesses testified at the conference that further sharp cotton price rises are expected in the aftermath of Hurricane Hugo. Transcript, p. 72.

⁶⁷ Transcript, p. 74. Importers also indicated to staff that, in their view, there is no current shortage of knitters and sewers. See conversation with * * *, Oct. 2, 1989.

One of the striking aspects of the sweater-producing industry is that no matter how small or unsophisticated the operation, computer-aided design (CAD) is almost invariably used in production planning. Some of the larger manufacturer/sellers have their own design departments which develop programs for the knitting machinery.⁶⁸ Designs are put onto computer tape, which is either manually carried to the knitting machinery or transmitted electronically. Even the smaller contractors use CAD, although they usually work with designs sent in by larger manufacturer/sellers.

Plant closings.--Exhibit 30 of the petition alleges that 94 manmade-fiber sweater manufacturers closed production facilities during the period of investigation. Staff was able to confirm one plant closing; in May 1989, * * *, closed its factory.⁶⁹ * * * ceased operations allegedly because of poor cash flow and its inability to meet expenses; in addition, high labor costs were cited. On the other hand, * * *.⁷⁰

At the Commission's conference, respondents disputed whether a number of the firms had indeed closed their facilities or had terminated their production of manmade-fiber sweaters owing to imports. In its postconference brief, counsel representing certain Korean exporters provided affidavits of associates and in-house consultants regarding attempts to contact 89 of the 94 firms. For 55 of the 89 firms, no telephone listings or other information was obtained. Ten firms were found to have closed down, and 3 firms indicated that they never manufactured sweaters.⁷¹ Five firms stated that they still produce sweaters of manmade fibers. One firm indicated that it produced manmade-fiber sweaters in the past, but now produces children's outerwear. Finally, one firm indicated that it no longer produces manmade-fiber sweaters, but now imports sweaters. The remaining firms either did not respond or provided a variety of other answers.⁷²

⁶⁸ Field visits with * * *, Oct. 5, 1989.

⁶⁹ The company provided limited data in response to the Commission's questionnaire; no data on the capacity and production of the closed plant were received.

⁷⁰ Respondents alleged that information on departures from the industry is of no value unless netted against new entrants to the industry.

⁷¹ It is unknown whether any of the 10 closed firms ever produced manmade-fiber sweaters.

⁷² A member of the Commission staff contacted 15 of the 89 firms and found the affidavits' descriptions concerning those firms to be accurate except in one instance, * * *.

U.S. producers' domestic shipments and company transfers

Because U.S. producers of sweaters generally do not keep large inventories, company shipments closely parallel production levels. Moreover, all shipments reported were U.S. shipments; i.e., no export shipments were reported. In general, the majority of shipments reported were arm's-length domestic shipments. * * *, both producers of manmade-fiber sweaters, reported small quantities of internal company transfers.

Of the 16 firms providing data on shipments, 12 reported shipments of sweaters of other fibers, and 2 reported shipments of blended manmade-fiber sweaters, 23 percent or more of wool. The Commission received no data on shipments of infants' sweaters.

Of firms providing data on shipments of sweaters, seven were contractors and nine were manufacturer/sellers.⁷³ Shipment values were considerably lower for the former category than for the latter; this understatement is due primarily to the fact that contractors charge only for the labor component of the production process.⁷⁴

Sweaters of manmade fibers.--The quantity of U.S. shipments of manmade-fiber sweaters fell steadily from 1986 to 1988, demonstrating an overall decline of 24 percent (table 5). Shipments continued their decline in January-June 1989 when compared with those in the corresponding period of 1988.⁷⁵ When viewed in terms of value, the data show a similar trend, with the 1986-88 decline slightly more severe in percentage terms. Unit values were remarkably consistent throughout the period of investigation, hovering at around * * * per dozen sweaters, with only small declines throughout the period of investigation.

⁷³ Two of these firms operated both as manufacturer/sellers and as contractors.

⁷⁴ Contractors were requested to provide shipment value as the amount they were paid by manufacturer/sellers for the work performed. Shipment values for manufacturer/sellers, on the other hand, reflect the total value of the products sold.

⁷⁵ Caution should be exercised in attempting to extrapolate the 6-month data in order to develop a trend for full-year 1989. Parties noted that most sales are made in the latter six months of the year during the peak fall and Christmas selling seasons. Accordingly, for example, calendar year 1989 shipments of manmade-fiber sweaters are likely to be substantially higher than the approximately 600,000 dozen which would be obtained from a straight extrapolation of the interim period data.

Table 5

Sweaters of manmade fibers: U.S. shipments of U.S. producers, 1/ by types, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 dozen)					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
Total, U.S. shipments..	1,304	994	990	318	282
Value (1,000 dollars)					
Company transfers.....	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>
Domestic shipments.....	***	***	***	***	***
Total, U.S. shipments..	110,466	82,632	79,277	28,832	23,448
Unit value (per dozen) 2/					
Company transfers.....	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>
Domestic shipments.....	\$***	\$***	\$***	\$***	\$***
Average, U.S. shipments	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>

1/ 15 firms reporting.

2/ Computed from data of firms providing data on both quantity and value of shipments.

3/ Value of company transfers not available; therefore, unit values could not be calculated.

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

Sweaters of other fibers.--As seen in table 6, both the quantity and value of U.S. shipments of sweaters of other fibers exhibited marked increases throughout 1986-88, with quantities increasing 9 percent and values surging 38 percent, respectively. Increases in these indicators continued in January-June 1989 compared with those in January-June 1988. Unit values, unlike those of shipments of manmade-fiber sweaters, increased strongly from 1986 to 1988; they remained unchanged when the January-June periods are compared.

Table 6

Sweaters of other fibers: U.S. shipments of U.S. producers, 1/ by types, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
	Quantity (1,000 dozen)				
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
Total, U.S. shipments..	909	975	988	306	316
	Value (1,000 dollars)				
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
Total, U.S. shipments..	92,702	115,920	127,507	36,576	37,546
	Unit value (per dozen) 2/				
Company transfers.....	\$***	\$***	\$***	\$***	\$***
Domestic shipments.....	***	***	***	***	***
Average, U.S. shipments	115	121	134	124	124

1/ 12 producers reporting.

2/ Computed from data of firms providing data on both quantity and value of shipments.

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

All sweaters.--The quantity of U.S. shipments of both manmade-fiber sweaters and sweaters of other fibers, when viewed together, fell overall from 1986 to 1988, as the decline in shipments of manmade-fiber sweaters outweighed the rise in shipments of sweaters of other fibers (table 7). The decline over the three-year period amounted to 11 percent. Shipment quantities continued to fall, by 4 percent, in January-June 1989 compared with those in the corresponding period of 1988. Trends in the value of shipments of all sweaters, however, were erratic, first falling from 1986 to 1987, then rebounding in 1988 to a level nearly 2 percent above that of 1986. As with quantity, shipment value declined in January-June 1989 compared with that in January-June 1988. Unit values rose steadily during the period of investigation.

Table 7

Sweaters: U.S. shipments of U.S. producers, 1/ by types, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 dozen)					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
Total, U.S. shipments..	2,213	1,969	1,979	625	597
Value (1,000 dollars)					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
Total, U.S. shipments..	203,168	198,552	206,784	65,408	60,994
Unit value (per dozen) 2/					
Company transfers.....	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>
Domestic shipments.....	\$***	\$***	\$***	\$***	\$***
Average, U.S. shipments	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>

1/ 16 firms reporting.

2/ Computed from data of firms providing data on both quantity and value of shipments.

3/ Value of company transfers of manmade-fiber sweaters not available; therefore, unit values could not be calculated.

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

Available public data on U.S. shipments of sweaters are limited to data concerning the value of U.S. production. As inventories are relatively insignificant in relation to shipment levels, however, production value can serve as a proxy for shipment value. The value of U.S. production of sweaters, as derived from data supplied by the Bureau of the Census, U.S. Department of Commerce, amounted to \$1.23 billion in 1986, \$1.30 billion in 1987, and \$1.13 billion in 1988; data are not available for the January-June 1988 and 1989 periods.

U.S. producers' inventories

Inventory data were provided by 9 of the 16 firms reporting production of sweaters during the period of investigation (table 8). ⁷⁶ In general, trends in the end-of-period inventories of producers of manmade-fiber sweaters and producers of sweaters of other fibers moved in parallel directions throughout the period of investigation. For those firms producing sweaters of manmade fiber, inventories fell from 1986 to 1987, by 16 percent, before moving upward in 1988, to a level 6 percent higher than inventories in 1986. Conversely, inventories held by producers of sweaters of other fibers rose substantially by 61 percent over the same period. A general increasing trend in inventory levels is evidenced for all sweater producers as well; inventories rose 29 percent from 1986 to 1988.

Table 8

Sweaters: U.S. producers' end-of-period inventories, by products, as of Dec. 31 of 1986-88, and as of June 30 of 1988 and 1989 ^{1/}

Item	As of Dec. 31--			As of June 30--	
	1986	1987	1988	1988	1989
End-of-period inventories (1,000 dozen)					
Sweaters of manmade fibers..	79	66	84	128	148
Other sweaters.....	56	77	90	96	116
Total ^{2/}	135	142	174	224	264
Ratio to U.S. shipments (percent) ^{3/}					
Sweaters of manmade fibers..	8.2	9.0	10.4	^{4/} 30.2	^{4/} 38.0
Other sweaters.....	9.2	11.2	12.0	^{4/} 22.4	^{4/} 25.8
Average.....	8.6	10.1	11.2	^{4/} 26.3	^{4/} 31.6

^{1/} 9 firms reporting.

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

^{3/} Ratios are based on data supplied by firms that reported both inventory and shipments information.

^{4/} Based on annualized shipments.

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

Ratios of inventories to shipments for producers of manmade-fiber sweaters moved upward only slightly throughout the period, reaching a calendar-year high of 10.4 percent in 1988. As can be seen from the table, ratios of inventories to preceding-period shipments are generally not large. ⁷⁷ Domestic producers acknowledged at the conference that inventories

⁷⁶ Public data on U.S. producers' inventories of sweaters are unavailable.

⁷⁷ The higher percentage of inventories to shipments seen in the interim periods is accounted for by the fact that end-of-June inventories are seasonal in nature; inventories are generally held at that time of the year for the peak fall selling season. On the other hand, end-of-December inventories are

are kept, but stressed that they are generally not carried over from year to year, or even from season to season. Moreover, the propensity to keep sweaters in stock tends to vary by size of firm; smaller contractors, for instance, almost exclusively tend to produce to specific orders from manufacturers or jobbers, whereas larger manufacturer/sellers carry inventory throughout the year in order to be responsive to customer orders.

Parties testified at the conference that the domestic industry has a distinct advantage over imports in that it can provide much quicker delivery.⁷⁸ In general, domestic producers can fill an order of sweaters in 8 to 12 weeks.⁷⁹ Domestic producers were also alleged to have an advantage in that with such producers, the customer does not need to issue a letter of credit before the goods are delivered.⁸⁰

Interested parties also commented at the conference that there was a difference in the maintenance of inventories between manmade-fiber sweater producers and producers of other types of sweaters in that, because manmade-fiber sweaters are sold in much larger orders, inventories are kept year-round despite the seasonality of the market.⁸¹ As seen from the table, however, there does not appear to be a significant difference in the ratios of inventories to shipments between the various sweater fibers.

U.S. employment, wages, and productivity

Sweaters of manmade fibers.--Of the 15 firms providing data on production of manmade-fiber sweaters in response to the Commission's questionnaire, 12 provided usable data on employment (table 9).⁸² These data consist of the number of production and related workers engaged in production of such sweaters, the total hours worked by such workers, and the wages and total compensation paid to such workers during the period of investigation. For these producers, during the 1986-88 period all four of the indicators demonstrated overall declines, generally dropping off sharply between 1986 and 1987, then recovering in 1988, but to levels below those of 1986. These declines ranged from 13 to 18 percent. During January-June 1989, compared with the corresponding period of 1988, all four indicators increased markedly, with wage levels rising 8 percent, for example.

⁷⁷ (...continued)

much lower because by that time, the fall and Christmas selling seasons have passed.

