SHOP TOWELS FROM BANGLADESH

Determination of the Commission in Investigation No. 731–TA–514 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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Washington, DC 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-514 (Preliminary)

SHOP TOWELS FROM BANGLADESH

Determination

On the basis of the record[1] developed in the subject investigation, the Commission determines,[2] 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 Bangladesh of shop towels,[3] provided for in subheading 6307.10.20 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On May 29, 1991, a petition was filed with the Commission and the Department of Commerce by counsel for Milliken & Co., LaGrange, GA, alleging that an industry in the United States is materially injured and is threatened with further material injury by reason of LTFV imports of shop towels from Bangladesh. Accordingly, effective May 29, 1991, the Commission instituted preliminary antidumping investigation No. 731-TA-514 (Preliminary).

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

[2] Acting Chairman Anne E. Brunsdale did not participate in this determination.

[3] For purposes of this investigation, shop towels are defined as absorbent industrial wiping cloths made from a loosely woven fabric. The fabric may be either 100 percent cotton or a blend of materials. Shop towels are primarily used for wiping machine parts and cleaning ink, grease, oil, or other unwanted substances from machinery or other items in industrial or commercial settings.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of April 5, 1991 (56 F.R. 14121). The conference was held in Washington, DC, on April 19, 1991, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Based on the information obtained in this preliminary investigation, we determine that there is a reasonable indication that an industry in the United States is injured by reason of imports of shop towels from Bangladesh.[1]

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), which requires the Commission to determine, based on the best information available at the time of the preliminary investigation, whether there is a reasonable indication of material injury to a domestic industry, or threat thereof, by reason of imports alleged to be sold at LTFV.

Further, in American Lamb v. United States, 785 F. 2d 994 (Fed. Cir. 1986), the Federal Circuit held that the Commission may weigh the evidence in determining whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury, threat of material injury, and (2) no likelihood exists that contrary evidence will arise in a final investigation."[2]

Like Product and Domestic Industry

In this, as in other Title VII investigations, the Commission must first make factual determinations with respect to the "like product" and "domestic industry". The term "industry" is defined as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production

[1] Acting Chairman Brunsdale did not participate in this determination.

[2] 785 F. 2d at 1001-04 (Fed. Cir. 1986).

of that product..."[3] Section 771 of the Tariff Act of 1930 defines the "like product" 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..."[4] The Commerce Department has determined:

> The product covered by this investigation is shop towels. Shop towels are absorbent industrial wiping cloths made from a loosely woven fabric. The fabric may be either 100 percent cotton or a blend of materials.[5]

The Commission's decision regarding like product is essentially a factual determination, made on a case-by-case basis.[6] The Commission usually considers a number of factors when determining what product is "like" the product subject to investigation, including: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) common manufacturing facilities and production employees, (5) customer or producer perceptions, and (6) price.[7] The Commission looks for clear dividing lines between like products[8] because minor distinctions are an insufficient basis for finding separate like products.[9]

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[3] 19 U.S.C. § 1677(4)(a).

[4] 19 U.S.C. 1677(10).

[5] 56 F.R. 19088 (April 25, 1991).

[6] Asociacion Columbiana de Exportadores de Flores v. United States, 12 CIT _, 693 F. Supp. 1165,1169 (1988)(hereinafter "ASOCOLFLORES")

[7] See, e.g., Polychloroprene from France and the Federal Republic of Germany, Inv. No. 731-TA-446-447 (Preliminary) USITC Pub. 2233 (November 1989) at 3, ASOCOLFLORES, 693 F. Supp. at 1170, n.8.

[8] See, e.g. Gene Amplification Thermal Cyclers and Subassemblies thereof from the United Kingdom, 731-TA-485 (Preliminary), USITC Pub 2346, (December 1990) at 5.

[9] ASOCOLFLORES, 693 F. Supp. at 1168-69, S. Rep. No. 249, 96th Cong., 1st Sess., 90-91 (1979).

Shop towels are square or rectangular shaped pieces of fabric that are specifically designed for more than "one time use." They are used to wipe or clean unwanted or excessive substances such as grease, oil, or ink, from machinery, equipment, or various apparatuses that generally are located in manufacturing, industrial or automotive settings. Shop towels are made from an osnaburg fabric[10] usually consisting of 100 percent cotton.[11] Many shop towels, however, may contain man-made fiber such as acrylic, blended with the cotton.[12] Most shop towels are sold in the griege[13] state, but some are printed, dyed, and/or treated with a soil release finish. Basic properties that a shop towel must possess are a high absorbency, tear and stretch resistance, and the ability to withstand numerous washings at high water temperatures.[14]

Petitioner asserts that the like product should be defined as shop towels produced in the United States, namely towels of the type sold by petitioner.[15]

During the conference, counsel for respondents argued that the handmade shop towels from Bangladesh are not "like" shop towels produced in this

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[10] A strong, plain woven fabric, often made with very coarse yarns that usually consist of low-grade, short staple cotton. Report at A-3, f.n. 9.

[11] Although shop towels could be produced from other woven textile fabrics, it is not economically feasible to do so. Cotton waste has the combined advantages of being inexpensive, while offering a high degree of absorbency. Report at A-8.

[12] Report at A-3.

[13] Woven fabric that has received no dry or wet finishing operations, i.e. bleaching or dyeing. Report at A-3.

[14] Report at A-3.

[15] Petitioner's post-conference brief at 5.

country.[16] Respondents alleged that the Bangladeshi towels weigh less than domestic towels, thereby adversely affecting absorbency. Respondents also argued that the petitioner's towels, unlike the imported products, undergo a number of post-hemming processes, including chemical processing which allows the towel to be dried at a lower temperature and to be dried more quickly. Respondents submitted that, because of these physical differences, the subject imports are perceived differently in the marketplace, and thus are sold at lower prices.[17] Respondents later changed their position on like product slightly. In their post conference brief, respondents urge that there are two separate like products involved in this investigation: (1) towels manufactured by petitioner and others from machine-made fabrics in a highly automated operation, and (2) towels manufactured by converters from imported hand-loomed fabrics.

Respondents argue that shop towels manufactured by converters from hand-loomed fabrics constitute a separate like product, because the hand-loomed fabrics are produced on completely different manufacturing equipment using a completely different manufacturing process than towels made from fabrics produced on automated looms.[18] Respondents suggest that the hand weaving operation produces a much coarser fabric with a higher number of impurities and imperfections, are generally lighter and less absorbent, contain a higher percentage of waste fiber, and are not generally further processed. Respondents allege that these differences in the methods of production and in

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[16] Preliminary conference transcript at 43.

[17] Preliminary conference transcript at 45-46.

[18] Respondents' post-conference brief at 5.

the physical characteristics they create are crucially important to the end-users of the towels.[19]

Turning to the various like product factors, the physical characteristics and end uses appear to be the same regardless of whether the towels are produced from hand loomed or machine loomed fabrics. While there may be some quality differences between machine loomed and hand loomed towels, and between those which have undergone different degrees of processing, these differences do not appear to affect customer perceptions to the extent that it influences purchasing decisions.[20] We note that most shop towels of every variety are made of woven fabric composed primarily of cotton.[21] While there may be some distinction and grading among shop towels, all appear to be interchangeable. All shop towels are used to wipe and clean unwanted or excessive substances such as grease, oil, or ink from machinery, equipment, or various apparatuses that are generally located in manufacturing, industrial, or automotive settings. Shop towels, regardless of how they are loomed, are generally sold to industrial laundries and linen supply companies who in turn rent the towels to various industrial firms who receive a specified number of towels per week according to a set delivery schedule, or to distributors who

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[19] Respondents' post-conference brief at 6.

[20] See, e.g. Report at A-27, f.n. 56.

[21] We note that shop towels may be substituted in certain instances by disposable towels of paper or nonwoven textile fibers, as well as rags. While less expensive initially, these types of towels are usually for a single use and cannot be laundered. Further, there are additional problems of disposal and recycling. Report at A-7.

in turn sell them to unrelated industrial laundries and linen supply companies.[22]

We have conducted investigations of shop towels in the past.[23] While we are not bound to follow our previous like product determinations, we see no basis in the record to characterize the like product any differently in this preliminary investigation. Therefore, we find one like product in this investigation: shop towels.

The domestic industry is all domestic producers of shop towels.

Condition of the Industry

In assessing the condition of the industry, we consider, among other factors, production, shipments, production capacity, capacity utilization, inventories, employment, wages, financial performance, capital investments and research and development expenditures. No single factor is dispositive, and in each investigation we consider the particular nature of the industry involved and the relevant economic factors which have a bearing on the state of the industry.[24] Before describing the condition of the industry, we note that much of the information on which we base our decision is business proprietary, and our discussion of the condition of the industry must necessarily be general in nature.

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[22] Report at A-13.

[23] See, Cotton Shop Towels from the People's Republic of China, 731-TA-103 (Final), USITC Pub. 1431 (September, 1983) at 4-5; Cotton Shop Towels from Pakistan, 701-TA-202 (Final), USITC Pub. 1490, (February, 1984) at 4-5.

[24] See 19 U.S.C. § 1677(7)(V)(iii), which requires us to consider the condition of the industry in the context of the business cycle and conditions of competition that are distinctive to the domestic industry. See also H.R. Rep. 317, 96th Cong., 1st Sess. at 46; S. Rep. 249, 96th Cong., 1st Sess. at 88.

Apparent domestic consumption of shop towels increased significantly from 1988 to 1989, and then decreased somewhat from 1989 to 1990 while still maintaining levels significantly above the 1988 level.[25]

Domestic production of shop towels declined throughout the period of investigation.[26] Capacity and capacity utilization followed the same trend.[27] U.S. producer's domestic shipments of shop towels decreased throughout the period of investigation.[28] U.S. inventories increased throughout the period of investigation.[29]

The employment data for the industry indicate that the number of workers decreased throughout the period of investigation.[30] Wages increased from 1988 to 1989, and then declined from 1989 to 1990.[31]

While the financial data are business proprietary, we note that many of the indicators show declines throughout the period of investigation.[32]

Based on the information available in this preliminary investigation showing consistent declines in the industry's performance over the period of investigation, we determine that there is a reasonable indication that the domestic industry producing shop towels is materially injured.

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[25] Report at A-10.

[26] Report at A-13.

[27] Report at A-13.

[28] Report at A-14.

[29] Report at A-15.

[30] Report at A-16.

[31] Report at A-16.

[32] Report at A-17.

Reasonable indication of material injury by reason of allegedly LTFV imports from Bangladesh

The final step in the Commission's preliminary determination in an antidumping investigation is to determine whether material injury to the domestic industry is "by reason of" the imports under investigation.[33] In making this determination, the Commission considers the volume of imports, their effect on prices of the like product, and their impact on domestic producers.[34] The Commission examines whether import volumes or increases in volume are significant, whether there has been significant underselling by imports, whether imports significantly depress or suppress prices for the like product, and adversely affect such factors as domestic production, sales, capacity utilization, inventories, employment, and profits.[35]

In making its determination, the Commission may take into account other causes of harm to the domestic industry, but it is not to weigh causes.[36] The imports need only be a cause of material injury.[37]

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[33] 19 U.S.C. § 1673b(a).

[34] 19 U.S.C. § 1677(7)(B)(i).

[35] 19 U.S.C. § 1677(7)(C). The Commission may consider other factors it deems relevant, but must explain why they are relevant. 19 U.S.C. § 1677(B)(ii).

[36] "Current law does not...contemplate that the effects from the subsidized [or LTFV] imports be weighted against the effects associated with other factors (e.g., the volume and prices of nonsubsidized [LTFV] imports, 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) which may be contributing to overall injury to an industry." S. Rep. No. 249, 96th Cong. 1st Sess. 57-58, 74 (1979).

[37] Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1088 (CIT 1988); Hercules, Inc. v. United States, 673 F. Supp. 454, 479 (1987).

In terms of both volume and value, imports of shop towels from Bangladesh increased significantly throughout the period of investigation. Imports of shop towels increased from 1.789 million towels in 1988 to 4.429 million in 1989, and 28.01 million in 1990.[38] As a share of apparent U.S. consumption, the subject imports increased dramatically during the period of investigation.[39]

At the same time, U.S. producers share of apparent consumption declined. The pricing data show underselling throughout the period of investigation in all instances for which comparisons are available.[40] Although there have been allegations of lost sales to the imports under investigation, the Commission has been unable to confirm these allegations.