⁷⁸ Domestic industry representatives noted at the conference, however, that such advantages also carry certain risks. On orders requiring quick turnaround time, there is a risk that the customers will eventually mark the merchandise down severely if delivery schedules are not met. Such risks are generally not faced by importers, who are afforded much longer lead times. Transcript, p. 25.

⁷⁹ Transcript, p. 107. * * *, a large manufacturer/seller, claimed that it could fill a typical order in as little time as five to six weeks. Field visit with * * *, Oct. 5, 1989.

⁸⁰ Transcript, p. 37.

⁸¹ Transcript, p. 35. Domestic producers testified that inventories are also kept simply in order to keep the automated knitting machines running.

⁸² These firms accounted for 95 percent of reported 1988 production.

Table 9

Total establishment employment and average number of production and related workers producing sweaters, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1986-88, January-June 1988, and January-June 1989 3/

Item	1986	1987	1988	January-June--	
				1988	1989
Total number of employees in establishments.....	3,876	3,812	3,834	3,693	3,829
<u>Number of production and related workers (PRWs)</u>					
Sweaters of manmade fibers...	2,065	1,659	1,686	1,387	1,480
Other sweaters.....	1,320	1,637	1,603	1,364	1,343
Total.....	3,385	3,296	3,289	2,751	2,823
All products of establishments.....	3,605	3,546	3,559	3,418	3,551
<u>Hours worked by PRWs (thousands)</u>					
Sweaters of manmade fibers...	3,576	2,880	3,100	1,332	1,397
Other sweaters.....	2,631	3,289	3,316	1,522	1,549
Total.....	6,207	6,169	6,416	2,854	2,946
All products of establishments.....	6,207	6,169	6,416	3,298	3,531
<u>Wages paid to PRWs (1,000 dollars)</u>					
Sweaters of manmade fibers...	24,169	19,442	20,936	7,811	8,436
Other sweaters.....	18,499	24,101	23,502	10,281	10,362
Total.....	42,668	43,543	44,438	18,092	18,798
All products of establishments.....	42,668	43,543	44,438	20,926	22,518
<u>Total compensation paid to PRWs (1,000 dollars)</u>					
Sweaters of manmade fibers...	28,336	22,481	24,500	8,666	9,372
Other sweaters.....	21,766	29,217	28,070	11,236	11,300
Total.....	50,102	51,698	52,570	19,902	20,672
All products of establishments.....	50,102	51,699	52,569	23,008	24,749

See footnotes at end of table.

Table 9--Continued

Total establishment employment and average number of production and related workers producing sweaters, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1986-88, January-June 1988, and January-June 1989 3/

Item	1986	1987	1988	January-June-- 1988	1989
<u>Hourly wages paid to PRWs 4/</u>					
Sweaters of manmade fibers....	\$6.55	\$6.51	\$6.57	\$5.86	\$6.04
Other sweaters.....	7.03	7.33	7.09	6.75	6.69
Average.....	6.75	6.95	6.84	6.34	6.38
All products of establishments.....	6.75	6.95	6.84	6.35	6.38
<u>Hourly total compensation paid to PRWs 5/</u>					
Sweaters of manmade fibers....	\$7.71	\$7.57	\$7.72	\$6.51	\$6.71
Other sweaters.....	8.27	8.88	8.47	7.38	7.30
Average.....	7.95	8.27	8.10	6.97	7.02
All products of establishments.....	7.95	8.27	8.10	6.98	7.01
<u>Productivity (dozens per hour) 6/</u>					
Sweaters of manmade fibers....	0.226	0.219	0.198	0.133	0.147
Other sweaters.....	.235	.210	.195	.164	.156
Average.....	.230	.214	.198	.151	.153
<u>Unit labor costs (per dozen) 7/</u>					
Sweaters of manmade fibers...	\$33.75	\$34.01	\$38.01	\$48.76	\$45.76
Other sweaters.....	35.17	42.34	43.50	45.02	46.71
Average.....	34.32	38.23	40.51	46.22	45.95

1/ Includes hours worked plus hours of paid leave time.

2/ Includes wages and contributions to Social Security and other employee benefits.

3/ Firms providing employment data accounted for 71 percent of the quantity of reported total shipments in 1988.

4/ Calculated using data from firms that provided information on both wages paid and hours worked.

5/ Calculated using data from firms that provided information on both total compensation paid and hours worked.

6/ Calculated using data from firms that provided information on hours worked and production.

7/ On the basis of total compensation paid. Calculated using data from firms that provided information on total compensation paid and production.

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

Hourly wages and compensation paid to workers in facilities producing manmade-fiber sweaters rose very slightly from 1986 to 1988, and then showed slight upward movements when the January-June periods of 1988 and 1989 are compared. January-June 1989 wage and compensation levels were markedly lower than rates prevailing at the beginning of the period, however. Labor productivity also fell from 1986 to 1988, by 12 percent, but then rose when the January-June periods of 1988 and 1989 are compared. Unit labor costs showed an increasing trend overall from 1986 to 1988.

All sweaters.--Of the 16 firms reporting production of either manmade-fiber sweaters or sweaters of other fibers (or both products), 12 firms provided usable employment data. In general, except for employee levels, the declining trends exhibited by the producers of manmade-fiber sweaters were outweighed by the increasing trends from facilities producing sweaters of other fibers. Total hours worked by production and related workers, and wages and total compensation paid to those workers all increased from 1986 to 1988, by percentages ranging from 3 to 5 percent. Increases can also be seen in these indicators when the January-June periods of 1988 and 1989 are compared.

Hourly wages and compensation figures for sweater producers barely increased, with 1988 hourly compensation only 2 percent above that of 1986. Labor productivity, however, fell markedly over the 3-year period. Unit labor costs generally showed an increasing trend, with a particularly sharp increase from 1986 to 1987, concentrated in the segment of firms producing sweaters of other fibers.

Public data on number of employees, average weekly hours and hourly earnings is available only at the level of SIC Category 2253, "Knit Outerwear Mills." These data cover firms producing not only sweaters, but also knit shirts, sweatshirts, sweatpants, and scarves. Available data are presented in the following tabulation, as compiled from Bureau of Labor Statistics, Office of Business Analysis, Business Statistics and Information Systems, October 1989:

<u>Year</u>	<u>All employees</u>	<u>Production workers</u>	<u>Average weekly hours</u>	<u>Average hourly earnings</u>
1986.....	69,408	60,900	38.383	\$6.35
1987.....	72,083	64,117	39.100	6.51
1988.....	70,417	62,917	39.333	6.40
1989 1/.....	69,856	62,178	39.456	6.50

1/ Partial-year data.

Parties at the conference commented that mills concentrating on production of manmade-fiber sweaters could better provide workers with year-round employment than could those concentrating on cotton sweater production, for instance.⁸³ As the manmade-fiber sweater market declined, year-round employment became more the exception than the rule, according to spokesmen for

⁸³ Transcript, p. 18.

the domestic industry.⁸⁴ On the other hand, one domestic producer noted that natural-fiber sweater production requires more workers than does production of manmade-fiber sweaters, because of the additional processing steps involved in such production.⁸⁵

Five producers reporting employment data noted that their workforces are represented by unions. Those firms, and the unions involved, are listed in the following tabulation:

<u>Company</u>	<u>Type</u>	<u>Union</u>
***.....	Mfr./seller	Teamsters Local 918
***.....	Mfr./seller	ILGWU 1/
***.....	Contractor	ILGWU
***.....	Contractor	United Craft Workers, Local 91
***.....	Contractor	ILGWU, Local 155

1/ International Ladies' Garment Workers Union.

In its questionnaire, the Commission requested U.S. producers to provide detailed information concerning reductions in the number of production and related workers producing sweaters, if such reductions involved at least 5 percent of the workforce, or 50 workers. The reported layoffs are shown in the following tabulation:

<u>Firm</u>	<u>Date</u>	<u>Number of Workers</u>	<u>Duration</u>	<u>Reason</u>
*	*	*	*	*

Financial experience of U.S. producers

Ten producers supplied usable income-and-loss data on their overall establishment operations. Four producers, accounting for 10.4 percent of reported U.S. production in 1988, furnished usable income-and-loss data on their operations producing sweaters of manmade fibers. Two producers supplied income-and-loss data on their operations producing other types of sweaters. Because of the limited response to the financial section of the Commission's questionnaire, reported income-and-loss data may not be representative of the U.S. manmade-fiber sweater industry.

Overall establishment operations.--Most of the respondents produce all types of sweaters within their establishments.⁸⁶ The income-and-loss data

⁸⁴ Transcript, p. 100. Parties noted that year-round employment is particularly rare in the contractor segment of the industry. Contractors interviewed by staff noted that temporary layoffs have become increasingly common in recent years. Field visits with * * *, Oct. 5, 1989.

⁸⁵ See questionnaire response of * * *.

⁸⁶ Eight of the firms produce only sweaters within their establishments. Two companies indicated that they also produce other types of apparel within their establishments. In 1988, sweaters accounted for approximately 90 percent of

for the overall establishment operations are presented in table 10. Net sales for nine firms that reported data for 1986 were \$141.4 million. In 1987, net sales were \$147.9 million, representing an increase of 4.6 percent. Net sales in 1988 (10 firms reporting) were \$152.1 million, representing an increase of 2.8 percent.⁸⁷ Operating income was \$12.8 million in 1986, \$10.5 million in 1987, and \$2.7 million in 1988. Operating income margins, as a percent of sales, were 9.0 in 1986, 7.1 in 1987, and 1.8 in 1988. Operating losses were incurred by two companies in 1986, five companies in 1987, and seven companies in 1988.

January-June 1989 sales were \$51.4 million, representing an increase of 21.1 percent over 1988 January-June sales of \$42.4 million. Operating income was \$2.5 million in January-June 1989, but an operating loss of \$687,000 was incurred in January-June 1988. The operating loss margin was 1.6 percent in January-June 1988 and the operating income margin was 4.9 percent in January-June 1989. Operating losses were reported by three companies in January-June 1988 and January-June 1989.

Operations on sweaters of manmade fibers and sweaters of other fibers.-- Most of the producers were unable to allocate their costs between the various types of sweaters. The available product line income-and-loss data are summarized in the following tabulations.

Sweaters of manmade fibers:

* * * * *

Other sweaters:

* * * * *

Investment in productive facilities.--Ten companies provided data on their investment in productive facilities for 1986 through 1988, and six companies furnished data for the two January-June periods (table 11).⁸⁸ The large increase in assets between 1986 and 1987 was primarily due to the start-up of operations by * * *. Return-on-asset data is also shown in the table.

⁸⁶ (...continued)

establishment net sales. Thus, based on the available responses, the establishment income-and-loss data appears to be a reliable financial indicator for all types of sweaters.

⁸⁷ Sales data between 1987 and 1988 are not comparable because one company, * * *, initiated production in 1988. For those companies which provided comparable sales data, net sales * * * in 1987 to * * * million in 1988.

⁸⁸ Financial data regarding investment in productive facilities, capital expenditures, and research and development are shown for the establishment only. Product-line data for these categories were not requested because of the nature of the industry. Should a final investigation occur, specific product line data could be requested.

Table 10

Income-and-loss experience of U.S. producers on the overall operations of their establishments within which sweaters are produced, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Value (1,000 dollars)					
Net sales.....	141,412	147,941	152,113	42,437	51,388
Cost of goods sold.....	108,781	118,360	129,587	34,667	39,782
Gross profit.....	32,631	29,581	22,526	7,770	11,606
Selling, general, and administrative expenses...	19,864	19,088	19,858	8,457	9,091
Operating income or (loss)..<	12,767	10,493	2,668	(687)	2,515
Other expense, net.....	2,280	2,150	2,206	984	1,125
Net income or (loss) before income taxes.....	10,487	8,343	462	(1,671)	1,390
Depreciation and amorti- zation included above.....	2,258	2,470	4,401	1,687	2,176
Cash-flow 1/.....	12,745	10,813	4,863	16	3,566
Share of net sales (percent)					
Cost of goods sold.....	76.9	80.0	85.2	81.7	77.4
Gross profit.....	23.1	20.0	14.8	18.3	22.6
Selling, general, and administrative expenses...	14.0	12.9	13.1	19.9	17.7
Operating income or (loss)..<	9.0	7.1	1.8	(1.6)	4.9
Net income or (loss) before income taxes.....	7.4	5.6	0.3	(3.9)	2.7
Number of firms reporting					
Operating losses.....	2	5	7	3	3
Net losses.....	2	4	8	4	3
Data.....	9	9	10	6	6

^{1/} 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 11

Value of property, plant, and equipment of U.S. producers of sweaters, accounting years 1986-88, June 30, 1988, and June 30, 1989 1/

Item	As of end of accounting year--			As of June 30--	
	1986	1987	1988	1988	1989
Value (1,000 dollars)					
All products of establishments:					
Fixed assets:					
Original cost.....	***	***	***	63,771	68,433
Book value.....	***	***	***	47,034	47,111
Return on book value of fixed assets (percent) <u>2/</u>					
All products of establishments:					
Operating return <u>3/</u>	38.6	32.5	5.5	<u>4/</u>	<u>4/</u>
Net return <u>5/</u>	31.7	25.8	1.0	<u>4/</u>	<u>4/</u>

1/ 10 firms reporting.

2/ Computed using data from only those firms supplying both asset and income-and-loss information, and as such, may not be derivable from data presented.

3/ Defined as operating income or loss divided by asset value.

4/ Not available.

5/ Defined as net income or loss divided by asset value.

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

Capital expenditures.--Six companies supplied data on their capital expenditures for all periods, as shown in the following tabulation (in thousands of dollars):

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>January-June</u>	
				<u>1988</u>	<u>1989</u>
All products of establishments.....	3,423	3,746	4,691	3,211	3,019

Research and development expenses.--Six firms supplied data on their research and development expenses for all periods, as shown in the following tabulation (in thousands of dollars):

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>January-June</u>	
				<u>1988</u>	<u>1989</u>
All products of establishments.....	1,064	1,105	1,194	649	602

Capital and investment.--The Commission requested U.S. producers to describe any actual or potential negative effects of imports of manmade-fiber sweaters from Hong Kong, Korea, and Taiwan on their firm's growth, investment, ability to raise capital, or existing development and production efforts. Their responses are shown in appendix D.

Consideration of the Question of
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 ⁸⁹--

(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,

⁸⁹ 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."

(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,

(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.⁹⁰

The available data on foreign producers' operations (items (II) and (VI)) are presented in the section entitled "Ability of foreign producers to generate exports and availability of export markets other than the United States," and information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV)) is presented in the section entitled "Consideration of the causal relationship between imports of the subject merchandise and the alleged material injury." Item (I), regarding subsidies, and item (IX), regarding agricultural products, are not relevant in this case. The potential for "product-shifting" (item (VIII)) is not an issue in these investigations because there are no known producers subject to investigation or to final orders that use production facilities that can be shifted to produce sweaters of manmade fibers. In October 1988, the Japanese Knitwear Manufacturers Cooperative Federation filed an antidumping petition concerning imports of manmade-fiber sweaters from Korea; the case was resolved via adoption of a voluntary import restraint agreement.⁹¹ Available data on U.S. inventories of the subject product (item (V)) follow.

⁹⁰ 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."

⁹¹ This agreement limits imports of manmade-fiber sweaters from Korea to a 1 percent annual increase and requires the Korean industry to implement a "trigger-price" system for imports.

U.S. importers' inventories

Out of 37 firms providing data on imports of manmade-fiber sweaters in response to the Commission's questionnaire, 15 provided data on inventories of those imports (table 12). These firms accounted for 29 percent of reported 1988 shipments of imports of manmade-fiber sweaters from Hong Kong, Korea, and Taiwan. End-of-period inventories of combined imports of manmade-fiber sweaters from these three countries more than doubled from 1986 to 1987, then declined very slightly in 1988, accounting for less than 6 percent of preceding-period shipments in each of the years. As can be seen from the table, end-of-period inventories in the January-June periods were substantially higher, both in absolute terms and as a percent of shipments. Moreover, January-June 1989 inventories of manmade-fiber sweaters from Hong Kong, Korea, and Taiwan are over twice as high as those for the corresponding period of 1988, topping out at over 200,000 dozen by the end of June 1989.⁹²

When inventories of imports of all sweaters are examined, similar trends are exhibited. End-of-period inventories of all sweaters demonstrated a strong increase, of 71 percent, from 1986 to 1988, and increased even more dramatically, by nearly threefold, when the January-June periods are compared. As a percentage of shipments, sweater inventory levels at the end of June 1989 exceeded 25 percent.

As seen from the table, inventory levels in relation to shipments of imports, at least when end-of-year data are considered, are generally quite low. One factor accounting for this may be that many firms reporting data on shipments of imports to the Commission are large retail companies whose importing operations do not hold inventories but ship merchandise directly to individual retail stores. Low levels of inventories vis-a-vis shipments also may reflect the fact that many customers, such as the large department stores, order in bulk well before the start of the selling season, and their suppliers generally resell the goods immediately upon receipt.

⁹² As was noted in the section on U.S. producers' inventories, higher inventory levels at the end of June may result from the seasonal nature of sales in this industry.

Table 12

Sweaters of manmade fibers: Importers' end-of-period inventories, by sources, as of Dec. 31 of 1986-88, and as of June 30 of 1988 and 1989 1/

Source	As of Dec. 31--			As of June 30--	
	1986	1987	1988	1988	1989
Quantity (dozen)					
Hong Kong.....	1,110	4,053	1,267	14,140	38,171
Korea.....	9,899	23,609	20,242	45,737	108,878
Taiwan.....	5,234	8,909	13,377	34,922	108,956
Subtotal.....	16,243	36,571	34,886	94,799	256,005
All other sources.....	17,705	22,384	23,050	880	550
Total.....	33,948	58,955	57,936	95,679	256,555
Ratio to U.S. shipments of imports (percent) <u>2/</u>					
Hong Kong.....	1.0	3.5	0.9	<u>3/</u> 13.6	<u>3/</u> 24.8
Korea.....	3.1	9.0	5.2	<u>3/</u> 16.1	<u>3/</u> 28.4
Taiwan.....	1.7	2.8	2.9	<u>3/</u> 13.5	<u>3/</u> 28.8
Average.....	2.2	5.2	3.5	<u>3/</u> 14.6	<u>3/</u> 28.0
All other sources.....	10.7	14.1	13.7	<u>3/</u> -	<u>3/</u> -
Average.....	3.8	6.9	5.0	<u>3/</u> 13.3	<u>3/</u> 26.5

1/ 15 firms reporting.

2/ Computed from data of firms providing data on both inventories and shipments of imports.

3/ Based on annualized shipments.

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

By comparing table 12 to table 8, it can be seen that ratios of inventories to shipments are lower for importers than for domestic producers. Domestic industry witnesses maintain that lead times for imported sweaters can be as long as five to six months,⁹³ whereas lead times for domestic producers are generally measured in weeks.⁹⁴ Lower turnaround time, coupled with other advantages noted above, tend to give domestic producers an advantage in responding to orders.

⁹³ Field visit with * * *, Oct. 5, 1989. Given such long lead times, it is therefore not surprising that importers do not hold significant levels of inventories.

⁹⁴ Counsel for the Taiwanese industry, however, maintained that, for Taiwanese exporters, the average time between placing of an order and delivery to U.S. ports is approximately * * * days. See Taiwan respondents' Oct. 18, 1989 submission, p. 4.

Ability of foreign producers to generate exports and availability of export markets other than the United States

The Hong Kong industry.--The petition identified 47 suspected producers of sweaters in Hong Kong. In response to requests from staff, counsel for Crystal Knitters, Ltd., a Hong Kong sweater manufacturer, provided data purporting to cover 14 Hong Kong companies, including Crystal Knitters. These firms produced both sweaters of manmade fibers for men and boys (quota category 645) and sweaters of manmade fibers for women and girls (quota category 646). These data, as supplied by counsel for Crystal Knitters, are presented in the following tabulation: ⁹⁵

* * * * * *

As seen in the tabulation, for the 1986-88 data, U.S. exports exceeded production by up to * * * percent. Counsel contended that these excess export shipments represented drawdowns of previous inventories. In any event, such exports * * * in 1988, accounting for a * * * share of both production and total exports in that year. U.S. export levels for 1989 are expected to be * * * than those of 1988.

The Taiwanese industry.--Twenty-six firms were identified in the petition as producing sweaters of manmade fibers in Taiwan. Counsel for the Taiwanese industry was requested to provide data on the industry's capacity, production, shipments, and inventories of manmade-fiber sweaters. In response, counsel requested data from 22 of the largest manmade-fiber sweater producers in Taiwan; responses were received from 14 to 19 of these producers, depending on the information requested. The information is presented in table 13.

Table 13

Sweaters of manmade fibers: Taiwan's capacity, production, inventories, home-market shipments, and exports to the United States and to all other countries, 1986-88, January-June 1988, and January-June 1989

* * * * * *

Source: Information submitted by counsel for the Taiwanese industry, October 18, 1989.

As seen from the table, Taiwan's production of manmade-fiber sweaters increased from 1986 to 1988, by * * * percent, whereas capacity to produce such sweaters fell, by * * * percent. Accordingly, capacity utilization increased throughout the period. Exports to the United States first rose in 1987, then fell back, to * * * dozen, in 1988, representing an overall increase of * * * percent over those of 1986. As a share of production, and as a share of total exports, exports to the United States remained fairly steady during 1986-88, but took a larger share of both indicators when the January-June periods are compared. Based on information from the Taiwan Textile Federation, total 1989 exports of sweaters of manmade fibers are

⁹⁵ Counsel was unable to provide data on Hong Kong's capacity to produce manmade-fiber sweaters.

expected to be approximately * * * dozen, constituting an decrease of * * * percent compared with those in 1988. ⁹⁶

Counsel for the Taiwanese industry also alleged that there currently exists an acute labor shortage in Taiwan, and in view of this shortage, there was no potential for an imminent increase in exports. ⁹⁷ Between 1986 and 1988, according to counsel, unit labor costs for the Taiwanese apparel industry increased over 13 percent.

The Korean industry.--The petition listed 47 alleged producers of manmade-fiber sweaters in Korea. However, the U.S. embassy in Seoul advised the Commission that there are 75 Korean manufacturer/exporters of manmade-fiber sweaters, exporting a total of 2,909,471 dozen sweaters to the United States during March-September 1989. ⁹⁸ The Korean industry is reportedly far less mechanized than the industry in the United States, particularly with regard to the cutting process. ⁹⁹ As in the U.S. industry, however, firms tend to be quite small; many of the firms identified exported less than 10,000 dozen manmade-fiber sweaters to the United States in the March-September period.

The staff also requested data on the Korean industry from counsel for 32 Korean producers. To date, those data have not been provided.

Other issues.--Parties disagreed as to whether the existence of specific, fixed quotas on the products subject to investigation made the issue of threat of injury irrelevant. Petitioners argued at the conference that the existence of large quotas encouraged Hong Kong, Korean, and Taiwanese companies to rush sweater shipments to the United States at the end of each calendar year, because under the existing system, if quotas are not filled each year, quotas may be reduced in subsequent years (a "use-or-lose" system). Respondents countered by contending that the empirical pattern in recent years does not demonstrate any end-of-year surges in imports. ¹⁰⁰ It should also be noted that for Korea and Taiwan, renegotiations of their respective bilateral quota agreements are currently taking place. ¹⁰¹ As noted earlier, Korea has essentially filled its quota on manmade-fiber sweaters each year during 1986-88. In 1989, the quota was filled in September; however, the United States allowed a "special shift" from the quota for silk blend sweaters, which

⁹⁶ Based on all Taiwanese producers of manmade-fiber sweaters, not limited to those reporting in table 13.

⁹⁷ Transcript, p. 159. Also see Taiwanese respondent's postconference brief, p. 18.

⁹⁸ Of these firms, by far the largest is * * *, with exports to the United States of * * * dozen in the period March through September 1989, valued at * * *. This firm, therefore, accounted for * * * percent, by quantity, of total exports from Korea to the United States of manmade-fiber sweaters.

⁹⁹ Transcript, p. 171. One source familiar with the Korean industry noted that in Korea, cutting is done with hand scissors rather than by machine.

¹⁰⁰ Transcript, p. 190. Also see submission of Steptoe and Johnson, Oct. 11, 1989.