In light of the condition of the domestic industry, we conclude that the increasing volumes and the underselling by the allegedly LTFV imports have adversely affected the domestic industry's performance.

Conclusion

Based on the information set forth above, we determine that there is a reasonable indication that the allegedly LTFV shop towels subject to investigation are a cause of material injury to the domestic industry producing the like product.

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[38] Report at A-26.

[39] Report at A-25.

[40] Report at A-28.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On March 29, 1991, a petition was filed with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) by counsel for Milliken & Co., LaGrange, GA, alleging that an industry in the United States is being materially injured and is threatened with further material injury by reason of imports from Bangladesh of shop towels[1] that are allegedly sold in the United States at less than fair value (LTFV). Accordingly, effective March 29, 1991, the Commission instituted antidumping investigation No. 731-TA-514 (Preliminary) under section 733(a) 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 that the establishment of an industry in the United States is materially retarded by reason of imports of such merchandise into the United States.

Notice of the institution of this investigation was posted in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and published in the Federal Register of April 5, 1991 (56 F.R. 14121). Commerce published its notice of initiation in the Federal Register of April 25, 1991 (56 F.R. 19088). Copies of the Commission's and Commerce's Federal Register notices are presented in appendix A.

The Commission held a public conference in Washington, DC, on April 19, 1991, at which time all interested parties were allowed to present information and data for consideration by the Commission. A list of the participants in the conference is presented in appendix B. The Commission voted on this investigation on May 8, 1991. The statute directs the Commission to make its preliminary determination within 45 days after receipt of the petition or, in this investigation, by May 13, 1991.

Previous and Related Investigations

In July 1980, the Commission determined in investigation No. 701-TA-62 (Final), Textiles and Textile Products of Cotton from Pakistan, that an industry in the United States was neither materially injured nor threatened with material injury and that the establishment of an industry in the United States was not materially retarded by reason of imports of textiles and textile products of cotton from Pakistan. At the same time, in investigation No. 104-TAA-1,[2] the Commission determined that an industry in the United

[1] For purposes of this investigation, shop towels are defined as absorbent industrial wiping cloths made from a loosely woven fabric. The fabric may be either 100 percent cotton or a blend of materials. Shop towels are primarily used for wiping machine parts and cleaning ink, grease, oil, or other unwanted substances from machinery or other items in industrial or commercial settings. Shop towels, provided for in subheading 6307.10.20, are reported under statistical reporting numbers 6307.10.2005 and 6307.10.2015 of the Harmonized Tariff Schedule of the United States (HTS) (item 366.2840 of the former Tariff Schedules of the United States Annotated (TSUSA)).

[2] Originally published as investigation No. 701-TA-63 (Final).

States would not be materially injured or threatened with material injury and that the establishment of an industry would not be materially retarded by reason of imports of textiles and textile products from Pakistan covered by a countervailing duty order, if that order were to be revoked. The subject of the current investigation was one of several textile products considered in these investigations.

On August 24, 1982, Milliken & Co. (Milliken), the petitioner in the current investigation, filed an antidumping petition with the Commission and Commerce on cotton shop towels from the People's Republic of China (China). Effective August 16, 1983, Commerce issued a final determination that such towels were being sold in the United States at LTFV.[3] Subsequently, the Commission determined in investigation No. 731-TA-103 (Final) that an industry in the United States was materially injured by reason of such imports from China and notified Commerce of this determination on September 23, 1983.

On July 29, 1983, Milliken filed a countervailing duty petition with the Commission and Commerce on cotton shop towels from Pakistan. On January 11, 1984, Commerce issued a final determination that subsidies were being provided to manufacturers, producers, or exporters in Pakistan of cotton shop towels.[4] Subsequent to that decision, the Commission determined in investigation No. 701-TA-202 (Final) that an industry in the United States was materially injured by reason of such imports from Pakistan and notified Commerce of this determination on February 23, 1984.

On March 28, 1984, Milliken filed a countervailing duty petition with Commerce on cotton shop towels from Peru.[5] Effective June 27, 1984, Commerce preliminarily determined that certain benefits that constitute bounties or grants are being provided to manufacturers, producers, or exporters in Peru of cotton shop towels.[6] Commerce decided to suspend the investigation, effective September 12, 1984, based on an agreement to cease exports of the product to the United States.[7]

On December 13, 1990, Milliken filed a petition with Commerce alleging that manufacturers, producers, or exporters of shop towels in Bangladesh receive certain benefits which constitute bounties or grants within the meaning of the countervailing duty law.[8] Effective April 16, 1991, Commerce preliminarily determined that the estimated net bounty or grant rate is *de minimis*. A final determination by Commerce has been scheduled on or before

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[3] The weighted-average margin on all sales compared was determined to be 38.8 percent.

[4] The net subsidy was determined to be 12.67 percent ad valorem.

[5] Peru is not a "country under the Agreement."

[6] The estimated net bounty or grant is 44 percent ad valorem.

[7] Commerce, since the suspension, has made two unsuccessful attempts to terminate the investigation. Milliken objected to Commerce's intent to terminate the suspended investigation.

[8] Bangladesh is not a "country under the Agreement" within the meaning of section 701(b) of the Act, and the merchandise being investigated is dutiable. Therefore, sections 303(a)(1) and (b) of the Act apply to this investigation. Accordingly, the petitioner is not required to allege that, and the Commission is not required to determine whether, imports of the subject merchandise from Bangladesh materially injure, or threaten material injury to, a U.S. industry.

June 24, 1991. A copy of Commerce's Federal Register notice associated with the countervailing duty investigation is presented in appendix C.

The Products

Description

Shop towels are square or rectangular shaped pieces of fabric that are used to wipe and clean unwanted or excessive substances such as grease, oil, or ink from machinery, equipment, or various apparatuses that are generally located in manufacturing, industrial, or automotive settings. They are specifically designed for more than "one time use." Shop towels are made from an osnaburg[9] fabric usually consisting of 100 percent cotton. However, many towels have as much as 15 percent man-made fiber, such as acrylic, blended with the cotton.[10]

The most widely used shop towel size is 18 by 18 inches; this size accounts for more than 90 percent of the market. Other less common shop towel sizes are 18 by 20 inches, 18 by 24 inches, 18 by 30 inches,[11] 18 by 36 inches, and 36 by 36 inches. The quoted size refers to the cut fabric before it is trimmed, hemmed, and laundered. Each of these operations performed on the fabric causes it to shrink somewhat.

Most shop towels are sold in the griege[12] state, but some are printed and/or dyed. Printed shop towels often display a company's name or logo for advertising or identification purposes; dyed shop towels are available in several different colors, with orange and blue being the most prevalent. Such features as dyeing, printing, and soil release finishes (which enable washing at lower temperatures) usually add *** to the cost of a towel.[13] Basic properties that a shop towel must have are high absorbency, tear and stretch resistance, and the ability to withstand numerous washings at high water temperatures.

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[9] A strong, plain woven fabric, often made with very coarse yarns that usually consist of low-grade, short staple cotton. The fabric's hard texture prevents it from linting, yet it is rough enough to be absorbent.

[10] *** manufactures a towel composed of *** percent acrylic and *** percent cotton. ***. The acrylic fiber content provides a high degree of acid resistance. Also, some imported shop towels, primarily those from China, contain a blend of cotton and ramie (a vegetable fiber very similar to flax (linen) in appearance and properties).

[11] The printing industry is one of the leading users of the 18 by 30 inch shop towel.

[12] Woven fabric that has received no dry- or wet-finishing operations, i.e., bleaching and dyeing.

[13] Often, laundry services periodically will dye the towels when they are laundered. This process is usually less expensive than purchasing dyed towels from the manufacturer. ***, interview by USITC staff, ***.

Imported and domestic product comparison

According to the petitioner,[14] imported and domestically produced shop towels are essentially the same and are considered to be a commodity product. However, some physical differences may distinguish imported, including Bangladeshi, towels from domestically produced towels.

Virtually all imported shop towels are sold in the unprinted and griege state. The majority of domestically produced towels are also sold in the griege state, but a small percentage of towels are printed, dyed, or treated with a soil release finish. Also, as a result of different manufacturing processes, imported shop towels usually have rounded corners and domestically produced towels usually have square corners.

Generally, the fabric used for making domestic towels ranges in weight from 4.5 to 5.5 ounces per square yard and may have a cotton fiber content as low as 85 percent. Bangladeshi shop towels are generally made from 100 percent cotton fabric[15] that is usually lighter in weight than the fabric used in domestically produced shop towels.[16] The percentage of cotton fiber content for domestically produced towels often depends on whether the towels are made from a domestic or foreign-produced fabric. The cotton used for most domestically produced towels is primarily cotton waste fiber, and the cotton used for imported towels consists mostly of cotton waste fiber blended with new cotton fiber. Waste fiber is usually less expensive than new fiber, but it is also generally shorter. Longer length (over 3/8 inch) new cotton or man-made fiber must be blended with the shorter length waste fiber so the fiber can be spun properly into yarn.

The yarns used in domestically produced fabric for manufacturing towels are number 5 (5s)[17] in the filling (width of the fabric) and number 10 (10s) in the warp (length of the fabric). The fabric in imported towels consists of yarn numbers 12s, 10s, 8s, 6s, and 5s, with the same number yarns at times used in both the warp and the filling. The yarn count in the fabric of domestic towels is 26 yarns per inch in the warp and 20 yarns per inch in the filling. Fabric in imported towels (when using two different yarn numbers) usually has a yarn count of 32 in the warp and 26 in the filling. These construction differences between domestic and imported yarns do not affect the functional ability of the towel, but generally reflect the most efficient manufacturing methods of individual foreign and domestic fabric producers. In domestically produced shop towels, unlike the filling yarns, the warp yarns often contain a higher percentage of manmade fiber blended with the cotton. The finer and more numerous warp yarns provide strength and stability to the fabric, while the heavier and fewer filling yarns offer absorbency.[18]

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[14] ***, interview by USITC staff, ***.

[15] The petitioner indicated that some imports may contain a minor amount of man-made materials. Transcript of the conference, p. 31.

[16] Transcript of the conference, p. 45.

[17] The yarn number describes the diameter of the yarn. The lower the number, the thicker or heavier the yarn.

[18] ***, interview by USITC staff, ***.

Quality considerations

Foreign-produced shop towel fabric may be considered lower in quality than domestically produced shop towel fabric. The foreign-produced fabric is usually less uniform in construction and weave[19] and contains more nonfiber particles, such as leaf and stem parts,[20] than the domestically produced fabric. Each imported shop towel is overedged individually on manually operated sewing machines with cotton thread. This manual overedging or hemming, which results in more inconsistencies in the stitching, renders the imported shop towel less durable than the domestic shop towel. The domestic shop towel is hemmed in large quantities mechanically with nylon thread, which is sturdier than cotton thread.

The number of washings a shop towel made of domestically produced fabric can endure before it is "ragged-out" is estimated to range between 30 and 40. The average imported shop towel would reportedly endure fewer washings. Although these are important considerations, quality or lack of durability is often not the reason that a shop towel is replaced. The average shop towel, both domestic and imported, is usually laundered only 12 to 20 times (less than the life expectancy) before it must be replaced. Because the shop towel is usually lost, stolen, damaged, or torn before it is physically worn out, the amount of revenue each towel, whether imported or domestic, can generate as a rental item is the same.[21]

Manufacturing processes

There are four main stages in manufacturing shop towels: (1) yarn spinning and fabric weaving, (2) printing and dyeing, (3) cutting and stitching, and (4) baling and packaging. A vertical shop towel production operation begins with the first stage, yarn spinning and fabric weaving. Shop towel manufacturers that do not have vertical production operations begin with the second or third stage. Only one domestic shop towel manufacturer (the petitioner) has a completely vertical production operation from yarn spinning and fabric weaving to baling and packaging. Other domestic manufacturers purchase their fabric from domestic and/or imported sources and begin with the printing and dyeing stage. The following steps in the manufacturing process for cotton shop towels pertain to a domestic, vertical production operation, except where mentioned.