¹⁰¹ Although the Multifiber Arrangement (MFA) does not expire until the end of 1991, individual bilateral agreements with Korea and Taiwan expire by Dec. 31, 1989. See section on quota restrictions.

increased the manmade-fiber quota level by 13 percent for the 1989 quota year, effective October 13, 1989.

In its questionnaire, the Commission requested importers to list any expected deliveries of manmade-fiber sweaters after June 30, 1989. Data received in response to this request are presented in the following tabulation:

<u>Importer</u>	<u>Source</u>	<u>Quantity (dozen)</u>	<u>Expected delivery</u>
*	*	*	*

Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury

U.S. imports

Imports of sweaters of manmade fibers are provided for under subheadings 6103.23.00, 6103.29.10, 6103.29.20, 6104.23.00, 6104.29.10, 6104.29.20, 6110.30.10, 6110.30.20, 6110.30.30, and 6110.90.00 of the HTS, and were previously provided for under items 381.24, 381.25, 381.35, 381.66, 381.85, 381.89, 381.90, 381.99, 384.18, 384.27, 384.54, 384.77, 384.80, 384.96, and 791.74 of the former Tariff Schedules of the United States (TSUS). Most of the sweaters subject to investigation currently enter under HTS item 6110.30.30, and formerly under TSUS items 381.90 and 384.80.

Of the 140 firms that received questionnaires, 43 responded, 37 of which provided usable data on imports, and shipments of such imports. Based on official U.S. import statistics for the tariff numbers listed above, responding firms accounted for 27 percent, by value, and 26 percent, by quantity, of combined imports of manmade-fiber sweaters from Hong Kong, Korea, and Taiwan during 1988. As a result of the low response to the Commission's questionnaire, data in this section on imports are based on official import statistics.¹⁰²

Sweaters of manmade fibers.--Manmade-fiber sweater imports from Hong Kong, Korea, and Taiwan, in terms of quantity, rose only slightly from 1986 to 1987, then reversed direction and fell, by nearly 10 percent, from 1987 to 1988 (table 14). These imports increased by 18 percent in January-June 1989, compared with those in the corresponding period of 1988. When imports from these three countries are viewed in terms of value, the patterns are similar, but somewhat more exaggerated; for example, the decline in imports between 1987 and 1988 approached 14 percent, and the upswing when the interim January-June periods are compared exceeded 19 percent. Unit values of imports from the subject countries generally demonstrated upward movements throughout the period of investigation.

¹⁰² Imports of manmade-fiber sweaters, sweaters of other fibers, and all sweaters, as calculated from questionnaire data, are presented in app. E.

Table 14

Sweaters of manmade fibers: U.S. imports from Hong Kong, Korea, Taiwan, and all other countries, 1986-88, January-June 1988, and January-June 1989 ^{1/}

Source	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 dozen)					
Hong Kong.....	1,339	1,351	1,274	404	470
Korea.....	3,390	3,391	3,480	1,399	1,754
Taiwan.....	4,031	4,108	3,275	1,316	1,468
Subtotal.....	8,760	8,850	8,029	3,119	3,692
All other countries.....	4,235	3,563	2,724	1,302	1,091
Total imports.....	12,995	12,413	10,753	4,421	4,783
Value (1,000 dollars) ^{2/}					
Hong Kong.....	141,317	152,799	125,888	40,098	50,961
Korea.....	333,388	391,049	399,989	150,825	195,261
Taiwan.....	482,364	534,081	405,216	148,601	158,813
Subtotal.....	957,069	1,077,929	931,093	339,524	405,035
All other countries.....	273,460	259,688	208,862	92,324	83,250
Total imports.....	1,230,529	1,337,617	1,139,955	431,848	488,285
Unit value (per dozen)					
Hong Kong.....	\$105.54	\$113.10	\$98.81	\$99.25	\$108.43
Korea.....	98.34	115.32	114.94	107.81	111.32
Taiwan.....	119.66	130.01	123.73	112.92	108.18
Subtotal.....	109.25	121.80	115.97	108.86	109.71
All other countries.....	64.57	72.88	76.67	70.91	76.31
Average, all imports....	94.69	107.76	106.01	97.68	102.09

^{1/} Includes imports of fine-knit sweaters that enter under items reserved for knit shirts. In most instances, staff estimated the proportion of imports consisting of such sweaters entering under those items to be 1 percent; the actual percentages, however, may be lower. As a result, import data for sweaters may be somewhat overstated.

^{2/} C.i.f. duty-paid value.

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

Total imports of manmade-fiber sweaters generally declined as well during 1986-88, except for an increase, in terms of value, of 9 percent from 1986 to 1987. Unit values of all manmade-fiber sweater imports increased from 1986 to 1988, by 12 percent overall.

All sweaters.--Quantities of imports of sweaters from Hong Kong, Korea, and Taiwan declined markedly, by 16 percent, from 1986 to 1987, then accelerated their decline from 1987 to 1988, to 24 percent (app. F, table F-1). Such imports increased, however, when the interim periods of January-June are compared. In terms of value, imports from the subject countries also decreased, by 2 percent from 1986 to 1987, before falling, by 20 percent, from 1987 to 1988, resulting in an overall decline of 22 percent over the 3-year period. Because quantities fell at a greater rate than values, unit values moved upward throughout the period of investigation, increasing as well when the interim periods of January-June are compared.

Movements in the quantity, value, and unit value of imports of sweaters from all sources were virtually identical to those associated with imports from the three subject countries.

Sweaters of other fibers.--With regard to other sweaters, import quantities from Hong Kong, Korea, and Taiwan decreased from 1986 to 1987, then continued their downward track in 1988, for an overall loss of 57 percent (table F-2). Such imports rebounded slightly in January-June 1989 when compared with the corresponding months of 1988. In terms of value, as in terms of quantity, the general trend from 1986 to 1988 was downward, but far less pronounced; the overall drop was 37 percent. Unit values of such imports rose consistently from 1986 to 1988. Movements in the quantity, value, and unit value of all imports of such sweaters mirrored those for imports from the subject countries, except for a surge in import value between 1986 and 1987.

U.S. market penetration by imports

U.S. producers' reported production of sweaters is believed to constitute only 14.8 percent, by quantity, of 1988 sweater production, as estimated by the U.S. Bureau of the Census. In turn, reported shipments of imports of sweaters account for only 15 percent, by value, of 1988 official U.S. import statistics for the tariff items under which sweaters are entered.¹⁰³ Because of these low levels of coverage, Census data are presented herein to approximate quantity and value of U.S. shipments, and official U.S. import statistics are used for the quantity and value of shipments of imports from Hong Kong, Korea, and Taiwan.¹⁰⁴

¹⁰³ For manmade-fiber sweaters, as noted above, the producer coverage is 13.6 percent and the import coverage is 26 percent.

¹⁰⁴ Market penetration ratios calculated using questionnaire data are presented in app. G.

Sweaters of manmade fibers.--U.S. market penetration by imports of manmade-fiber sweaters from Hong Kong, Korea, and Taiwan increased from 44 percent in 1986 to 52 percent in 1988 (table 15).¹⁰⁵ Among the three countries, Korea registered the largest gain in market share, increasing its portion from 19 percent in 1987 to 23 percent in 1988; increases in market share of Hong Kong and Taiwan were more modest. Overall, total imports increased their share of the market from 65 to 69 percent over the 3-year period; market share of imports from other sources fell throughout the period.

All sweaters.--In terms of quantity, when the U.S. sweater market is viewed in its entirety, U.S. producers can be seen to have lost 1 percentage point of market share from 1986 to 1987 (table 16), but picked up two points in 1988.¹⁰⁶ The market share of imports of manmade-fiber sweaters from Hong Kong, Korea, and Taiwan showed a steady climb over the three-year period. The market share of imports not subject to investigation,¹⁰⁷ on the other hand, dropped slightly in 1987, then fell further, by 5 percentage points, in 1988. When viewed in terms of value, a similar pattern is seen; imports of manmade-fiber sweaters from the subject countries gained market share between 1986 and 1988, as did U.S. producers, whereas the market share of imports not subject to investigation declined. Movements in relative market shares were much less pronounced, however, in terms of value than in terms of quantity.

¹⁰⁵ Because public data on manmade-fiber sweater production are available only in terms of quantity, market penetration ratios in terms of value cannot be calculated. In addition, ratios for the January-June periods cannot be calculated because public data on production are not available on that basis.

¹⁰⁶ Market penetration ratios for the January-June periods could not be calculated because public data on U.S. sweater production are unavailable for those periods.

¹⁰⁷ Imports not subject to investigation ("non-subject imports") include imports of sweaters of other fibers from Hong Kong, Korea, and Taiwan, and imports of all sweaters from all other sources.

Table 15

Sweaters of manmade fibers: U.S. production, imports, and apparent consumption, 1986-88

Item	1986	1987	1988
	Quantity (1,000 dozen)		
U.S. production.....	6,976	5,517	4,745
Imports from--			
Hong Kong.....	1,339	1,351	1,274
Korea.....	3,390	3,391	3,480
Taiwan.....	4,031	4,108	3,275
Subtotal.....	8,760	8,850	8,029
All other countries 1/.....	4,235	3,563	2,724
Total imports.....	12,995	12,413	10,753
Apparent consumption.....	19,971	17,930	15,498
	As a share of the quantity of apparent consumption (percent) 1/		
U.S. production.....	34.9	30.8	30.6
Imports from--			
Hong Kong.....	6.7	7.5	8.2
Korea.....	17.0	18.9	22.5
Taiwan.....	20.2	22.9	21.1
Subtotal.....	43.9	49.4	51.8
All other sources.....	21.2	19.9	17.6
Total.....	65.1	69.2	69.4
Apparent consumption.....	100.0	100.0	100.0

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

Source: U.S. production: Bureau of the Census, U.S. Department of Commerce, Current Business Reports: Apparel 1988, October 1989, as adjusted by Commission staff, based on information made available to the Commission by the Industry Division, Bureau of the Census. Imports: Compiled from official statistics of the U.S. Department of Commerce.

Table 16

Sweaters: U.S. production, imports, and apparent consumption, 1986-88

Item	1986	1987	1988
<u>Quantity (1,000 dozen)</u>			
U.S. production.....	12,320	10,725	9,325
U.S. imports of manmade-fiber sweaters from Hong Kong, Korea, and Taiwan.....	8,760	8,850	8,029
U.S. nonsubject imports <u>1/</u>	21,067	18,457	13,327
Subtotal.....	29,827	27,307	21,356
U.S. consumption.....	42,147	38,032	30,681
<u>Share of consumption quantity (percent)</u>			
U.S. production.....	29.2	28.2	30.4
U.S. imports of manmade-fiber sweaters from Hong Kong, Korea, and Taiwan.....	20.8	23.3	26.2
U.S. nonsubject imports.....	50.0	48.5	43.4
Subtotal.....	70.8	71.8	69.6
Total.....	100.0	100.0	100.0
<u>Value (1,000 dollars) <u>2/</u></u>			
U.S. production.....	1,226,100	1,302,900	1,127,600
U.S. imports of manmade-fiber sweaters from Hong Kong, Korea, and Taiwan.....	957,069	1,077,929	931,093
U.S. nonsubject imports <u>1/</u>	2,226,138	2,248,251	1,841,063
Subtotal.....	3,183,207	3,326,180	2,772,156
U.S. consumption.....	4,409,307	4,629,080	3,899,756
<u>Share of consumption value (percent)</u>			
U.S. production.....	27.8	28.1	28.9
U.S. imports of manmade-fiber sweaters from Hong Kong, Korea, and Taiwan.....	21.7	23.3	23.9
U.S. nonsubject imports.....	50.5	48.6	47.2
Subtotal.....	72.2	71.9	71.1
Total.....	100.0	100.0	100.0

1/ Includes imports of sweaters of other fibers from Hong Kong, Korea, and Taiwan, and imports of all sweaters from all other sources.

2/ F.o.b. point-of-shipment.

Source: U.S. production: Bureau of the Census, U.S. Department of Commerce, Current Business Reports: Apparel 1988, October 1989, as adjusted by staff, based on information made available to the Commission by the Industry Division, Bureau of the Census. Imports: Compiled from official statistics of the U.S. Department of Commerce.