The first step of yarn spinning and fabric weaving involves opening the cotton bales. This is done with a "top feeder" that skims along the top of as many as 30 to 35 bales of fiber that are aligned next to each other. Several

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[19] The foreign-produced fabric often contains uneven yarns, which contribute to an uneven weave in the fabric. This unevenness of the weave often results in a fabric that is more susceptible to rips and snags, which causes the towel to wear out sooner.

[20] Foreign fabric consists of a relatively high percentage of waste fiber and nonfiber particles that require greater twisting of the yarn during spinning because of the large amount of short length fibers. This tighter twisted yarn is less absorbent and more susceptible to knotting than yarn containing longer fibers and a looser twist.

[21] Transcript of the conference, pp. 18-19.

bales of manmade fibers can also be interspersed between the cotton bales to begin the first step in blending of fibers. As these fibers are removed from the bales, they are blown through duct work to machinery that starts opening and cleaning the fibers to remove nonfiber plant particles and trash. A second step of blending can be done at this time to obtain either more cotton fiber or manmade fiber. This step is usually done manually, before the fiber continues automatically through a machine which detects and removes pieces of metal that have contaminated the fiber. In the carding process, the fiber is then passed through machinery that separates and aligns the fibers while further removing leafy matter and trash. Next in the drawing operation, several strands of sliver[22] are fed between two pairs of rollers where they are stretched, combined, and slightly twisted into one strand of sliver. This single strand of sliver is then wound onto bobbins and spun into a yarn (adding a tighter twist). The resulting yarn is placed on cones and is later unwound and wrapped around a beam for the warp yarns and on spindles for the filling yarns. The beam of warp yarns is treated or sized, and corn starch is added in the slashing operation to increase strength and to help hold the twist in the yarn. It is then placed on the loom for weaving. At this point, the filling yarns are interlaced with the warp yarns to form the fabric. The weaving operation for domestically produced shop towel fabric is performed using newer, more efficient Draper-type looms. These highly automated looms produce a more uniform fabric in construction and weave. Bangladeshi shop towel fabric is woven primarily on older power looms, in the case of three firms, and is woven on hand-operated looms in the case of two firms.[23]

The second main (but optional) manufacturing stage is the printing and dyeing process. The fabric, which is either 36 or 54 inches wide, is then passed through printing equipment and/or a vat for dyeing. The fabric is dried and wrapped on a beam. The printing step in foreign manufacturing facilities often is done after cutting, the next step, with each piece being printed individually.

The third main manufacturing stage is cutting and stitching. The fabric on the beam is cut in half (if it is 36 inches wide) or thirds (if it is 54 inches wide) to 18 inches in width. Each of these 18-inch rolls of fabric is automatically cut to the desired length and the cut pieces are then trimmed and hemmed.[24] In the United States, the cutting and stitching stage is highly automated, whereas in foreign facilities, the fabric is cut into pieces manually, and the pieces are individually hemmed on sewing machines.

The final manufacturing stage involves baling and packaging. In this stage the finished shop towels are stacked in bundles of 50 towels each and placed on baling machinery. Domestic manufacturers usually package 3,000 18 by 18 shop towels or 1,500 18 by 30 towels in a 200-pound bale. Foreign manufacturers usually package only 2,500 18 by 18 towels in a 180-pound bale.

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[22] A loose, soft, untwisted strand or rope of fibers. The diameter of sliver is comparable with that of a man's thumb.

[23] Counsel for respondents argues that there are two separate like products, shop towels manufactured from machine-loomed fabrics and shop towels manufactured from hand-loomed fabrics. Post-conference brief by counsel for respondents, p. 5.

[24] The cut pieces of fabric are hemmed on all four sides unless there is a selvage edge present. No hemming is necessary on a selvage edge.

Uses

Shop towels are purchased by commercial laundries and linen supply companies, which, in turn, rent the towels to various industrial and commercial establishments. The laundry services provide a certain number of towels each week to the end user on a contract basis (usually from 1 to 3 years). Each week during this period the laundry will exchange the end user's soiled towels for clean towels. The end users are charged an additional fee (usually the cost of the towel plus an extra washing fee) for each towel not returned.

Direct sales of shop towels to end users that maintain their own laundry facilities and sales to retailers and individual jobbers that prewash, package, and sell shop towels to retail outlets are sporadic and small. The following is a list of end users of shop towels in various industries and commercial establishments:

1) Aircraft--manufacturers/maintenance shops/airports/airlines
2) Appliance--manufacturers/dealers/repair shops
3) Automobile--manufacturers/dealers/repair shops/service stations
4) Boat--manufacturers/engine plants/marinas
5) Building--contractors/maintenance contractors/management companies/ supply companies
6) Bus--manufacturers/transit companies
7) Computer--manufacturers/service companies
8) Copy machine--manufacturers/service & repair
9) Dairy--equipment manufacturers/farms/dairies
10) Farm--implement manufacturers/dealers/coops & exchanges
11) Furniture--manufacturers/refinishers/dealers
12) Mine equipment--manufacturers/suppliers
13) Motorcycle--manufacturers/dealers/repair shops
14) Oil--refineries/drilling companies
15) Printing--plants/shops/service & repair
16) Recreational vehicle--manufacturers/dealers/repair shops
17) Tire--manufacturers/dealers
18) Truck--manufacturers/dealers/repair shops/rental firms/terminals

Substitute products

Disposable shop towels of paper or nonwoven textile fabric, as well as rags, are substitutable for many uses of cotton shop towels. Although the use of disposable products increased in the early 1980s, the use of disposables has reportedly declined in recent years.[25] Disposable products are initially less expensive, but cannot be laundered or reused. In addition, some former consumers of cotton shop towels that switched to paper or nonwoven towels have been confronted with certain environmental issues dealing with the disposal and recycling of these products.

[25] In fact, there was reportedly an overwhelming move back to the cotton shop towel beginning in the mid- to late-1980s. ***, interview by USITC staff, ***.

Although shop towels could be produced from other woven textile fabrics, it is not economically feasible to replace the usual cotton osnaburg fabric with a fabric of a different construction and of other fibers. Cotton waste has the combined advantages of being very inexpensive, while offering a high degree of absorbency.[26] The plain basic weave of osnaburg also offers strength and durability, which is needed to resist abrasion and to withstand numerous launderings.

U.S. tariff treatment

The tariff treatment of shop towels in the HTS, effective January 1, 1989, is similar to that previously in effect under the TSUS. The shop towels under investigation are classified in HTS chapter 63 (Other Made-Up Textile Articles; Needlecraft Sets; Worn Clothing And Worn Textile Articles; Rags), under HTS subheading 6307.10.20, which covers cleaning cloths other than cotton dustcloths, mop cloths, and polishing cloths. Shop towels dedicated for use in garages, filling stations, and machine shops are categorized further for statistical purposes under HTS statistical reporting numbers 6307.10.2005 (of cotton) and 6307.10.2015 (other). Shop towels under the TSUS were classified in schedule 3 (Textile Fibers And Textile Products), part 5 (Textile Furnishings), subpart C (Tapestries, Linens, and Other Furnishings), TSUSA item 366.2840 (covering not ornamented, not jacquard-figured shop towels, of cotton). The column 1-general rate of duty for imports of shop towels under both the HTS and TSUS is 10.5 percent ad valorem, as shown in the following tabulation (in percent ad valorem):

	Column 1		Column 2
Item	General	Special	
HTS subheading 6307.10.20......	10.5	Free (E*, IL) 7.3 (CA)	40
TSUSA item 366.2840........	10.5	4.2 (I)	40

Preferential tariff treatment for HTS subheading 6307.10.20 is set forth in the special rates of duty subcolumn of column 1 followed by the identifying symbols E*, IL, and CA. Imports whose tariff provisions are designated with "E*" are eligible for duty-free entry under the Caribbean Basin Economic Recovery Act (CBERA).[27] The duty rate with the symbol "IL" indicates eligibility for duty-free entry pursuant to the United States-Israel Free-

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[26] Cotton yarns, especially the heavier filling yarns, become fluffier and more absorbent after washing.

[27] The CBERA affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67 and implemented by Presidential Proclamation 5133 of Nov. 30, 1983, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after Jan. 1, 1984. See general note 3(c)(v) to the HTS.

Trade Area Implementation Act of 1985. Those imported products receiving a reduced-duty treatment under the United States-Canada Free-Trade Agreement Implementation Act of 1988 are indicated by the duty rate symbol "CA." Bangladesh is not eligible for any of the above-mentioned special duty rates. Imports of shop towels are not eligible for duty-free treatment under the Generalized System of Preferences (GSP).[28]

Multifiber Arrangement

Shop towels are subject to control under the Multifiber Arrangement (MFA),[29] and are covered, respectively, by quota categories 369 (other cotton manufactures) and 863 (silk, linen, or ramie towels). There are quotas on imports of cotton shop towels from Brazil, China, Hong Kong, India, Indonesia, Malaysia, Pakistan, Philippines, Sri Lanka, Taiwan, and Turkey. In addition, a quota on Bangladeshi shop towels was recently negotiated following a quota call imposed by Commerce on October 31, 1990.[30] In 1990, these countries accounted for 83 percent of total U.S. shop towel imports.

The Nature and Extent of Alleged Sales at LTFV

The petitioner calculated estimated dumping margins by comparing the aggregate sales and cost values contained in the financial statements of five Bangladeshi shop towel producers. Arguing that shop towels account for either all or virtually all of each company's production and that each company exports all or virtually all of its production to the United States, the petitioner contends that the documented net operating losses of each of the five companies are sufficient to support its allegations of sales at LTFV.

The methodology, as applied to Shabnam Textiles (Shabnam), was accepted by Commerce, but as applied to Sonar Cotton Mills (Bangladesh) Ltd. (Sonar), Greyfab (Bangladesh) Ltd. (Greyfab), Eagle Star Mills Ltd. (Eagle Star), and

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

[29] The MFA has controlled world trade in textiles and apparel since 1974. Created under the sponsorship of the General Agreement on Tariffs and Trade (GATT), the MFA allows signatories to place quantitative limits, or quotas, on imports of textiles and apparel. The MFA covers products of cotton, wool, manmade fibers, and since August 1986, silk blends, linen, and ramie. Quotas can be established through the negotiation of bilateral agreements or, in the absence of a mutually agreeable limit, imposed unilaterally by the importing country for up to 2 years. The quotas are placed mostly on shipments from newly industrialized countries and developing countries.

[30] According to the Memorandum of Understanding between the United States and Bangladesh, dated Apr. 5, 1991, the imposed limit on category 369 is 1,010,640 kilograms for quota year 1991, 1,071,278 kilograms for quota year 1992, and 1,135,555 kilograms for quota year 1993.

Khaled Textile Mills Ltd. (Khaled), it was rejected.[31] Therefore, the LTFV margin of 13 percent, calculated by the petitioner for Shabnam alone, was used by Commerce as the basis for initiating its investigation.

The U.S. Market

Apparent U.S. consumption

For the purposes of this report, the data on apparent U.S. consumption are composed of the sum of U.S. producers' domestic shipments of shop towels, as reported in response to the Commission's questionnaires, and of U.S. imports of shop towels, as compiled from official statistics of the U.S. Department of Commerce (table 1).

Apparent U.S. consumption of shop towels, by quantity, increased by *** from *** in 1988 to *** in 1989, but fell by *** in 1990. In terms of value, apparent U.S. consumption increased by *** from *** in 1988 to *** in 1989, but fell by *** to *** in 1990.

U.S. producers

There are currently three confirmed U.S. producers of shop towels--Kleen-Tex Inc. (Kleen-Tex), Milliken, and Federal Bag Co., Inc. (Federal). In addition, there is one other firm, Texel Industries, Inc. (Texel), which is no longer in the shop towel business, but which produced shop towels in the United States during the period of investigation.[32]

The Commission sent producers' questionnaires to four firms named by the petitioner and to two additional firms subsequently identified. The Commission received completed responses from four U.S. shop towel producers. Two firms responded that they did not produce shop towels during the period under investigation.[33] Presented in table 2 are the four U.S. producers of shop towels, their share of reported production in 1990, position on the petition, and the locations of their production facilities.