Prices

The demand for sweaters depends on, among other factors, the fashionability of sweaters and the season of the year. Demand for a specific sweater type will depend on the style of the sweater, the fiber of the sweater, the brand name, whether it is machine-made or hand knit, and whether the sweater is made for a man, woman, or child. Industry sources report that in recent years, sweaters have become a more fashionable and popular accessory item that can be worn year round.

Producers and importers report that in the last 5 years there has been an increase in the demand for sweaters made of natural fibers, primarily those made of cotton. At the conference, the petitioner argued that there is limited substitution between sweaters of manmade fibers and sweaters of natural fibers because sweaters of manmade fibers are significantly less expensive than sweaters of natural fibers.¹⁰⁸ Sweater producers responding to the Commission's questionnaire agreed in general that the price difference between sweaters made of different fibers limited their substitutability. However, some producers commented that there may be some substitution based on the specific styles and fashion of these sweaters. Nearly one-half of the importers who responded to the Commission's questionnaire stated that there was substitution between the different fiber types. Some of these importers commented that the more stylish sweaters are substitutable regardless of fiber type. Moreover, the petitioner acknowledged that its customers frequently adjust their purchase plans for each sweater type depending on anticipated consumer demand for the product. Therefore, as natural fiber sweaters become more popular, purchasers will begin to stock more natural fiber sweaters in lieu of manmade-fiber sweaters.

Sweaters are generally priced on a per-dozen basis, although some retailers reported purchasing on a per-unit basis. Generally, prices are negotiated and no list prices are available. Orders are usually made through contracts that fix the price of the sweater and specify the quantity and shipment dates. Producers and importers reported that other items in the contract may include the sweater specification (style, weight, gauge, colors), its packing, quality control, any samples required, payment terms, cancellation dates, and advertising allowances.

The manufacturing cost of sweaters is primarily determined by the amount of material and labor utilized, including the level of workmanship. Producers and importers report that the more material used in a sweater, as measured in pounds per dozen, the more expensive the sweater will be. Therefore, a man's sweater will be typically more expensive than a woman's or child's sweater and a turtleneck sweater will be more expensive than a crewneck sweater if considered solely on the basis of the volume of material used. Second, any labor requirements, special workmanship, or hand-knitting requirements on a sweater will also increase its price. For example, a cardigan with buttons and pockets will be more expensive than a basic pullover, and intricate color or stitch patterns will be more expensive than plain knits. In addition, U.S. producers that manufacture sweaters for sale under their own label will price these sweaters above those produced for private label purchasers.

In addition to the actual production cost, a number of sales practices exist that affect the final price paid by a wholesaler or retailer. U.S.

producers and importers reported that price discounts will be negotiated with purchasers who buy sweaters in high volumes. Moreover, some producers reported that they offer "early bird" discounts for those purchasers who order sweaters in some specified advance time frame. Payment terms usually vary between 10 and 60 days, although some producers and importers reported that a 1 or 2 percent discount may be offered for prompt payment. A marketing technique used by producers with their own private label that also may affect the price of sweaters is cooperative advertising. Under this practice, the producer offers an allowance to the customer in return for advertisement of its branded sweaters. Producers and importers contacted during the investigation reported that cooperative advertising occurs primarily in the transaction between the wholesaler or manufacturer and retailer, e.g., a sale made by * * * to * * * or * * *. An additional practice that may affect the final net price of sweaters is "mark down money." Retailers will request U.S. producers and importers to absorb a portion of a sweater's cost if the sweater fails to sell at full price to consumers. Like cooperative advertising, this practice occurs primarily with producers or wholesalers that have their own brands.

Sweaters are generally sold by producers and importers on an f.o.b. U.S. factory or warehouse basis. Some retailers that import directly reported that they purchase on an f.o.b. country-of-origin basis and are responsible for the transportation to their U.S. retail outlets. Both U.S. producers and importers reported that U.S. inland transportation costs are usually below 2 percent of the total delivered price for the sweaters and are insignificant in the purchasing decisions of their customers. U.S. producers reported that the average lead time involved in a sweater transaction is generally between two and five months, whereas U.S. importers reported that the lead time could be one to two months longer.¹⁰⁹

Although U.S. producers reported that there are no quality differences between sweaters produced in the United States and those produced in Hong Kong, Taiwan, or Korea, most U.S. importers that responded to the Commission questionnaire, including retailers who import directly, disagreed. They commented that typically the quality of the imported product was superior to the U.S. product, especially in the consistency of the sweater product. In their opinion, imports provided better assembly and finishing details on the sweater. Some importers also commented that there was insufficient U.S. capacity for hand-knit sweaters or sweaters that required specific embellishments.

Questionnaire price data.--The Commission requested U.S. producers and importers to provide quarterly price data between January 1986 and June 1989 for each firm's largest sale of six manmade-fiber sweater products. U.S. retailers that imported directly from Hong Kong, Taiwan, or Korea were also requested to provide purchase price information on their imports of the six

¹⁰⁹ Some U.S. producers have commented that the U.S. advantage in order lead time and faster delivery has effectively relegated them to secondary sources for U.S. retailers. That is, large initial orders are placed with less expensive overseas sources, whereas smaller orders are placed with U.S. producers. According to these U.S. producers, retailers are requiring increasingly shorter lead times with these additional orders.

products. The specified manmade-fiber sweater products for which price data were requested are listed below:¹¹⁰

Product 1: Sweaters of manmade fibers, 100 percent acrylic, plain stitch (including shaker or jersey), crew neck, pullover, solid color, for men.

Product 2.--Sweaters of manmade fibers, 100 percent acrylic, jacquard pattern, crew neck, pullover, for men.

Product 3.--Sweaters of manmade fibers, 100 percent acrylic, plain stitch (including shaker or jersey), V-neck, cardigan, solid color, for women.

Product 4.--Sweaters of manmade fibers, 100 percent acrylic, all over cable stitch, crew neck, pullover, solid color, for women.

Product 5.--Sweaters of manmade fibers, 100 percent acrylic, jacquard pattern, crew neck, pullover, for girls' sizes 7 to 14.

Product 6.--Sweaters of manmade fibers, 100 percent acrylic, plain stitch (including shaker or jersey), crew neck, pullover, for boys sizes 7 to 14.

Three U.S. contractors, 1 U.S. manufacturer/seller, and 15 U.S. importers reported price data for the manmade-fiber sweater products. The responding U.S. producers accounted for approximately 7 percent of all U.S.-produced domestic shipments of manmade-fiber sweaters in 1988. Their shipments of products 1-6 accounted for over 2 percent of total U.S. producer shipments of manmade-fiber sweaters in 1988. The responding U.S. importers accounted for approximately 28 percent of all imports of manmade-fiber sweaters from Hong Kong, approximately 8 percent of all imports of manmade-fiber sweaters from Taiwan, and approximately 13 percent of all imports of manmade-fiber sweaters from Korea in 1988. Their shipments of products 1-6 accounted for nearly 15 percent of the total imports from Hong Kong, approximately 2 percent of total imports from Taiwan, and over 5 percent of all imports from Korea.

Price trends.--Pricing data should be viewed with caution because of the insufficient response by U.S. producers and importers. In nearly all periods, prices shown represent the response of a single producer or importer. The highest number of responses, 4, occurred in only 5 of the possible 588 periods.¹¹¹ Moreover, the wide fluctuations in the price data suggest possible quality or style differences between the sweaters within each product category.

¹¹⁰ These product categories were selected after extensive consultation with the petitioner and after contacting selected producers, importers, and retailers to confirm that they could provide price data for the categories.

¹¹¹ Three responses occurred in only 8 periods.

Weighted-average net f.o.b. sale prices reported by U.S. producers resulted in a complete price series only for product 1 (table 17). U.S. producers' sale prices for this product fluctuated throughout the three and one-half year period, although the price in the final quarter, April-June 1989, was over one-third higher than the price in the first quarter of the period, January-March 1986. Prices reported by U.S. importers of Korea's manmade-fiber sweaters resulted in a complete price series for products 1 and 2, and prices reported by U.S. importers of Taiwan's manmade-fiber sweaters resulted in a partial price series for these two products. Korean and Taiwanese sale prices for both products were relatively steady throughout the period of investigation. Korean prices were in the * * * per dozen range for both products and Taiwanese sale prices were in the * * * per dozen range for product 1 and the * * * per dozen range for product 2.

Table 17

Sweaters of manmade fibers: Weighted-average net f.o.b. prices of products 1-4 and 6 reported by U.S. producers and importers, by quarters, January 1986-June 1989

* * * * *

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

Reported f.o.b. purchase prices of manmade-fiber sweaters by U.S. retailers who imported directly from Hong Kong, Taiwan, and Korea produced seven relatively complete price series covering three sweater products: Hong Kong's, Taiwan's, and Korea's product 1, Taiwan's and Korea's product 3, and Hong Kong's and Korea's product 4 (table 18). Retailers' purchase prices for products 1, 3, and 4 produced in the three countries fluctuated throughout the period of investigation. In general, purchase prices for Taiwan's and Korea's product 3 and Korea's product 4 trended slightly upward.

Table 18

Sweaters of manmade fibers: Weighted-average net purchase prices of products 1-6 imported directly from Hong Kong, Taiwan, and Korea by U.S. retailers, by quarters, January 1986-June 1989

* * * * *

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

Price comparisons.--The reported sales information for U.S. producer's and importers' quarterly shipments to unrelated customers during January 1986-June 1989 resulted in 27 direct price comparisons within 4 product categories between domestic shipments of the U.S.-produced and imported sweaters from Hong Kong, Taiwan, and Korea (table 19). Twenty-five of these comparisons are based on one U.S. producer's or importer's response. There were 14 instances of underselling and 13 instances of overselling: 5 price comparisons with

Hong Kong, all underselling; 8 price comparisons with Taiwan, 5 underselling and 3 overselling; and 14 price comparisons with Korea, 4 underselling and 10 overselling. Margins of underselling ranged between * * * percent and * * * percent. Margins of overselling ranged between * * * percent and * * * percent.

Table 19

Sweaters of manmade fibers: Average margins of underselling (overselling) by imports from Hong Kong, Taiwan, and Korea, by products and by quarters, October 1987-June 1989

* * * * *

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

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during January 1986-March 1988 the nominal value of the Hong Kong dollar declined by 0.3 percent against the U.S. dollar (table 20). ¹¹² Adjusted for relative movements in producer price indexes in the United States and Hong Kong, the real value of the Hong Kong currency appreciated by 10.8 percent during the period.

During January 1986-June 1989, the nominal value of the Korean won rose by 33.0 percent against the U.S. dollar. ¹¹³ Adjusted for relative movements in the producer price indexes, the real value of the won appreciated by 24.3 percent.

Quarterly data indicate that during January 1986-March 1989, the nominal value of the New Taiwan dollar appreciated by 42.0 percent. Adjusted for relative movements in the producer price indexes, the real value of the Taiwan currency appreciated vis-a-vis the U.S. dollar by 24.4 percent.

¹¹² Federal Reserve Bulletin, August 1989.

¹¹³ International Financial Statistics, September 1989.