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[31] For further information on the methodology used, see Commerce's initiation notice (app. A).

[32] Counsel for the respondents identified five additional "shop towel converters and reprocessors." Staff has contacted these firms and has confirmed by telephone that none of the five firms produced shop towels in the United States during the period of investigation; however, one firm, ***, is a sales agent for two U.S. manufacturers of shop towels not previously mentioned or identified by Commission staff. These firms, ***, each reportedly produced an estimated *** shop towels in 1990. ***, telephone conversation with USITC staff, ***.

Another firm, ***, was identified by ***, a contractor of shop towels, as a U.S. producer of shop towels. *** reportedly produced approximately *** shop towels in 1990. ***, telephone conversation with USITC staff, ***.

[33] ***.

Table 1
Shop towels: U.S. shipments of domestic product,[1] U.S. imports,[2] and apparent U.S. consumption, 1988-90

Item	1988	1989	1990
	Quantity (1,000 towels)		
Producers' U.S. shipments	***	***	***
U.S. imports from--			
Bangladesh	1,789	4,429	28,010
All other sources	107,107	141,222	134,018
Total	108,896	145,651	162,028
Apparent consumption	***	***	***
	Value (1,000 dollars)		
Producers' U.S. shipments	***	***	***
U.S. imports from--			
Bangladesh	169	488	2,904
All other sources	13,783	14,413	14,608
Total	13,952	14,901	17,511
Apparent consumption	***	***	***

[1] Data presented are from four firms, accounting for an estimated *** percent of 1990 U.S. production of shop towels.
[2] Data presented are from official statistics of the U.S. Department of Commerce.

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

Table 2
Shop towels: U.S. producers, shares of reported U.S. production in 1990, position on the petition, and production locations

Firm	Share of production (Percent)	Position	Location
Milliken	***	(1)	LaGrange, GA
Kleen-Tex	***	***	LaGrange, GA
Federal	***	***	St. Louis, MO
Texel	***[2]	***	Cleburne, TX
Total	100.0		

[1] Petitioner.
[2] Texel ceased shop towel production in ***.

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

The petitioner, Milliken, is *** U.S. producer that is vertically integrated from the production of the fabric[34] to the production of the shop towel. The firm, one of the larger textile producers in the United States and by far the largest producer of shop towels, also produces a wide array of other textile products. Products produced at the LaGrange, GA, facility consist of shop towels, mats, and mops.

Kleen-Tex, ***, produces not only shop towels, but also other products, including mats, mops, and fender and seat covers. The firm *** shop towel fabric from *** and produces shop towels from *** fabric.[35]

Federal, accounting for *** percent of 1990 U.S. production of shop towels, *** the fabric of which shop towels are made from ***. In addition to shop towels, the firm also produces grass catchers.

Texel ceased shop towel operations in ***. Texel reported that ***. Although the firm reported that ***.

<u>U.S. importers</u>

The Commission sent importers' questionnaires to 28 firms identified by *** as having imported from any country at least $100,000 each year of material classified under statistical reporting numbers 6307.10.2005 and 6307.10.2015 of the HTS (item 366.2840 of the former TSUSA). Importers' questionnaires were also sent to the 6 recipients of the producers' questionnaires. Of the 34 recipients of the importers' questionnaire, imports of shop towels were reported by 15 firms, *** of which reported imports from Bangladesh. Eight firms responded that they did not import shop towels during the period of investigation, and 11 firms did not respond to the Commission's request for information. Data from the *** importers of Bangladeshi shop towels are believed to account for virtually all imports of shop towels from Bangladesh, whereas data provided by the importers of shop towels from all countries other than Bangladesh are estimated to account for approximately one-third of imports from these countries. For the purposes of this report, data are presented on imports both as compiled from official statistics of the U.S. Department of Commerce and as submitted in response to questionnaires of the U.S. International Trade Commission.

<u>Channels of distribution</u>

According to questionnaire responses, in 1990, *** percent of all sales of U.S.-produced shop towels and *** percent of all sales of Bangladeshi-produced shop towels were made directly to unrelated industrial laundries and linen supply companies. These purchasers in turn rent the towels to various industrial firms, such as printers, auto repair shops, gas stations, machine tool shops, and food services. The rental fee charged by industrial laundries ranges from 3 to 15 cents per towel, with most establishments contracting to receive a specified number of towels per week according to a set delivery

[34] All of Milliken's production of the osnaburg fabric is used internally in the production of shop towels. Transcript of the conference, p. 24.
[35] A Kleen-Tex official points to ***. ***, interview by USITC staff, ***.

schedule.[36] Once the shop towels are soiled, they are returned to the rental source for cleaning.

Virtually all of the remaining sales of U.S.-produced shop towels (***) and Bangladeshi-produced shop towels (***) were made directly to unrelated distributors. The vast majority of these distributors then reportedly sell to unrelated industrial laundries and linen supply companies. *** reported sales of Bangladeshi-produced shop towels and *** percent of sales of U.S.-produced shop towels were made to unrelated end users.

Consideration of Alleged Material Injury

The four U.S. producers of shop towels, Federal, Kleen-Tex, Milliken, and Texel,[37] that provided responses to the Commission's request for data, accounted for approximately *** percent of U.S. production of shop towels in 1990.[38] The information presented in this section of the report is compiled from data submitted in response to the Commission's questionnaires. Presented separately in appendix D are additional trade data provided by Milliken for January through March 1991.

U.S. production, capacity,[39] and capacity utilization

Total reported U.S. production of shop towels fell ***, while U.S. producers' capacity[40] fell *** (table 3). Total reported U.S. capacity utilization fell ***. Milliken's production ***, and Federal's production ***.

Although the U.S. producers that manufacture shop towels produce a variety of textile products, *** responding firms, ***, reported that shop

[36] Transcript of the conference, p. 17.

[37] Only three of the responding firms produced shop towels in 1990. Texel ceased shop towel operations in ***.

[38] In the post-conference brief, counsel for the respondents identified five additional "converters and reprocessors" of shop towels. As previously stated, staff has contacted these firms and has confirmed by telephone that none of the five firms produced shop towels in the United States during the period of investigation; however, through telephone conversations, three other possible U.S. producers of shop towels were identified. These firms are ***. These firms are estimated to represent *** percent of 1990 U.S. production of shop towels. ***, telephone conversations with USITC staff, ***.

[39] The "capacity" data requested in the Commission's questionnaire consisted of firms' "full production capability" to produce shop towels, based on the maximum level of production that their establishment could reasonably expect to attain under normal operating conditions for a period of time, using the machinery and equipment actually in place during the period.

[40] Milliken reported on the basis of ***; Kleen-Tex reported on the basis of ***; Federal reported on the basis of ***; and Texel reported on the basis of ***.

Table 3
Shop towels: U.S. capacity, production, and capacity utilization, 1988-90[1]

Item	1988[2]	1989[2]	1990
* * * * * * *			

[1] Data presented are from four firms, accounting for approximately *** percent of U.S. production of shop towels.
[2] Milliken reported ***, and Federal reported ***.

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

towels are the only product that the firm produces on this equipment and machinery and with these production and related workers.[41]

Federal reported ***, Milliken reported ***. Kleen-Tex reported ***, and Texel reported ***.

U.S. producers' domestic shipments, export shipments, and total shipments

Information on U.S. producers' shipments of shop towels, as discussed in this section of the report, are presented in table 4. In terms of quantity, domestic shipments fell ***. In terms of value, the trend was ***. Unit values ***.

Table 4
Shop towels: Shipments by U.S. producers, by types, 1988-90[1]

Item	1988	1989	1990
* * * * * * *			

[1] Data presented are from four firms, accounting for approximately *** percent of U.S. production of shop towels in 1990.

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

[41] Milliken stated that the machinery and equipment used to produce shop towels are specialized pieces of machinery specifically designed for the production of shop towels. The weaving machine can theoretically be used to produce any type of cloth, but, because of the narrowness in width, other fabrics produced on these looms have no market. Transcript of the conference, pp. 32-33.

Only one firm, ***, reported export shipments of shop towels. Export shipments, in terms of quantity, ***. In terms of value, ***. Unit values of export shipments, at levels *** than those of domestic shipments, ***.

Total shipments, in terms of both quantity and value, *** the trends of quantity and value of the U.S. producers' domestic shipments.

U.S. producers' inventories

Of the four reporting U.S. producers of shop towels, inventories were kept ***. End-of-period inventories held *** increased *** (table 5). *** trend was reported for inventories as a percent of U.S. shipments, from *** to *** over the period of investigation.

Table 5
Shop towels: End-of-period inventories of U.S. producers, 1988-90[1]

Item	1988	1989	1990

* * * * * * *

[1] Data presented are from four firms, accounting for approximately *** percent of U.S. production of shop towels in 1990.

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

U.S. employment, wages, and productivity

Three firms, Kleen-Tex, Milliken, and Federal, supplied full employment information, whereas Texel supplied partial employment information. These data are presented in table 6.

Table 6
Average number of production and related workers producing shop towels, hours worked,[1] wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs, 1988-90[2]

Item	1988	1989	1990

* * * * * * *

[1] Includes hours worked plus hours of paid leave time.
[2] Firms providing employment data accounted for approximately *** percent of U.S. shop towel production (based on quantity) in 1990.

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

The aggregate number of production and related workers producing shop towels fell ***. Hourly wages paid and hourly total compensation ***, while hours worked, wages paid, and total compensation paid ***. Productivity ***, and unit labor costs ***.

Kleen-Tex and Federal reported ***, while Milliken and Texel reported ***. ***. None of the responding U.S. producers of shop towels reported a union representing its workers.

Financial experience of U.S. producers

Financial information on overall establishment operations was provided by Kleen-Tex, Milliken, and Federal; however, only Kleen-Tex and Milliken provided data on shop towel operations. Federal's shop towel operations are ***. Accordingly, only Kleen-Tex's and Milliken's data, representing approximately *** percent of 1990 U.S. production of shop towels, are presented in this section.

Overall establishment operations.--Income-and-loss data on U.S. producers' overall establishment operations are presented in table 7. In addition to the product under investigation, Milliken indicated in its questionnaire response that it produces *** in its overall establishment operations. As a share of 1990 overall establishment net sales, shop towels accounted for ***. Kleen-Tex's other products, representing *** percent of overall establishment 1990 net sales, were ***.

Table 7
Income-and-loss experience of U.S. producers[1] on their overall establishment operations within which shop towels are produced, accounting years 1988-90

Item	1988	1989	1990

* * * * * * *

[1] Information was submitted by Kleen-Tex and Milliken.

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

Shop towel operations.--Income-and-loss data for Kleen-Tex's and Milliken's shop towel operations are presented in table 8. First quarter 1991 income-and-loss of Milliken is presented in appendix E. Contributing to Milliken's *** profitability during 1988-90 and the first quarter of 1991 were the ***. ***. According to ***.[42] During the same period, ***. Milliken has been able to lessen the effect of *** by ***. *** indicated that Milliken ***.

[42] ***, telephone conversations with USITC staff, ***.

Table 8
Income-and-loss experience of U.S. producers[1] on their shop towel operations, accounting years 1988-90

Item	1988	1989	1990

*   *   *   *   *   *   *

[1] Information was submitted by Kleen-Tex and Milliken.

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

Kleen-Tex's and Milliken's components of cost of goods sold expressed as dollars per thousand towels are presented in the following tabulation:

*   *   *   *   *   *   *

Milliken's raw material costs are *** and its direct labor costs *** than Kleen-Tex's because Milliken ***. ***.

*   *   *   *   *   *   *

Investment in productive facilities.--The value of property, plant, and equipment and total assets for Kleen-Tex and Milliken are presented in table 9. The return on total assets is presented in table 10.

Table 9
Value of property, plant, and equipment of U.S. producers[1] as of the end of accounting years 1988-90

(In thousands of dollars)

Item	As of end of accounting year-- 1988	1989	1990

*   *   *   *   *   *   *

[1] Information submitted by Kleen-Tex and Milliken.

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

Table 10
Return on total assets of U.S. producers' establishments[1] wherein shop towels are produced as of the end of accounting years 1988-90

(In percent)

Item	1988	1989	1990

* * * * * * *

[1] Information submitted by Kleen-Tex and Milliken.

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

Capital expenditures.--The capital expenditures (all for machinery and equipment) reported by Kleen-Tex and Milliken are presented in the following tabulation (in thousands of dollars):

* * * * * * *

Research and development expenses.--Kleen-Tex's and Milliken's research and development expenses are presented in the following tabulation (in thousands of dollars):

* * * * * * *

Capital and investment.--The Commission requested the U.S. producers to describe any actual or potential negative effects of imports of shop towels from Bangladesh on their existing development and production efforts, growth, investment, and ability to raise capital. Kleen-Tex's and Milliken's responses are shown in appendix F.

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[43]--

[43] 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."

(I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),

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

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

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

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

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

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

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

(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.[44]

The available information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the causal relationship between imports of the subject merchandise and the alleged material injury." Information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in the section entitled "Consideration of alleged material injury." Item (I), regarding subsidies, and item (IX), regarding agricultural products, are not relevant in this investigation. Presented below is available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), and (VIII) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets.

U.S. inventories of imported shop towels

End-of-period inventories of shop towels held by U.S. importers are presented in table 11. The end-of-period inventories of shop towels from Bangladesh, on the basis of quantity, while *** in 1988, *** from 1989 to 1990. However, the ratio of U.S. importers' end-of-period inventories to their U.S. shipments of Bangladeshi imports *** from *** percent in 1989 to *** percent in 1990. End-of-period inventories of imports from all other sources *** from 1988 to 1989, and *** in 1990.

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

The Commission requested information regarding Bangladeshi operations producing shop towels. Counsel for respondents Sonar, Eagle Star, Greyfab, Khaled, and Shabnam provided a response to this request. Data received by the Commission are presented in table 12 and are estimated to represent virtually all Bangladeshi exports of shop towels to the United States during the period of investigation.

Reported capacity *** in each year of the period under investigation,[45] while levels of production ***. Capacity utilization ***. *** inventories were reported ***. End-of-period inventories of *** shop towels were reported

[44] 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."

[45] *** firms reported capacity data. ***.

Table 11
Shop towels: End-of-period inventories of U.S. importers, by sources, 1988-90[1]

Item	1988	1989	1990

* * * * * * *

[1] Data presented are from 15 firms, *** of which reported imports of shop towels from Bangladesh. Data from the *** importers of Bangladeshi shop towels are believed to account for virtually all imports of shop towels from Bangladesh, whereas data provided by the importers of shop towels from all countries other than Bangladesh are estimated to account for only approximately one-third of imports from these countries.

Note.--Ratios are calculated using data from firms supplying both numerator and denominator information.

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

Table 12
Shop towels: Bangladeshi capacity,[1] production, capacity utilization, end-of-period inventories, inventories as a ratio to total shipments, and exports to the United States,[2] 1988-90[3]

Item	1988[4]	1989	1990

* * * * * * *

[1] Sonar reported practical capacity to produce the subject product on the basis of ***, Greyfab and Eagle Star reported on the basis of ***, and Shabnam reported on the basis of ***. Khaled reported the capacity to produce shop towels on the basis of ***. The capacity data presented in the table are, therefore, somewhat understated.
[2] All shipments during the period of investigation by the Bangladeshi shop towel producers were made to the United States.
[3] Data presented are estimated to represent virtually all Bangladeshi exports of shop towels to the United States during the period of investigation.
[4] Data are for ***. ***.

Note.--Ratios are calculated using data of firms providing both numerator and denominator information.

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

by ***. The ratio of end-of-period inventories to total shipments in 1990 was *** percent. Shipments to the United States, which accounted for all shipments during the period of investigation, increased from *** shop towels in 1988 to *** in 1989 and to *** in 1990.

In response to an inquiry regarding the producers' plans to add, expand, curtail, or shut-down production capability and/or production of shop towels in Bangladesh, the respondents replied that ***. The quota allows the entry of 1,010,630 kilograms of shop towels in quota year 1991, 1,071,278 kilograms in quota year 1992, and 1,135,555 kilograms in quota year 1993.

All five Bangladeshi producers, like the petitioner, are vertically integrated from the production of the fabric to the production of the shop towel.[46] Bangladeshi shop towel production generally differs, however, from that in the United States by the level of automation and modernization of the production facilities. That is, Bangladeshi shop towel production is reportedly much more labor intensive than U.S. shop towel production. In fact, two of the five producers, Shabnam and Khaled, reportedly weave shop towel fabric using manually operated looms housed in a collection of huts, referred to as "weaver villages," and hem the shop towels using antiquated sewing machines.[47] The remaining three Bangladeshi shop towel producers use power looms to weave the fabric and use individually operated basic sewing machines to hem the towels.[48] Presented in the following tabulation are the Bangladeshi shop towel producers and their share of exports to the United States for the period of investigation (in percent):

Item	1988	1989	1990
Power-loomed shop towels:			
Sonar	***	***	***
Eagle Star	***	***	***
Greyfab	***	***	***
Subtotal	***	***	***
Hand-loomed shop towels:			
Shabnam	***	***	***
Khaled	***	***	***
Subtotal	100.0	***	***
Total	100.0	100.0	100.0

Sonar, Shabnam, and Khaled reported that ***. Greyfab reported that *** percent of the firm's sales in its most recent fiscal year were represented by sales of shop towels, while the remaining *** percent of sales were represented by sales of greycloth.[49] Eagle Star reported that *** percent of the firm's sales are represented by sales of shop towels.[50] Of the five Bangladeshi shop towel producers, only Eagle Star produces and exports a product other than shop towels, namely, certain terry towels, to the United States. Eagle Star also manufactures cotton, polyester, and viscose rayon yarn for the Bangladeshi market.[51]

[46] Transcript of the conference, p. 66.
[47] Transcript of the conference, pp. 37 and 43.
[48] Petition, app. D. Transcript of the conference, p. 64.
[49] Greycloth is the osnaburg fabric in the griege state. Greyfab also reported ***.
[50] Eagle Star also reported ***.
[51] Post-conference brief by counsel for respondents, pp. 21-22.

Projections reported for 1991 are necessarily influenced by the U.S. import quotas that recently took effect on Bangladeshi shop towels. Bangladeshi producers of shop towels indicated that their reported projections for 1991 are based on allocations made according to 1990 export performance and that those for 1992 are based on 1991 levels plus 6 percent growth of the quota allowed under the bilateral agreement. The tabulation below presents the reported projections of the five Bangladeshi producers:

* * * * * * *

On April 30, 1991, what was described as the worst cyclone to hit Bangladesh in two decades reportedly devastated many areas of the country. Counsel for the respondents reports that the cyclone and resulting floods have caused heavy damage to the Sonar and Greyfab[52] facilities in Chittagong. There is no information currently available on the status of the remaining three firms.[53] Counsel also suggested that once the storm damage to the Bangladeshi shop towel producers has been assessed, the projections presented above may need to be adjusted downward.

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

U.S. imports

As indicated previously, questionnaires were sent to 28 firms identified by *** as having imported at least $100,000 in each year of the period of investigation of material classified under statistical reporting numbers 6307.10.2005 and 6307.10.2015 of the HTS (item 366.2840 of the former TSUSA). Importers' questionnaires were also sent to the 6 recipients of the producers' questionnaires. Of the 34 recipients of the questionnaire, imports of shop towels were reported by 15 firms, *** of which reported imports of shop towels from Bangladesh. Eight firms responded that they did not import shop towels during the period under investigation, and 11 firms did not respond to the Commission's request for information.

Data from the *** importers of Bangladeshi shop towels are believed to account for virtually all imports of shop towels from Bangladesh, whereas data provided by the importers of shop towels from all countries other than Bangladesh are estimated to account for only approximately one-third of imports from these countries. Because of the underreporting by the importers of shop towels from all countries other than Bangladesh, the official statistics will be presented in this section of the report. Questionnaire data collected throughout the course of the investigation on imports are presented separately in appendix G.

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[52] These two firms together accounted for *** percent of 1990 Bangladeshi exports of shop towels to the United States.

[53] Eagle Star is located in Chittagong, and Shabnam and Khaled are located in Dhaka.

Official import statistics of the U.S. Department of Commerce for shop towels are presented in table 13. U.S. trade statistics indicate that Bangladesh provided 1.6 percent of all U.S. shop towel imports by quantity in 1988, 3.0 percent in 1989, and 17.3 percent in 1990. By value, Bangladesh provided 1.2 percent of all U.S. shop towel imports in 1988, 3.3 percent in 1989, and 16.6 percent in 1990. Unit values increased from $0.09 per towel in 1988 to $0.11 in 1989, and fell to $0.10 in 1990.

Table 13
Shop towels: U.S. imports, 1988-90

Source	1988	1989	1990
	Quantity (1,000 towels)		
Bangladesh	1,789	4,429	28,010
All other sources	107,107	141,222	134,018
Total	108,896	145,651	162,028
	Value (1,000 dollars)[1]		
Bangladesh	169	488	2,904
All other sources	13,783	14,413	14,608
Total	13,952	14,901	17,511
	Unit value (per towel)[2]		
Bangladesh	$0.09	$0.11	$0.10
All other sources	.13	.10	.11
Total	.13	.10	.11

[1] Landed, duty-paid value.
[2] Unit values computed from the unrounded figures.

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

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

Shop towel imports from Bangladesh, in terms of quantity, increased by almost 150 percent from 1.8 million towels in 1988 to 4.4 million towels in 1989, and by over fivefold to 28.0 million towels in 1990. The value of imports increased almost twofold from $169,000 in 1988 to $488,000 in 1989, and increased almost fivefold to $2.9 million in 1990.

Imports of shop towels from all other countries, in terms of quantity, increased by 31.9 percent from 1988 to 1989, but fell 5.1 percent in 1990. In terms of value, shop towels imported from all other countries increased by 4.6 percent from 1988 to 1989 and by 1.4 percent in 1990. Average unit values fell from $0.13 per towel in 1988 to $0.10 per towel in 1989, and rose to $0.11 per towel in 1990.

U.S. producers' imports

*** U.S. producers of shop towels reported imports of the subject product from Bangladesh during the period covered by the investigation. *** U.S. producer of shop towels, ***, did report a relatively small amount of imports from *** in ***. These data are presented in the following tabulation:

*   *   *   *   *   *   *

U.S. market penetration by the subject imports

Market penetration as presented in this section is calculated using data submitted in response to the Commission's questionnaires and using data from official statistics of the U.S. Department of Commerce (table 14).

In terms of volume, U.S. market penetration by the subject imports from Bangladesh increased ***. In terms of value, the increase was ***.

The share of the market held by U.S. producers, by quantity, fell ***. By value, the U.S. producers' share fell ***.

Market characteristics

U.S. producers sell *** percent of their shop towels to industrial laundries and the remainder to distributors, according to questionnaire responses. Importers, on the other hand, sell primarily to distributors. U.S. producers and importers of shop towels quote selling prices f.o.b. their U.S. plants and/or U.S. warehouse on sales to distributors and industrial laundries. The shop towels are usually sold in bales of up to 3,000 towels[54] and are usually transported by truck. Freight costs, reported by U.S. producers and importers, ranged from 2 to 10 percent of total delivered costs for shop towels.

The majority of shop towel sales are on a spot basis, but some are sold on contracts providing price guarantees for 1 to 3 months. *** reported that *** sales accounted for *** percent of the firm's total shop towel sales. Some importers and producers publish price lists, and a few offer quantity discounts for large purchases.

The domestic products are generally considered to be of higher quality than imports.[55] The factors of quality primarily concern absorbency and durability through general use and washings. *** reported that coarser yarns in the domestic product give it greater absorbency than the imported product. *** stated that domestic products contained less sizing and weighed more than imported products, resulting in greater absorbency. Although U.S. shop towel

[54] Imported shop towels contain 2,500 towels per bale.

[55] Both petitioner and counsel for respondents confirmed at the Commission's conference that the U.S. product is viewed as having superior characteristics (transcript, pp. 35 and 70).