Table 20

Exchange rates: 1/ Nominal exchange rates of selected currencies in U.S. dollars, real exchange-rate equivalents, and producer price indexes in specified countries, 2/ indexed by quarters, January 1986-June 1989

Period	U.S.	Hong Kong			Korea			Taiwan		
	Pro- ducer Price Index	Pro- ducer Price Index	Nominal- exchange- rate index	Real- exchange- rate index 3/	Pro- ducer Price Index	Nominal- exchange- rate index	Real- exchange- rate index 3/	Pro- ducer Price Index	Nominal- exchange- rate index	Real- exchange- rate index 3/
			--US dollars/HK--			--US dollars/won--			--US dollars/NT\$--	
1986:										
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	98.2	99.5	100.0	101.3	97.8	100.0	99.6	99.8	102.3	104.0
July-Sept..	97.7	102.0	100.0	104.4	98.8	100.6	101.7	98.9	104.9	106.2
Oct.-Dec...	98.1	104.8	99.9	106.7	98.1	102.0	102.0	98.2	108.1	108.3
1987:										
Jan.-Mar...	99.2	106.5	99.8	107.1	98.4	103.7	102.8	97.2	112.3	110.1
Apr.-June..	100.8	108.0	100.0	107.1	99.5	107.2	105.8	96.4	121.1	115.9
July-Sept..	101.9	109.7	100.0	107.7	99.6	109.8	107.3	95.7	128.8	120.9
Oct.-Dec...	102.3	111.7	99.8	109.0	100.0	111.0	108.5	94.7	132.9	122.9
1988:										
Jan.-Mar...	102.9	114.4	99.7	110.8	101.6	115.0	113.5	93.3	137.2	124.3
Apr.-June..	104.8	4/	100.0	4/	101.7	120.6	117.1	94.5	137.0	123.6
July-Sept..	106.2	4/	100.0	4/	102.5	122.7	118.5	95.5	136.6	122.8
Oct.-Dec...	106.7	4/	100.0	4/	102.5	127.5	122.5	95.4	138.4	123.7
1989:										
Jan.-Mar...	109.0	4/	99.9	4/	102.9	130.9	123.6	95.6	142.0	124.4
Apr.-June..	110.9	4/	99.7	4/	103.6	133.0	124.3	4/	4/	4/

1/ Exchange rates expressed in U.S. dollars per unit of foreign currency.

2/ Producer price indicators--intended to measure final product prices--are based on average quarterly indices presented in line 63 of the International Financial Statistics.

3/ The indexed real exchange rate represents the nominal exchange rate adjusted for relative movements in producer price indices in the United States and the respective foreign country. Producer prices in the United States increased 10.9 percent between January 1986 and June 1989 compared with a 3.6-percent increase in Korea and a 4.4-percent decrease in Taiwan as of Jan.-Mar. 1989 and a 14.4-percent increase in Hong Kong as of Jan.-Mar. 1988.

4/ Data not available.

Note.--January-March 1986=100.0.

Source: International Monetary Fund, International Financial Statistics, September 1989, Federal Reserve Bank, Federal Reserve Bulletin, August 1989.

Lost sales and lost revenues

* * * allegations of lost sales and lost revenues involving * * * purchasers were cited by * * * U.S. producers of sweaters of manmade fibers.¹¹⁴ Each allegation involved losing sales or revenues to * * * sweater producers and totaled * * *. The Commission staff contacted * * * purchasers cited.

*	*	*	*	*	*	*
*	*	*	*	*	*	*

* * * stated that although * * * can purchase sweaters in the United States at the same price as the Orient, it does not receive the same quality or timely delivery. In fact, he reported that * * * will often pay a higher price to * * * suppliers for specific styles. * * * acknowledged that at one time, * * * sweater prices used to be lower, however, prices have increased because of the quota restrictions.

* * * also commented that the U.S. producers have a credibility problem. * * * is constantly running behind schedule, * * *, and they cannot sufficiently satisfy * * 's requirements. He stated that because of his experience with U.S. suppliers, * * *.

* * *, a petitioning party, * * *.

¹¹⁴ * * *.

APPENDIX A

FEDERAL REGISTER NOTICES

[Investigations Nos. 731-TA-448, 449, and 450 (Preliminary)]

Sweaters Wholly or in Chief Weight of Man-Made Fibers From Hong Kong, the Republic of Korea, and Taiwan

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigations Nos. 731-TA-448, 449, and 450 (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 Hong Kong, the Republic of Korea ("Korea"), and Taiwan of sweaters, wholly or in chief weight of man-made fibers ("sweaters of man-made fibers")¹ provided for in

subheadings 6103.23.00, 6103.29.10, 6103.29.20, 6104.23.00, 6104.29.10, 6104.29.20, 6110.30.10, 6110.30.20, 6110.30.30, and 6110.90.00 of the Harmonized Tariff Schedule of the United States (previously reported under items 381.24, 381.25, 381.35, 381.66, 381.85, 381.89, 381.90, 381.99, 384.18, 384.27, 384.54, 384.77, 384.80, 384.96, and 791.74 of the former Tariff Schedules 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 November 6, 1989.

For further information concerning the conduct of these investigations 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: September 22, 1989.

FOR FURTHER INFORMATION CONTACT: Jonathan Seiger (202-252-1177), 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 impairments 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*—These investigations are being instituted in response to a petition filed on September 22, 1989, by the National Knitwear on Sportswear Association, New York, NY.

Participation in the investigations—Persons wishing to participate in these investigations 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.

Public service list—Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations 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), each public document filed by a party to the investigations must be served on all other parties to the investigations (as identified by the public 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 and business proprietary information service list—Pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a)), the Secretary will make available business proprietary information gathered in these preliminary investigations to authorized applicants under a protective order, provided that the application be made not later than seven (7) days after the publication of 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 these investigations for 9:30 a.m. on October 12, 1989, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Jonathan Seiger (202-252-1177) not later than October 6, 1989 to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations 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 October 16, 1989, a written brief containing information and arguments pertinent to the subject matter of the investigations, 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 rules (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

¹ For purposes of this investigation, sweaters of man-made fibers are defined as knitted or crocheted garments wholly or in chief weight of man-made fibers, designed to cover the upper parts of the body and in a variety of forms, including jackets, vests, cardigans with button or zipper fronts, and pullovers, the foregoing usually having ribbing around the neck, bottom, and/or cuffs (if any). The term encompasses garments of various lengths but most typically ending at the waist. The phrase "in chief weight of man-made fibers" includes sweaters where the man-made fibers predominate by weight over each other single textile material. *Excludes* sweaters 23 percent or more by weight of wool. *Includes* men's, women's, boys' or girls' "sweaters", as defined above, but does not include sweaters for infants 24 months of age or younger. *Includes* all sweaters as defined above, regardless of the number of stitches per centimeter, provided that, with regard to sweaters having more than nine stitches per two linear centimeters horizontally, includes only those with a knit-on rib at the bottom.

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 October 19, 1989. Such additional comments must be limited to comments on business proprietary information received in or after the written briefs.

Authority: These investigations are 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.

Issued: September 27, 1989.

Lisbeth K. Godley,

Acting Secretary.

[FR Doc. 89-23237 Filed 9-29-89; 8:45 am]

BILLING CODE 7020-02-M

[A-582-802, A-560-806, A-583-808]

**Initiation of Antidumping Duty
Investigations: Sweaters Wholly or in
Chief Weight of Man-Made Fiber From
Hong Kong, the Republic of Korea,
and 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 antidumping duty investigations to determine whether imports or sweaters wholly or in chief weight of man-made fiber (hereinafter referred to as MMF sweaters) from Hong Kong, the Republic of Korea (Korea), and 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 MMF sweaters from Hong Kong, Korea, and Taiwan materially injure, or threaten material injury to, a U.S. industry. If these investigations proceed normally, the ITC will make its preliminary determinations on or before November 6, 1989. If these determinations are affirmative, we will make preliminary determinations on or before March 1, 1990.

EFFECTIVE DATE: October 19, 1989.

FOR FURTHER INFORMATION CONTACT:
James P. Maeder, John Cloninger, or
Gary Taverman, 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)
377-4924, 377-2330, or 377-0161,
respectively.

SUPPLEMENTARY INFORMATION:

The Petition

On September 22, 1989, we received a petition filed in proper form by the National Knitwear and Sportswear Association on behalf of the domestic MMF sweaters industry. In compliance with the filing requirements of 19 CFR

353.12, petitioner alleges that imports of MMF sweaters from Hong Kong, Korea, and 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.

Petitioner has alleged that it has standing to file the petition. Specifically, petitioner has alleged that it is an interested party as defined under section 771(9)(E) of the Act and that it has filed the petition on behalf of a U.S. industry producing the product that is subject to these investigations. If any interested party as described under paragraphs (C), (D), (E), or (F) of section 771(9) of the Act wishes to register support for, or opposition to, this petition, please file written notification with the Assistant Secretary for Import Administration.

United States Price and Foreign Market Value

Petitioner's estimate of United States Price is based on two methodologies. Using the first methodology, petitioner calculates an average U.S. FAS price-per-dozen based on import volume and value statistics taken from the U.S. Department of Commerce Bureau of the Census (Report IM-145X) for "Sweaters Knitted or Crocheted, of Man-Made Fibers", HTS item numbers 6110.30.30.10 (men's) and 6110.30.30.20 (women's) for the period January, 1989 to June, 1989. Using the second methodology, petitioner calculates a U.S. price based on an average FOB export price-per-dozen and price-per-kilogram taken from the Statistical Department of the Taiwan Inspectorate General of Customs and the Hong Kong Census and Statistics Department for the time period January through April 1989, and from the Korean Office of Customs Administration for the period January through March, 1989.

Petitioner's estimate of foreign market value (FMV) is based on three methodologies: 1) four average wholesale prices, adjusted for discounts and allowances, resales, and taxes and duties (for Korea only); 2) average export prices based on monthly data taken from official government export statistics of Hong Kong, Korea, and Taiwan; and 3) four constructed value calculations derived from a cost analysis developed for four particular MMF sweaters in Hong Kong, Korea, and Taiwan.

Petitioner has developed three types of less-than-fair-value (LTFV) comparisons of sales of MMF sweaters, specifically: 1) comparisons between

average U.S. import values and average home market prices (for Korea only); 2) comparisons between the average prices at which MMF sweaters were exported to the United States and the average prices at which they were exported to third countries; and 3) comparisons between average U.S. import values and constructed value calculations.

Of the three methodologies supplied by the petitioner, given the statutory preference for the use of home market price over constructed value, we have based the initiation of the investigations with regard to Korea on the LTFV comparisons between home market prices and average U.S. import prices. We have based the initiation of the investigations with regard to Hong Kong and Taiwan on the LTFV comparisons between constructed value and average U.S. import prices. We are not bashing any of the three initiations on the methodology using export statistics from the various countries because the statistical categories include products other than the subject merchandise and, therefore, are too broad to allow reasonable comparisons.

Based on the comparisons of United States Price and FMV that we determined to be reasonable, petitioner alleges the following dumping margins for each country: Hong Kong—33.07 to 115.15 percent; Korea—13.2 to 53.60 percent; and Taiwan—44.18 to 135.49 percent.

Initiation of Investigations

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, and whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on MMF sweaters from Hong Kong, Korea, and 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 antidumping duty investigations to determine whether imports of MMF sweaters from Hong Kong, Korea, and Taiwan are being, or are likely to be, sold in the United States at less than fair value. If our investigations proceed normally, we will make preliminary determinations by March 1, 1990.

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 United States fully converted to the *Harmonized Tariff Schedule*

(HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered, or withdrawn from warehouse, for consumption on or after that date is now classified solely according to the appropriate HTS item number(s).

The products covered by these investigations include sweaters wholly or in chief weight of man-made fiber. For purposes of these investigations, sweaters of man-made fibers are defined as garments for outer wear that are knitted or crocheted, in a variety of forms including jacket, vest, cardigan with button or zipper front, or pullover, usually having ribbing around the neck, bottom and cuffs on the sleeves (if any), encompassing garments of various lengths but most typically ending at the waist, wholly or in chief weight of man-made fiber. The term "in chief weight of man-made fiber" includes sweaters where the man-made fiber material predominates by weight over each other single textile material. This excludes sweaters 23 percent or more by weight of wool. It includes men's, women's, boys' or girls' "sweaters", as defined above, but does not include sweaters for infants 24 months of age or younger. It includes all sweaters as defined above, regardless of the number of stitches per centimeter, provided that, with regard to sweaters having more than nine stitches per two linear centimeters horizontally, it includes only those with a knit-on rib at the bottom.

This merchandise is currently classifiable under HTS item numbers 6110.30.30.10, 6110.30.30.15, 6110.30.30.20, 6110.30.30.25, 6103.23.00.70, 6103.29.10.40, 6103.29.20.62, 6104.23.00.40, 6104.29.10.60, 6104.29.20.60, 6110.30.10.10, 6110.30.10.20, 6110.30.20.10, 6110.30.20.20, 6110.90.00.14 and 6110.90.00.30. This merchandise may also enter under HTS item numbers 6110.30.30.50 and 6110.30.30.55. These HTS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of these actions and to provide it with the information we used to arrive at these determinations. 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 Deputy Assistant

Secretary for Investigations, Import
Administration.