Table 14
Shop towels: U.S. shipments of domestic product,[1] U.S. imports,[2] and apparent U.S. consumption, 1988-90

Item	1988	1989	1990
	Quantity (1,000 towels)		
Producers' U.S. shipments	***	***	***
U.S. imports from--			
Bangladesh	1,789	4,429	28,010
Other sources	107,107	141,222	134,018
Total	108,896	145,651	162,028
Apparent consumption	***	***	***
	Value (1,000 dollars)		
Producers' U.S. shipments	***	***	***
U.S. imports from--			
Bangladesh	169	488	2,904
Other sources	13,783	14,413	14,608
Total	13,952	14,901	17,511
Apparent consumption	***	***	***
	Share of the quantity of U.S. consumption (percent)		
Producers' U.S. shipments	***	***	***
U.S. imports from--			
Bangladesh	***	***	***
Other sources	***	***	***
Total	***	***	***
	Share of the value of U.S. consumption (percent)		
Producers' U.S. shipments	***	***	***
U.S. imports from--			
Bangladesh	***	***	***
Other sources	***	***	***
Total	***	***	***

[1] Data presented are from four firms, accounting for an estimated *** percent of 1990 U.S. production of shop towels.
[2] Data presented are from official statistics of the U.S. Department of Commerce.

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

producers offer such special features as dyeing, printing, and soil release, petitioner stated that the price difference between imported and domestic products exceeds the value of these distinctions in quality. The petitioner claims that the shop towel supply business is highly price competitive, and laundry services and distributors generally cannot increase their prices if they use more expensive domestically produced towels rather than imports.[56]

Price data

The Commission requested net U.S. f.o.b. prices of shop towels sold to industrial laundry services, distributors, and retailers. The price data were requested for the largest sales and total sales of four specified products, by quarters, during January 1988-December 1990.[57]

Four U.S. producers and 14 U.S. importers of shop towels provided responses to the questionnaire, but not necessarily for every product or period. No price data were provided for shipments to retailers.

Weighted-average prices of domestically produced all-cotton, 18 by 18 inch towels sold to industrial laundry services *** from *** to *** per thousand towels, or by *** percent, during the 3-year period under investigation (table 15). Weighted-average prices of the imported product from Bangladesh ***, but generally *** from a *** of *** per thousand during April-June 1989 to *** during October-December 1990.[58] A comparison of weighted-average prices for all-cotton, 18 by 18 inch shop towels supplied by U.S. producers and importers to laundry services shows that imports undersold the domestic product in *** of 12 quarters in 1988-90. Margins of underselling ranged from *** per thousand towels (***) to *** (***). The margins fluctuated over the 12-quarter period, reaching their *** level in October-December 1990.

Weighted-average prices of U.S.-produced, 18 by 18 inch all-cotton towels sold to distributors *** from *** per thousand in early 1988 to *** in July-September 1988 (table 16). For the remainder of the investigation period, average prices *** between *** and *** per thousand. Bangladeshi

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[56] *** supported these claims in stating that *** purchasing policy was based on obtaining the highest quality towel available at the time in the market at a predetermined price, whether domestic or imported. He also stated that the firm's narrow purchasing price range rendered such product characteristics as soil release, dye, and print patterns secondary in the purchasing decision. ***, telephone conversation by USITC staff, ***.

[57] The four products specified are made from unbleached and uncolored fabric weighing between 4.5 and 5.5 ounces per square yard. The products are (1) all-cotton, 18 by 18 inches, (2) all-cotton, 18 by 30 inches, (3) blended fabric, 18 by 18 inches, and (4) blended fabric, 18 by 30 inches. No data were reported by importers of Bangladeshi shop towels for products 3 and 4, and limited data were reported by domestic producers and importers for product 2.

[58] *** importers reported prices to industrial laundry services. *** sold *** quantities at approximately *** per thousand towels. The *** importer sold *** at approximately *** per thousand towels, but virtually all sales for the *** occurred in ***. These sales are reflected in the apparent decline in the weighted-average price of imports for the same period.

Table 15
Shop towels: Weighted-average prices, f.o.b. U.S. point of shipment, reported by domestic producers and importers for sales of 18 by 18 inch, all-cotton towels to industrial laundry services, and margins of underselling, by quarters, January 1988-December 1990

Period	U.S. price	Bangladesh price	Margin of underselling Value	Percent
	--Per 1,000 towels--			

* * * * * * *

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

Table 16
Shop towels: Weighted-average prices, f.o.b. U.S. point of shipment, reported by domestic producers and importers for sales of 18 by 18 inch, all-cotton towels to distributors, and margins of underselling, by quarters, January 1988-December 1990

Period	U.S. price	Bangladesh price	Margin of underselling Value	Percent
	--Per 1,000 towels--			

* * * * * * *

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

weighted-average prices to U.S. distributors *** from *** per thousand in April-September 1988 to *** in October-December 1990.

Imported shop towels sold to distributors undersold the domestic product in every[59] quarter during the 3-year period of investigation. Margins of underselling ranged from *** percent in *** to *** percent in ***. The average margin of underselling was *** per thousand towels during 1988-90.

Lost sales and lost revenues

*** provided specific information concerning alleged lost sales and revenues as a result of imports of shop towels from Bangladesh.[60] *** alleged lost revenues of *** during August-December 1989, virtually all of which were connected to the loss of *** on a sale of *** towels to ***. The price initially quoted by *** was *** per thousand towels, but the company stated

[59] No data were provided for weighted-average prices for January-March 1988 of Bangladeshi shop towels shipped to distributors.
[60] *** alleged lost sales to imports from Bangladesh, but did not furnish specific data.

that it had to lower its price to *** per thousand in order to meet the lower prices of imports from Bangladesh. ***.

*** alleged lost revenues of *** on a sale to *** of *** towels secured at *** per thousand towels, *** than the initial quote. *** could not recall this particular sale. However, *** stated that *** has *** selling prices as much as *** per towel as a result of lower priced imported products. *** stated that despite the generally higher quality, in terms of construction and durability, of the domestic product, most of *** customers did not consider the quality difference important enough to offset the large price difference between the imported and domestic product.

*** named *** as sales lost to Bangladeshi imports totaling *** during December 1990. *** reported an alleged lost sale to *** for *** towels totaling ***. *** would not comment on this transaction. *** allegedly rejected an offer for *** towels from *** at a total price of ***. *** could not recall this particular offer.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during January 1988-December 1990 the nominal value of the Bangladeshi taka depreciated 12.1 percent overall relative to the U.S. dollar, as shown in the following tabulation:[61]

	Dollars (per taka)	Index[1]
1988:		
Jan.-Mar	$0.03185	100.0
Apr.-June	.03175	99.7
July-Sept	.03136	98.5
Oct.-Dec	.03111	97.7
1989:		
Jan.-Mar	.03099	97.3
Apr.-June	.03099	97.3
July-Sept	.03099	97.3
Oct.-Dec	.03099	97.3
1990:		
Jan.-Mar	.03053	95.9
Apr.-June	.02904	91.2
July-Sept	.02828	88.8
Oct.-Dec	.02799	87.9

[1] January-March 1988 = 100.0

Official data on producer price movements in Bangladesh are not available. Therefore, a "real" exchange rate index cannot be calculated.

[61] International Financial Statistics, March 1991.

APPENDIX A

FEDERAL REGISTER NOTICES

Federal Register / Vol. 56, No. 66 / Friday, April 5, 1991 / Notices 14121

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-514 (Preliminary)]

Shop Towels From Bangladesh

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of a preliminary antidumping investigation.

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-514 (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 Bangladesh of shop towels, provided for in subheading 6307.10.20 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by May 13, 1991.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and B (19 CFR part 207), and part 201, subparts A through E (19 CFR part 201).

EFFECTIVE DATE: March 29, 1991.

FOR FURTHER INFORMATION CONTACT: Mary Trimble (202-252-1193), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter 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.—This investigation is being instituted in response to a petition filed on March 29, 1991, by counsel on behalf of Milliken & Company, LaGrange, Georgia.

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

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 this investigation upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each public document filed by a party to the investigation must be served on all other parties to the investigation (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 this preliminary investigation to authorized applicants under a protective order, provided that the application be made not later than seven (7) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive business proprietary information under a protective order. The Secretary will not accept any submission by parties containing business proprietary information without a certificate of service indicating that it has been served on all the parties that are authorized to receive such information under a protective order.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on April 19, 1991, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Mary Trimble (202-252-1193) not later than April 17, 1991, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written submissions.—Any person may submit to the Commission on or before April 23, 1991, a written brief containing information and arguments pertinent to the subject matter of the investigation, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). If briefs contain business proprietary information, a nonbusiness proprietary version is due April 24, 1991. 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 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 April 25, 1991. Such additional comments must be limited to comments on business proprietary information received in or after the written briefs. A nonbusiness proprietary version of such additional comments is due April 26, 1991.

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

Issued: April 1, 1991.

By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 91-7995 Filed 4-4-91; 8:45 am]

BILLING CODE 7020-02-M

INTERNATIONAL TRADE COMMISSION

Change in Briefing Schedule for Ongoing Title VII Investigations

AGENCY: United States International Trade Commission.

ACTION: Revised briefing schedule for ongoing Title VII investigations.

EFFECTIVE DATE: April 22, 1991.

FOR FURTHER INFORMATION CONTACT: Lynn Featherstone (202) 252-1161), 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: On March 21, 1991, the Commission published final rules concerning the conduct of investigations under Title VII of the Tariff Act of 1930 (56 FR 11918). The new rules become effective April 22, 1991, and apply to all investigations active on that date. The new rules delete the provisions of former rule 207.7(g), which authorized parties to file supplemental written comments on business proprietary information received under an administrative protective order (APO) by no later than five calendar days after the deadline for posthearing briefs in a final investigation, or three calendar days after the deadline for postconference briefs in a preliminary investigation. In lieu of the separate APO submission, the Commission intends to extend the deadlines for posthearing/postconference briefs to better enable the incorporation of data received under APO in those documents. Accordingly, revised due dates for posthearing/postconference briefs in ongoing investigations are presented below; the supplemental APO submissions originally scheduled for these investigations will not be accepted.

Investigation	Original posthearing/postconference brief deadline	Revised posthearing/postconference brief deadline
731-TA-514 (Preliminary), Shop Towels from Bangladesh	April 23, 1991	April 24, 1991.
731-TA-52 (Final), Sheet Piling from Canada	April 23, 1991	April 25, 1991.
731-TA-458 and 459 (Final), Polyethylene Terephthalate Film, Sheet and Strip from Japan and the Republic of Korea.	April 24, 1991	April 26, 1991.
731-TA-464 (Final), Sparklers from the People's Republic of China	May 6, 1991	May 8, 1991.
731-TA-469 (Final), High-information Content Flat Panel Displays and Subassemblies Thereof from Japan	July 17, 1991	July 19, 1991.
731-TA-472 (Final), Silicon Metal from the People's Republic of China	May 1, 1991	May 3, 1991.
731-TA-470 and 471 (Final), Silicon Metal from Argentina and Brazil	June 12, 1991	June 14, 1991.

As specified in rule 207.3(c), if posthearing/postconference briefs contain business proprietary information, a nonbusiness proprietary version must be filed no later than one business day later.

Issued: April 12, 1991.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 91-9333 Filed 4-18-91; 8:45 am]

BILLING CODE 7020-02-M

[A-538-802]

Initiation of Antidumping Duty Investigation: Shop Towels From Bangladesh

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 (the Department), we are initiating an antidumping duty investigation to determine whether imports of shop towels from Bangladesh 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 shop towels from Bangladesh are materially injuring, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before May 13, 1991. If that determination is affirmative, we will make our preliminary determination on or before September 5, 1991.

EFFECTIVE DATE: April 25, 1991.

FOR FURTHER INFORMATION CONTACT: Kate Johnson or John Beck, 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) 377-8830 or (202) 377-3464, respectively.

SUPPLEMENTARY INFORMATION:

The Petition

On March 29, 1991, we received a petition filed in proper form by Milliken & Company, on behalf of the United States industry producing shop towels. In compliance with the filing requirements of 19 CFR 353.12, petitioner alleges that imports of shop towels from Bangladesh 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 are materially injuring, or threaten material injury to, a U.S. industry.