Preliminary Determination by ITC

The ITC will determine by November 6, 1989, whether there is a reasonable indication that imports of MMF sweaters from Hong Kong, Korea, and Taiwan materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigations will be terminated; otherwise, they will proceed according to statutory and regulatory procedures.

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

Dated: October 12, 1989

Eric L. Garfinkel,

*Assistant Secretary for Import
Administration.*

[FR Doc. 89-24713 Filed 10-18-89; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

LIST OF PARTICIPANTS IN THE PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 731-TA-448, 449, and 450 (Preliminary)

SWEATERS WHOLLY OR IN CHIEF WEIGHT OF MAN-MADE FIBERS
FROM HONG KONG, THE REPUBLIC OF KOREA, AND TAIWAN

Those listed below appeared at the United States International Trade Commission's conference which was held in connection with the subject investigations on October 12, 1989, in the Hearing Room of the USITC Building, 500 E Street, S.W., Washington, DC.

In support of the imposition of antidumping duties

Gibson, Dunn, & Crutcher--Counsel
Washington, DC
on behalf of--

National Knitwear and Sportswear Association (NKSA)

Mr. Seth M. Bodner, Executive Director, NKSA
Mr. Ivan Gordon, President, Gloray Knitting Mills
Mr. Michael Kesselman, Vice-President, Great American Sweater
Company
Mr. Justin Israel, Principal, Knitwaves, Inc.

Donald Harrison, Esq.--OF COUNSEL
Krista D. Kauper, Esq.--OF COUNSEL
Joseph H. Price, Esq.--OF COUNSEL

In opposition to the imposition of antidumping duties

Grunfeld, Desiderio, Lebowitz, and Silverman
Washington, DC
on behalf of--

Crystal Knitters, Ltd., Hong Kong

David L. Simon, Esq.--OF COUNSEL
Bruce Mitchell, Esq.--OF COUNSEL
Max Schutzman, Esq.--OF COUNSEL
Philip S. Gallas, Esq.--OF COUNSEL

Andrew R. Wechsler--Economist, Economists Incorporated
Paul E. Godek--Economist, Economists Incorporated

In opposition to the imposition of antidumping duties--Continued

Rode & Qualey
New York, NY
on behalf of--

Laws Fashion Knitters, Ltd., Hong Kong

Patrick D. Gill, Esq.--OF COUNSEL
R. Brian Burke, Esq.--OF COUNSEL

Siegel, Mandell, & Davidson
New York, NY
on behalf of--

Miss Erika, Inc.

Edward Ackerman, Esq.--OF COUNSEL

Ablondi & Foster
Washington, DC
on behalf of--

Chen Hwa Knitting Factory, Taipei, Taiwan
Taih Yung Enterprise Co., Ltd., Taipei, Taiwan

David Foster, Esq.--OF COUNSEL
Sturgis Sobin, Esq.--OF COUNSEL

In opposition to the imposition of antidumping duties--Continued

Steptoe & Johnson
Washington, DC

Olin Wethington, Esq.--OF COUNSEL
Gracia Berg, Esq.--OF COUNSEL

Reid & Priest
Washington, DC

Donald Zarin, Esq.--OF COUNSEL
C. Junn, Esq.--OF COUNSEL

Sidley & Austin
Washington, DC

Alan Holmer, Esq.--OF COUNSEL
Judith H. Bello, Esq.--OF COUNSEL

collectively on behalf of--

32 Korean producers and/or exporters

APPENDIX C

ESTIMATES OF APPARENT U.S. CONSUMPTION
USING DATA SUBMITTED IN RESPONSE
TO COMMISSION QUESTIONNAIRES

Table C-1

Sweaters of manmade fibers: U.S. shipments ^{1/} by producers and importers, and apparent consumption, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 dozen)					
Producers' U.S. shipments....	1,304	994	990	318	282
U.S. shipments of imports....	1,785	2,233	2,438	714	925
Apparent consumption.....	3,089	3,227	3,428	1,033	1,207
Value (1,000 dollars)					
Producers' U.S. shipments....	110,466	82,632	79,277	28,832	23,448
U.S. shipments of imports....	197,421	259,175	294,959	88,290	118,352
Apparent consumption.....	307,887	341,807	374,236	117,122	141,800
As a share of the quantity of apparent U.S. consumption (percent)					
Producers' U.S. shipments....	42.2	30.8	28.9	30.8	23.4
U.S. shipments of imports....	57.8	69.2	71.1	69.2	76.6
Apparent consumption.....	100.0	100.0	100.0	100.0	100.0
As a share of to the value of apparent U.S. consumption (percent)					
Producers' U.S. shipments....	35.9	24.2	21.2	24.6	16.5
U.S. shipments of imports....	64.1	75.8	78.8	75.4	83.5
Apparent consumption.....	100.0	100.0	100.0	100.0	100.0

^{1/} 15 producers reporting, 34 importers reporting.

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

Table C-2

Sweaters of other fibers: U.S. shipments 1/ by producers and importers, and apparent consumption, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 dozen)					
Producers' U.S. shipments....	909	975	988	306	316
U.S. shipments of imports....	1,334	1,270	1,786	491	723
Apparent consumption.....	2,243	2,245	2,774	797	1,039
Value (1,000 dollars)					
Producers' U.S. shipments....	92,702	115,920	127,507	36,576	37,546
U.S. shipments of imports....	136,159	157,695	257,341	73,611	97,904
Apparent consumption.....	228,861	273,615	384,848	110,187	135,450
As a share of the quantity of apparent U.S. consumption (percent)					
Producers' U.S. shipments....	40.5	43.5	35.6	38.4	30.3
U.S. shipments of imports....	59.5	56.5	64.4	61.6	69.7
Apparent consumption.....	100.0	100.0	100.0	100.0	100.0
As a share of the value of apparent U.S. consumption (percent)					
Producers' U.S. shipments....	40.5	42.4	33.1	33.2	27.7
U.S. shipments of imports....	59.5	57.6	66.9	66.8	72.3
Apparent consumption.....	100.0	100.0	100.0	100.0	100.0

1/ 12 producers reporting, 29 importers reporting.

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

Table C-3

Sweaters: U.S. shipments 1/ by producers and importers, and apparent consumption, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 dozen)					
Producers' U.S. shipments....	2,213	1,969	1,979	625	597
U.S. shipments of imports....	3,119	3,504	4,224	1,206	1,648
Apparent consumption.....	5,332	5,473	6,203	1,831	2,245
Value (1,000 dollars)					
Producers' U.S. shipments....	203,168	198,552	206,784	65,408	60,994
U.S. shipments of imports....	333,580	416,870	552,300	161,901	216,256
Apparent consumption.....	536,748	615,422	759,084	227,309	277,250
As a share of the quantity of apparent U.S. consumption (percent)					
Producers' U.S. shipments....	41.5	36.0	31.9	34.1	26.6
U.S. shipments of imports....	58.5	64.0	68.1	65.9	73.4
Apparent consumption.....	100.0	100.0	100.0	100.0	100.0
As a share of the value of apparent U.S. consumption (percent)					
Producers' U.S. shipments....	37.9	32.3	27.2	28.8	22.0
U.S. shipments of imports....	62.1	67.7	72.8	71.2	78.0
Apparent consumption.....	100.0	100.0	100.0	100.0	100.0

1/ 16 producers reporting, 37 importers reporting.

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

APPENDIX D

COMMENTS RECEIVED FROM U.S. PRODUCERS ON THE IMPACT OF IMPORTS
OF SWEATERS OF MANMADE FIBERS FROM HONG KONG, KOREA, AND TAIWAN
ON THEIR GROWTH, INVESTMENT, ABILITY TO RAISE CAPITAL,
OR EXISTING DEVELOPMENT AND PRODUCTION EFFORTS

The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of manmade-fiber sweaters from Hong Kong, Korea, and Taiwan on their existing development and production efforts, growth, investments, and ability to raise capital. Three firms (* * *) responded that there were no negative effects. Three other firms (* * *) did not respond. Responses by the ten remaining firms are shown below.

* * * * *

APPENDIX E

CALCULATION OF U.S. IMPORTS OF SWEATERS USING INFORMATION
COMPILED FROM DATA SUBMITTED IN RESPONSE
TO COMMISSION QUESTIONNAIRES

Table E-1

Sweaters of manmade fibers: U.S. imports for consumption, by specified sources, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 dozen)					
Hong Kong.....	314	495	458	150	209
Korea.....	598	761	936	312	500
Taiwan.....	610	709	776	247	382
Subtotal.....	1,522	1,966	2,171	710	1,092
All other sources.....	293	293	267	72	71
Total.....	1,815	2,259	2,438	782	1,163
Value (1,000 dollars)					
Hong Kong.....	34,031	51,318	44,853	15,361	21,394
Korea.....	57,542	85,026	109,770	35,388	59,632
Taiwan.....	65,211	77,438	89,550	27,275	43,266
Subtotal.....	156,784	213,782	244,173	78,024	124,292
All other sources.....	25,413	27,805	21,601	6,663	7,815
Total.....	182,197	241,587	265,774	84,687	132,107
Unit value (per dozen) 1/					
Hong Kong.....	\$109	\$104	\$98	\$102	\$102
Korea.....	96	112	117	113	119
Taiwan.....	107	109	115	110	113
Average.....	103	109	112	110	114
All other sources.....	87	95	81	93	110
Average.....	100	107	109	108	114

1/ Computed from data of firms providing data on both quantity and value of imports.

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

Table E-2

Sweaters of other fibers: U.S. imports for consumption, by specified sources, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Quantity (1,000 dozen)				
Hong Kong.....	446	534	1,060	252	472
Korea.....	566	412	432	135	227
Taiwan.....	205	185	147	59	36
Subtotal.....	1,217	1,131	1,639	445	735
All other sources.....	124	149	176	56	191
Total.....	1,341	1,280	1,816	501	926
	Value (1,000 dollars)				
Hong Kong.....	45,848	63,355	140,300	36,328	53,005
Korea.....	42,760	42,829	46,413	12,699	25,778
Taiwan.....	18,685	22,785	17,558	6,831	4,340
Subtotal.....	107,293	128,969	204,271	55,858	83,123
All other sources.....	13,723	16,025	32,211	8,330	24,831
Total.....	121,016	144,994	236,482	64,188	107,954
	Unit value (per dozen) 1/				
Hong Kong.....	\$103	\$119	\$132	\$144	\$112
Korea.....	76	104	107	94	114
Taiwan.....	91	123	119	116	120
Average.....	88	114	125	125	113
All other sources.....	111	108	183	150	130
Average.....	90	113	130	128	117

1/ Computed from data of firms providing data on both quantity and value of imports.

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

Table E-3

Sweaters: U.S. imports for consumption, by specified sources, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 dozen)					
Hong Kong.....	760	1,030	1,518	402	678
Korea.....	1,164	1,174	1,368	447	727
Taiwan.....	814	894	923	306	418
Subtotal.....	2,739	3,097	3,810	1,155	1,823
All other sources.....	417	441	443	127	262
Total.....	3,156	3,538	4,253	1,283	2,086
Value (1,000 dollars)					
Hong Kong.....	79,879	114,673	185,153	51,689	74,399
Korea.....	100,302	127,855	156,183	48,087	85,410
Taiwan.....	83,896	100,223	107,108	34,106	47,606
Subtotal.....	264,077	342,751	448,444	133,882	207,415
All other sources.....	39,136	43,830	53,812	14,993	32,646
Total.....	303,213	386,581	502,256	148,875	240,061
Unit value (per dozen) 1/					
Hong Kong.....	\$105	\$112	\$122	\$129	\$109
Korea.....	86	109	114	108	117
Taiwan.....	103	112	116	111	114
Average.....	96	111	118	116	114
All other sources.....	94	99	121	118	125
Average.....	96	109	118	116	115

1/ Computed from data of firms providing data on both quantity and value of imports.