Petitioner has stated that it has standing to file the petition because it is an interested party, as defined under section 771(9) of the Act, and because it has filed the petition on behalf of the U.S. Industry producing the product that is subject to this investigation. 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.

Any producer or reseller seeking exclusion from a potential antidumping duty order must submit its request for exclusion within 30 days of the date of the publication of this notice. The procedures and requirements regarding the filing of such requests are contained in 19 CFR 353.14.

United States Price and Foreign Market Value

Rather than base its allegations on prices charged in the U.S. and the home market, petitioner calculated estimated dumping margins by comparing the aggregate sales and cost values contained in the financial statements of five Bangladeshi shop towel producers. Arguing that (1) shop towels account for either all or virtually all of each company's production, and (2) each company exports all or virtually all its production to the United States, petitioner contends that the documented net operating losses of each of the five companies is sufficient to support its allegations of sales at less than fair value. Based on our analysis of petitioner's methodology, we have accepted the methodology as it applies to Shabnam Textiles (Shabnam), but have rejected it for Sonar Cotton Mills (Bangladesh) Ltd. (Sonar), Greyfab (Bangladesh) Ltd. (Greyfab), Eagle Star Mills, Ltd. (Eagle Star), and Khaled Textile Mills Ltd. (Khaled).

With respect to Shabnam, the latest financial statement contained in the petition indicates that: (1) Shabnam only produced shop towels; (2) Shabnam sold these shop towels only to the United States; and (3) Shabnam operated at a loss. Since Shabnam's cost of production (COP) figure only includes those costs related to the production of shop towels, we believe that petitioner's use of an aggregate cost value from the financial statement in its margin calculations is acceptable. As a result, we are using the 13 percent margin calculated for Shabnam as the basis for initiating this investigation.

To calculate an aggregate U.S. sales value for Shabnam, petitioner deducted movement expenses from the C&F price contained in the company's financial statements.

To calculate a constructed value for Shabnam, petitioner deducted movement expenses which were included in the cost of production contained in the company's financial statements. Petitioner also added an amount for actual selling, general and administrative expenses contained in the company's financial statements. Finally, petitioner added the minimum statutory profit of eight percent.

With respect to Sonar, Greyfab, and Eagle Star, the latest financial statements of these companies contained in the petition indicate that these companies produced and exported to the United States other products in additon to shop towels. With respect to Khaled, there is no evidence on the record that this company produced and exported to the United States only shop towels during the period covered by its latest financial statement. Therefore, for these four companies, we do not believe that petitioner's use of aggregate COP values from the financial statements in its margin calculations for foreign market value is appropriate. This is because the COP figure for these companies includes (in the case of Sonar, Greyfab, and Eagle Star) or could include (in the case of Khaled) costs for the production of products other than shop towels. Even if an adjustment were to be made to the COP to account for the percentage of shop towel exports only, these figures are not reliable since there may be differences in the costs of the products produced.

On April 15, 1991, petitioner supplemented the petition by providing unit price and cost data. Petitioner based the unit price on official Department statistics and the unit cost data on its 1990 budgeted cost of producing shop towels. We have not accepted the methodology contained in the supplement since petitioner used budgeted costs rather than actual costs and since petitioner provided no support documentation for these costs.

Initiation of Investigation

Under Section 732(c) of the Act, the Department must determine, within 20 days after a petition is filled whether the petition sets forth the allegations necessary for the imposition of a duty under section 731 of the Act, and whether the petition contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on shop towels from Bangladesh and found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of shop towels from Bangladesh are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by November 19, 1991.

Scope of Investigation

The product covered by this investigation is shop towels. Shop towels are absorbent industrial wiping cloths made from a loosely woven fabric. The fabric may be either 100 percent cotton or a blend of materials. Shop towels are currently provided for in subheadings 6307.10.2005 and 6307.2015 of the Harmonized Tariff Schedule (HTS). The HTS subheadings are provided for convenience and customs purposes. The written description remains dispositive.

ITC Notification

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all non-privileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in the Department's files, provided the ITC 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 May 13, 1991, whether there is a reasonable indication that imports of shop towels from Bangladesh are materially injuring, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated. Otherwise, the Department will make its preliminary determination on or before September 5, 1991.

This notice is published pursuant to section 732 (c)(2) of the Act and § 353.13(b) of the Department's regulations.

Dated: April 18, 1991.

Eric I. Garfinkel,

Assistant Secretary for Import Administration.

[FR Doc. 91-9740 Filed 4-24-91; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

LIST OF WITNESSES

LIST OF PARTICIPANTS IN THE PUBLIC CONFERENCE

Investigation No. 731-TA-514 (Preliminary)

SHOP TOWELS FROM BANGLADESH

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigation on April 19, 1991, in Room 101, of the USITC Building, 500 E Street, SW, Washington, DC.

In support of the imposition of antidumping duties

Wilmer, Cutler & Pickering--Counsel
Washington, DC
on behalf of--

Milliken & Co., KEX Division

Terry P. Topp, Product Manager

John D. Greenwald)
Ronald I. Meltzer) --OF COUNSEL

In opposition to the imposition of antidumping duties

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

Sonar Cotton Mills (Bangladesh) Ltd., Eagle Star Mills Ltd., Greyfab (Bangladesh) Ltd., Khaled Textile Mills Ltd., and Shabnam Textiles

R. Brian Burke--OF COUNSEL

APPENDIX C

COMMERCE'S FEDERAL REGISTER NOTICE CONCERNING THE COUNTERVAILING DUTY INVESTIGATION

[C-538-801]

Preliminary Negative Countervailing Duty Determination; Shop Towels From Bangladesh

AGENCY: Import Administration, International Trade Administration, Commerce

ACTION: Notice.

SUMMARY: We preliminarily determine that *de minimis* benefits which constitute bounties or grants within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Bangladesh of shop towels as described in the "Scope of Investigation" section of this notice.

If this investigation proceeds normally, we will make a final determination on or before June 24, 1991.

EFFECTIVE DATE: April 16, 1991.

FOR FURTHER INFORMATION CONTACT: Kristal Eldredge, Office of Countervailing Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-0631.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

Based on our investigation, we preliminarily determine that *de minimis* benefits which constitute bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters in Bangladesh of shop towels. We preliminarily determine that the following programs confer bounties or grants:

- Concessional Export Credit Financing
- Income Tax Holiday

We determine the estimated net bounty or grant to be 0.02 percent *ad valorem* for all manufacturers, producers, or exporters in Bangladesh of shop towels. Since this rate is *de minimis*, our preliminary countervailing duty determination is negative.

Case History

Since publication of the notice of initiation in the Federal Register (56 FR 680, January 8, 1991), the following events have occurred. On January 11, 1991, we presented a questionnaire to the Embassy of the Government of the People's Republic of Bangladesh (GOB) in Washington, DC concerning petitioner's allegations. On March 4, 1991, we received responses from the GOB, Sonar Cotton Mills (Bangladesh), Ltd. (Sonar), Eagle Star Textile Mills, Ltd. (Eagle Star), Greyfab (Bangladesh), Ltd. (Greyfab), Khaled Textile Mills, Ltd. (Khaled), and Shabnam Textiles (Shabnam). On March 12, 1991, we received comments on the responses from petitioner and we issued a supplemental/deficiency questionnaire to the GOB and the respondent companies. We received responses to this Questionnaire on March 20 and March 22, 1991. Respondents submitted clarifications to their suplemental/deficiency response on March 26, 1991.

On February 7, 1991, petitioner filed a request that the preliminary determination be postponed. Pursuant to section 703(c)(1)(A) of the Act, we postponed the preliminary determination until April 8, 1991. See, Postponement of Preliminary Countervailing Duty Determination: Shop Towels from Bangladesh, (56 FR 7342, February 22, 1991).

Scope of Investigation

The products covered by this investigation are shop towels. Shop towels are absorbent industrial wiping cloths made from a loosely woven fabric. The fabric may be either 100 percent cotton or a blend of materials. Shop towels are primarily used for wiping machine parts and cleaning ink, grease, oil, or other unwanted substances from machinery or other items in industrial or commercial settings. Shop towels are currently provided for in subheadings 6307.10.2005 and 6307.10.2015 of the Harmonized Tariff Schedule (HTS). The HTS subheadings are provided for convenience and customs purposes. The written description remains dispositive.

Analysis of Programs

Consistent with our practice in preliminary deteriminations, when a response to an allegation denies the existence of a program, receipt of benefits under a program, or eligibility of a company or industry under a program, and the Department has no persuasive evidence showing that the response is incorrect, we accept the response for purposes of the preliminary determination. All such responses, however, are subject to verification. If the response cannot be supported at verification, and the program is otherwise countervailable, the program will be considered a bounty or grant in the final determination.

For purposes of this preliminary determination, the period for which we are measuring bounties or grants ("the review period") is calendar year 1990, which corresponds to the most recently completed fiscal year of the majority of the respondent companies. The other respondent companies each have different fiscal years which overlap this period. In accordance with our practice in such situations, we have chosen the most recently completed calendar year as our review period.

Based upon our analysis of the petition and the response to our questionnaries, we preliminarily determine the following:

I. Programs Preliminarily Determined to Confer Bounties or Grants

We preliminarily determine that bounties or grants are being provided to manufacturers, producers, or exporters in Bangladesh of shop towels under the following programs:

A. Concessional Export Credit Financing

Under Number One, Parts (i) and (ii) of the "Export Policy 1989–1991," the GOB provides for a concessional interest rate on export credit provided with respect to non-traditional exports. Shop towels are considered a non-traditional export and therefore, shop towel producers are eligible for concessional export financing. Under this program, the Banking Control Department (BCD) of Bangladesh Bank, the central bank of Bangladesh, sets interest rates for a particular period of time and creates bands of interest rates for preferential and commercial financing. Interest rates on every loan must fall within one of eleven bands. According to the responses, the band for exports of shop towels during the review period was 8 percent to 11 percent. BCD Circular Number 40 of December 9, 1990, changed these bands to 8.5 percent to 11.5 percent.

To utilize this program, a company applies for a loan from a commercial bank. If the commercial bank decides to make the loan, it is made within the band of acceptable interest rates (*i.e.*, 8.5 percent to 11.5 percent). The Bangladesh Bank, in turn, subsidizes the lending bank to cover the difference between the band of interest rates charged to shop towel exporters and the band of interest rates charged for other short-term commercial loans.

The responses state that only one company, Shabnam, received a loan under this program on which interest was paid during the review period. Because only exporters are eligible for these loans, we preliminarily determine that they are countervailable to the extent that they are provided at preferential rates.

As the benchmark for short-term (less than one-year) loans, it is our practice to use the average interest rate for an alternative to source of short-term financing in the country in question. In determining this benchmark, we will normally rely upon the predominant source of short-term financing. In the absence of a single, predominant source of such financing, we may use a benchmark composed of the interest rates for two or more sources of short-term financing, weighted, wherever possible, according to the value of financing from each source.

As previously stated, in Bangladesh, bands of interest rates are established by the BCD of Bangladesh Bank. According to the response, the band of interest rates on short-term commercial loans is 12 percent to 20 percent per annum. According to the responses, during the review period, the average interest rate applicable to the predominant source of short-term commercial financing was between 17 percent and 18 percent. We, therefore, selected 17.5 percent as our benchmark rate.

Comparing the benchmark rate to the rate charged on the loan made under this program during the review period, we find that this loan is preferential and, therefore, confers a bounty or grant on exports of shop towels.

To calculate the benefit from the loan made under this program on which interest was paid during the review period, we followed the short-term loan methodology which has been applied consistently in our past determinations and which is described in more detail in the Subsidies Appendix attached to the notice of Cold-Rolled Carbon Steel Flat-Rolled Products from Argentina: Final Affirmative Countervailing Duty Determination and Countervailing Duty Order, 49 FR 18006, April 26, 1984; see also, *Alhambra Foundry* v. *United States*, 626 F. Supp. 402 (CIT, 1985). Accordingly, we compared the amount of interest actually paid during the review period to the amount that would have been paid at the benchmark rate of 17.5 percent.

Because the responses indicate that Shabnam exports the subject merchandise only to the United States, we divided the total interest savings by the value of total exports of the subject merchandise to the United States during the review period to obtain an estimated net bounty or grant of 0.02 percent *ad valorem*.