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

APPENDIX F

U.S. IMPORTS OF SWEATERS OF OTHER FIBERS AND ALL SWEATERS

Table F-1

Sweaters: U.S. imports from Hong Kong, Korea, Taiwan, and all other countries, 1986-88, January-June 1988, and January-June 1989 ^{1/}

Source	1986	1987	1988	January-June--	
				1988	1989
	Quantity (1,000 dozen)				
Hong Kong.....	6,784	5,311	4,038	1,252	1,486
Korea.....	7,997	6,448	4,966	2,022	2,660
Taiwan.....	5,157	5,022	3,804	1,634	1,687
Hong Kong, Korea, & Taiwan.....	19,938	16,781	12,808	4,908	5,833
All other countries.....	9,889	10,526	8,548	3,417	4,712
Total imports.....	29,827	27,307	21,356	8,325	10,545
	Value (1,000 dollars) 2/				
Hong Kong.....	815,728	718,230	598,638	172,367	201,443
Korea.....	682,752	682,223	567,900	210,755	288,934
Taiwan.....	599,513	652,208	478,809	186,382	188,278
Hong Kong, Korea, & Taiwan.....	2,097,993	2,052,661	1,645,347	569,504	678,655
All other countries.....	1,085,214	1,273,519	1,126,809	403,877	522,057
Total imports.....	3,183,207	3,326,180	2,772,156	973,381	1,200,712
	Unit value (per dozen)				
Hong Kong.....	\$120.24	\$135.23	\$148.25	\$137.67	\$135.56
Korea.....	85.38	105.80	114.36	104.23	108.62
Taiwan.....	116.25	129.87	125.87	114.06	111.61
Hong Kong, Korea, & Taiwan.....	105.23	122.32	128.46	116.04	116.35
All other countries.....	109.74	120.99	131.82	118.20	110.79
Total imports.....	106.72	121.81	129.81	116.92	113.87

^{1/} Includes imports of fine-knit sweaters under items reserved for knit shirts. In most instances, staff estimated the proportion of trade under those items consisting of such sweaters as 1 percent; the actual percentages may be lower. As a result, import data for sweaters may be somewhat overstated.

^{2/} C.i.f. duty-paid value.

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

Table F-2

Sweaters of other fibers: U.S. imports from Hong Kong, Korea, Taiwan, and all other countries, 1986-88, January-June 1988, and January-June 1989 ^{1/}

Source	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 dozen)					
Hong Kong.....	5,445	3,960	2,764	848	1,016
Korea.....	4,607	3,057	1,486	623	906
Taiwan.....	1,126	914	529	318	219
Hong Kong, Korea, & Taiwan.....	11,178	7,931	4,779	1,789	2,141
All other countries.....	5,654	6,963	5,824	2,115	3,621
Total imports.....	16,832	14,894	10,603	3,904	5,762
Value (1,000 dollars) 2/					
Hong Kong.....	674,411	565,431	472,750	132,269	150,482
Korea.....	349,364	291,174	167,911	59,930	93,673
Taiwan.....	117,149	118,127	73,593	37,781	29,465
Hong Kong, Korea, & Taiwan.....	1,140,924	974,732	714,254	229,980	273,620
All other countries.....	811,754	1,013,831	917,947	311,553	438,807
Total imports.....	1,952,678	1,988,563	1,632,201	541,533	712,427
Unit value (per dozen)					
Hong Kong.....	\$123.86	\$142.79	\$171.04	\$155.98	\$148.11
Korea.....	75.83	95.25	113.00	96.20	103.39
Taiwan.....	104.04	129.24	139.12	118.81	134.54
Hong Kong, Korea, & Taiwan.....	102.07	122.90	149.46	128.55	127.80
All other countries.....	143.57	145.60	157.61	147.31	121.18
Average, all imports....	116.01	133.51	153.94	138.71	123.64

^{1/} Includes imports of fine-knit sweaters under items reserved for knit shirts. In most instances, staff estimated the proportion of trade under those items consisting of such sweaters as 1 percent; the actual percentages may be lower. As a result, import data for sweaters of other fibers may be somewhat overstated.

^{2/} C.i.f. duty-paid value.

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

APPENDIX G

MARKET PENETRATION BY U.S. IMPORTS OF SWEATERS
CALCULATED USING INFORMATION COMPILED FROM DATA SUBMITTED
IN RESPONSE TO COMMISSION QUESTIONNAIRES

Table G-1

Sweaters of manmade fibers: U.S. shipments by producers and importers, apparent U.S. consumption, and market penetration, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
	Quantity (1,000 dozen)				
Producers' U.S. shipments....	1,304	994	990	318	282
U.S. shipments of imports from--					
Hong Kong.....	313	492	461	137	171
Korea.....	591	748	939	286	399
Taiwan.....	606	705	772	220	283
Subtotal.....	1,510	1,945	2,172	643	853
All other sources.....	275	288	266	72	72
Total.....	1,785	2,233	2,438	715	925
Apparent consumption.....	3,089	3,227	3,428	1,033	1,207
	Value (1,000 dollars)				
Producers' U.S. shipments....	110,466	82,632	79,277	28,832	23,448
U.S. shipments of imports from--					
Hong Kong.....	37,639	54,751	48,893	15,329	19,833
Korea.....	61,235	89,130	119,337	35,123	50,075
Taiwan.....	74,130	88,062	103,766	29,977	40,585
Subtotal.....	173,004	231,943	271,996	80,429	110,493
All other sources.....	24,417	27,232	22,963	7,861	7,859
Total.....	197,421	259,175	294,959	88,290	118,352
Apparent consumption.....	307,887	341,807	374,236	117,122	141,800
	As a share of the quantity of apparent U.S. consumption (percent)				
Producers' U.S. shipments....	42.2	30.8	28.9	30.8	23.4
U.S. shipments of imports from--					
Hong Kong.....	10.1	15.2	13.4	13.3	14.2
Korea.....	19.1	23.2	27.4	27.7	33.1
Taiwan.....	19.6	21.8	22.5	21.3	23.4
Subtotal 1/.....	48.9	60.3	63.4	62.2	70.7
All other sources.....	8.9	8.9	7.8	7.0	6.0
Total 1/.....	57.8	69.2	71.1	69.2	76.6
Apparent consumption.....	100.0	100.0	100.0	100.0	100.0
	As a share of the value of apparent U.S. consumption (percent)				
Producers' U.S. shipments....	35.9	24.2	21.2	24.6	16.5
U.S. shipments of imports from--					
Hong Kong.....	12.2	16.0	13.1	13.1	14.0
Korea.....	19.9	26.1	31.9	30.0	35.3
Taiwan.....	24.1	25.8	27.7	25.6	28.6
Subtotal.....	56.2	67.9	72.7	68.7	77.9
All other sources.....	7.9	8.0	6.1	6.7	5.5
Total 1/.....	64.1	75.8	78.8	75.4	83.5
Apparent consumption.....	100.0	100.0	100.0	100.0	100.0

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

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

Table G-2

Sweaters of other fibers: U.S. shipments ^{1/} by producers and importers, apparent U.S. consumption, and market penetration, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 dozen)					
Producers' U.S. shipments....	909	975	988	306	316
U.S. shipments of imports from--					
Hong Kong.....	445	529	1,036	253	388
Korea.....	564	411	426	126	138
Taiwan.....	201	183	154	58	29
Subtotal.....	1,210	1,123	1,616	437	555
All other sources.....	124	147	170	54	168
Total.....	1,334	1,270	1,786	491	723
Apparent consumption.....	2,243	2,245	2,774	797	1,039
Value (1,000 dollars)					
Producers' U.S. shipments....	92,702	115,920	127,507	36,576	37,546
U.S. shipments of imports from--					
Hong Kong.....	51,247	66,980	148,558	43,124	50,739
Korea.....	47,395	47,816	53,724	14,115	18,003
Taiwan.....	23,443	26,939	22,660	7,834	4,649
Subtotal.....	122,085	141,735	224,942	65,073	73,391
All other sources.....	14,074	15,960	32,399	8,538	24,513
Total.....	136,159	157,695	257,341	73,611	97,904
Apparent consumption.....	228,861	273,615	384,848	110,187	135,450
As a share of the quantity of apparent U.S. consumption (percent)					
Producers' U.S. shipments....	40.5	43.4	35.6	38.4	30.4
U.S. shipments of imports from--					
Hong Kong.....	19.8	23.6	37.3	31.7	37.3
Korea.....	25.1	18.3	15.4	15.8	13.3
Taiwan.....	9.0	8.2	5.6	7.3	2.8
Subtotal 1/.....	53.9	50.0	58.3	54.8	53.4
All other sources.....	5.5	6.5	6.1	6.8	16.2
Total 1/.....	59.5	56.6	64.4	61.6	69.6
Apparent consumption.....	100.0	100.0	100.0	100.0	100.0
As a share of the value of apparent U.S. consumption (percent)					
Producers' U.S. shipments....	40.5	42.4	33.1	33.2	27.7
U.S. shipments of imports from--					
Hong Kong.....	22.4	24.5	38.6	39.1	37.5
Korea.....	20.7	17.5	14.0	12.8	13.3
Taiwan.....	10.2	9.8	5.9	7.1	3.4
Subtotal 1/.....	53.3	51.8	58.4	59.1	54.2
All other sources.....	6.1	5.8	8.4	7.7	18.1
Total 1/.....	59.5	57.6	66.9	66.8	72.3
Apparent consumption.....	100.0	100.0	100.0	100.0	100.0

^{1/} Because of rounding, shares may not add to the totals shown.

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

Table G-3

Sweaters: U.S. shipments by producers and importers, apparent U.S. consumption, and market penetration, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
	Quantity (1,000 dozen)				
Producers' U.S. shipments....	2,213	1,969	1,979	625	597
U.S. shipments of imports of manmade-fiber sweaters from--					
Hong Kong.....	313	492	461	137	171
Korea.....	591	748	939	286	399
Taiwan.....	606	705	772	220	283
Subtotal.....	1,510	1,946	2,172	643	853
U.S. shipments of non-subject imports 1/.....	1,609	1,558	2,052	563	795
Total.....	3,119	3,504	4,224	1,206	1,648
Apparent consumption.....	5,332	5,473	6,203	1,831	2,245
	Value (1,000 dollars)				
Producers' U.S. shipments....	203,168	198,552	206,784	65,408	60,994
U.S. shipments of imports of manmade-fiber sweaters from--					
Hong Kong.....	37,639	54,751	48,893	15,329	19,833
Korea.....	61,235	89,130	119,337	35,123	50,075
Taiwan.....	74,130	88,062	103,766	29,977	40,585
Subtotal.....	173,004	231,943	271,996	80,429	110,493
U.S. shipments of non-subject imports 1/.....	160,576	184,927	280,304	81,472	105,763
Total.....	333,580	416,870	552,300	161,901	216,256
Apparent consumption.....	536,748	615,422	759,084	227,309	277,250

Footnotes at end of table.

Table G-3--Continued

Sweaters: U.S. shipments by producers and importers, apparent U.S. consumption, and market penetration, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
	As a share of the quantity of apparent U.S. consumption (percent)				
Producers' U.S. shipments....	41.5	36.0	31.9	34.1	26.6
U.S. shipments of imports of manmade-fiber sweaters from--					
Hong Kong.....	5.9	9.0	7.4	7.5	7.6
Korea.....	11.1	13.7	15.1	15.6	17.8
Taiwan.....	11.4	12.9	12.4	12.0	12.6
Subtotal 2/.....	28.3	35.6	35.0	35.1	38.0
U.S. shipments of non-subject imports 1/.....	30.2	28.5	33.1	30.7	35.4
Total 2/.....	58.5	64.0	68.1	65.9	73.4
Apparent consumption.....	100.0	100.0	100.0	100.0	100.0
	As a share of the value of apparent U.S. consumption (percent)				
Producers' U.S. shipments....	37.9	32.3	27.2	28.8	22.0
U.S. shipments of imports of manmade-fiber sweaters from--					
Hong Kong.....	7.0	8.9	6.4	6.7	7.2
Korea.....	11.4	14.5	15.7	15.5	18.1
Taiwan.....	13.8	14.3	13.7	13.2	14.6
Subtotal.....	32.2	37.7	35.8	35.4	39.9
U.S. shipments of non-subject imports 1/.....	29.9	30.0	36.9	35.8	38.1
Total 2/.....	62.1	67.7	72.8	71.2	78.0
Apparent consumption.....	100.0	100.0	100.0	100.0	100.0

1/ Includes shipments of imports of sweaters of other fibers from Hong Kong, Korea, and Taiwan, and shipments of imports of all sweaters from all other sources.

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

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