Furthermore, the GOB formerly provided an additional two percent incentive on interest rates when exporters of non-traditional goods exceeded export earning targets established on the basis of previous year earnings. According to the responses, however, this aspect of the program was discontinued under BCD Circular Number 33 of November 16, 1989.

B. *Income Tax Holiday*

In response to the Department's question concerning "Other Programs," the GOB stated that under Section 45 of the Income Tax Ordinance, 1984, the GOB provides a tax holiday for industrial undertakings subject to the company meeting certain conditions. The response states that all producers in Bangladesh who create a new manufacturing operation which will in turn create jobs are eligible for an exemption from income taxes. However, the number of years a company may benefit from this program differs by region. Under the current statute, there is a five year exemption in developed areas; a seven year exemption in less developed areas; and a nine year exemption in the least developed areas. Industrial undertakings in an Export Processing Zone (EPZ) are eligible for a ten year exemption from taxes beginning with the first month the business commences. After ten years, the income tax holiday is converted into a 50 percent tax rebate on export sales.

According to the responses, the availability of the tax holiday in the developed, less developed, and least developed areas is not dependent on the exportation of merchandise. The responses further state that this program is not limited to an enterprise or industry or group of enterprises or industries. However, as previously stated, the number of years a company may receive benefits from this program is based on the region in which it is located.

Therefore, we preliminarily determine that this program confers a bounty or grant to the extent that shop towel producers located in a lesser developed area, least developed area, or in an EPZ receive a greater number of years in which to claim an income tax holiday than they would have received had they been located in a more developed region.

According to the responses, Sonar, Greyfab, Khaled, and Shabnam received income tax holidays during the review period. Because Sonar and Greyfab are located in the Chittagong EPZ, they are eligible for a ten year exemption, while Khaled and Shabnam are eligible for a seven uear exemption because they are located in a lesser developed region.

To determine whether countervailable benefits were provided under this program during the review period, we considered the number of tax holiday years available to all companies which meet the basic eligibility requirements (*i.e.*, a new manufacturing operation which creates jobs) as a "benchmark" (*i.e.*, five years). The years of income tax holidays beyond this benchmark would confer a countervailable benefit. Because (1) The companies under investigation who currently claim an income tax holiday have claimed this holiday for fewer than five years and (2) The responses state that these companies do not have taxable income during the review period, we preliminarily determine that the income tax holiday did not confer a benefit during the review period.

II. Program Preliminarily Determined Not to Confer a Bounty or Grant

We preliminarily determine that bounties or grants are not being provided to manufacturers, producers, or exporters in Bangladesh under the following program:

Export Performance Benefit

In Bangladesh, there is a dual exchange rate system made up of two legally recognized rates, the official exchange rate which is set by the GOB and the Secondary Exchange Market (SEM) rate which is determined by a committee of authorized dealers, and approved by the GOB. An authorized dealer is a bank authorized by the Exchange Control Department of Bangladesh Bank to deal in foreign exchange. The responses state that the official exchange rate overvalues the taka (the Bangladeshi currency) while the SEM rate is more reflective of a free market rate.

Under Number Four of the "Export Policy 1989–1991," the GOB allows exporters of non-traditional products to exchange a portion of their export earnings at a rate calculated by subtracting the difference between the official rate and the SEM rate from the official rate. Accoridng to the responses, this program, administered by the Bangladesh Bank, is meant to compensate exporters for the overvaluation of the domestic currency. Exporters who do not avail themselves of this program are required to exchange their export earnings at the official rate, while most imports are purchased using the SEM rate.

Depending on the amount of domestic value or content, exporters are entitled to a 100 percent, 70 percent, or 40 percent export performance benefit (XPB). A 100 percent entitlement means that the exporter can subtract 100 percent of the difference between the two rates from the official rate, in effect, granting the SEM rate. The 70 percent and 40 percent entitlements similarly mean that the exporter can subtract 70 percent or 40 percent of the difference between the two rates from the official rate.

Exporters apply for the XPB at the time of negotiation of their export documents by the authorized dealers. The authorized dealer pays out the XPB premium and then seeks reimbursement of the XPB from the Bangladesh Bank.

According to the responses, Eagle Star, Khaled, and Shabnam received the XPB during the review period. Eagle Star is entitled to a 70 percent XPB, while Khaled and Shabnam are entitled to a 100 percent XPB.

Because all exporters are required to convert their export earnings at the less favorable official exchange rate while most imports are purchased at the SEM or free market rate, the use of this program serves only to mitigate the exporter's losses. For example, when exporters go to an authorized dealer to exchange their export earnings from dollars to takas, they will have to exchange at the less favorable official rate and therefore, receive fewer takas per dollar than if they had been able to exchange at a free market exchange rate (SEM rate). This program allows exporters to exchange a percentage of their export earnings at a rate more reflective of a free market rate. Conversely, importers exchange their takas for dollars using the SEM rate and, therefore, must give the authorized dealer more takas per dollar than they would receive as exporters.

Since exporters must exchange either all or a percentage of their export earnings at a less favorable exchange rate than other currency exchange transactions, we preliminarily determine that this program does not confer a bounty or grant on the manufacturers, producers, or exporters of shop towels in Bangladesh.

III. Programs Preliminarily Determined Not To Be Used

Based on the responses, we preliminarily determine that manufacturers, producers, or exporters in Bangladesh of shop towels did not apply for, claim or receive benefits during the review period for exports of shop towels to the United States under the following programs:

A. Concessional Duty Treatment for Exporters

Under Number Six, Parts (i) and (iv) of the "Export Policy 1989–1990," the GOB offers industries concessional import duties on capital machinery and duty-free entry of samples for the handloom sector. This program, administered by the Ministry of Finance, is designed to help industries modernize or improve their plant facilities. The response states that in the first half of the review period, the duty rates on capital machinery varied between 2.5 percent and 15 percent. Statutory Rules and Orders dated July 25, 1990 (S.R.O. 282/L.1318/Cus.) revised the rate of duty to ten percent. An industry approved by the Bangladesh Small and Cottage Industries Corporation which either exports 70 percent or more of their production or uses a minimum of 70 percent indigenous raw materials is entitled to a total rebate of 7.5 percent of the ten percent duties paid at the time of importation.

According to the responses, none of the companies under investigation utilized this program during the review period.

B. Income Tax Rebates

Under Number Seven of the "Export Policy 1989–1991," the GOB offers exporters income tax rebates contingent upon individual export performance. This program, administered by the National Board of Revenue, is available to exporters of non-traditional products and other companies as the Board may designate. The response states that there is a differential between the amount of income tax rebate available to a company based on whether or not the exported goods were manufactured by the company seeking the rebate.

If the exported goods are not manufactured by the company, it is eligible for a 30 percent rebate of the income tax attributable to export sales. If, in the year in question, the export sales exceed the sales of the preceding year, then the company can earn an additional one percent rebate for every increase of ten percent in export sales over the proceeding year's export sales, subject to an overall cap of 40 percent of the income tax payable. In the reverse, if export sales do not exceed the export sales of the previous year, the company loses one percent rebate for every decrease of ten percent in export sales, up to ten percent, thus reducing the effective potential rebate to 20 percent.

If the exported goods are manufactured by the company, a rebate is available ranging from zero to 60 percent of income attributable to export sales. Export sales must exceed ten percent of total sales before any rebate is allowable. If export sales exceed 40 percent of total sales, then a company may receive a rebate of 60 percent of the income tax attributable to export sales. According to the responses, none of the companies under investigation utilized this program during the review period.

C. Cash Assistance for Exports

Under Number 13 of the "Export Policy 1989–1991," the GOB offers importers three options to ensure that exporters can procure necessary raw materials at world market prices. The first option is duty-free importation of raw materials utilizing a bonded warehouse arrangement. The second plan is the use of a duty drawback facility. The third option is cash assistance in lieu of the bonded warehouse or duty drawback facility. According to the responses, an importer may only take advantage of one of these three options.

In order to take advantage of the third option, the cash assistance for exports program, after export the exporter applies for cash assistance through an authorized dealer. The authorized dealer forwards the application with supporting documentation to Bangladesh Bank. Bangladesh Bank pays out the cash assistance (at a rate expressed as a percentage of the FOB export value) through the authorized dealer. The program is available to local or domestic manufacturers who procure materials in Bangladesh which are used in the product that is eventually exported.

According to the responses, Sonar and Greyfab are located in an EPZ, and Eagle Star, Khaled, and Shabnam all utilize a bonded warehouse facility. Therefore, the companies were ineligible for the cash assistance program during the review period.

IV. Program Preliminarily Determined Not To Exist

Based on the responses, we preliminarily determine that the following program does not exist:

Rebates on Insurance Premiums

Number Eight of the "Export Policy 1989–1991" provides for rebates on insurance premiums. However, according to the response of the GOB, this program has never been put into effect. The response states that the Saharan Bima Corporation, the state-owned general insurance corporation, never issued an order or circular putting this program into effect. Therefore, based on the responses, we preliminarily determine that this program does not currently exist.

Verification

In accordance with section 776(b) of the Act, we will verify the information used in making our final determination.

Suspension of Liquidation

Due to the fact that the estimated net bounty or grant rate is *de minimis*, we are not directing the U.S. Customs Service to suspend liquidation on entries of shop towels from Bangladesh.

Public Comment

In accordance with 19 CFR 355.38, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on this preliminary determination at 10 a.m. on Wednesday, June 12, 1991, at the U.S. Department of Commerce, room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Individuals who wish to participate in the hearing must submit a request within ten days of the publication of this notice in the **Federal Register** to the Assistant Secretary for Import Administration, U.S. Department of Commerce, room B-099, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, ten copies of the business proprietary version and five copies of the nonproprietary version of the case briefs must be submitted to the Assistant Secretary no later than June 4, 1991. Ten copies of the business proprietary version and five copies of the nonproprietary version of the rebuttal briefs must be submitted to the Assistant Secretary no later than June 10, 1991. An interested party may make an affirmative presentation only on arguments included in that party's case or rebuttal briefs. Written arguments should be submitted in accordance with § 355.38 of the Commerce Department's regulations and will be considered if received within the time limits specified in this notice.

This determination is published pursuant to section 703(f) of the Act (19 U.S.C. 1671b(f)).

Dated: April 8, 1991.

Eric I. Garfinkel,

Assistant Secretary for Import Administration.

[FR Doc. 91-8816 Filed 4-15-91; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX D

MILLIKEN'S FIRST QUARTER 1991 TRADE AND EMPLOYMENT DATA

Table D-1
Shop towels: Milliken's first quarter 1991 indicators

Item	January-March 1991
* * * * * * *	

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

APPENDIX E

MILLIKEN'S SHOP TOWELS INCOME-AND-LOSS FOR THE FIRST QUARTER OF 1991
(DECEMBER 5, 1990 - MARCH 5, 1991)

Table E-1
Income-and-loss experience of Milliken on its shop towel operations, first quarter 1991

Item	December 5, 1990-March 5, 1991

*   *   *   *   *   *   *

[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.

APPENDIX F

IMPACT OF IMPORTS ON U.S. PRODUCERS' GROWTH, INVESTMENT, ABILITY TO RAISE CAPITAL, AND EXISTING DEVELOPMENT AND PRODUCTION EFFORTS

Responses of U.S. producers to the following questions:

1. Since January 1, 1988, has your firm experienced any actual negative effects on its growth, investment, ability to raise capital, or existing development and production efforts as a result of imports of shop towels from Bangladesh?

* * * * * * *

2. Does your firm anticipate any negative impact of imports of shop towels from Bangladesh?

* * * * * * *

3. Has the scale of capital investments undertaken been influenced by the presence of imports of shop towels from Bangladesh?

* * * * * * *

APPENDIX G

DATA COMPILED FROM IMPORTERS' QUESTIONNAIRE RESPONSES

U.S. imports of shop towels from Bangladesh, as reported in questionnaire responses in terms of quantity, *** (table G-1). In terms of value, shop towels from Bangladesh ***. Average unit values ***.

Imports of shop towels from all other countries, in terms of quantity, ***. In terms of value, shop towels imported from all other countries ***. Average unit values ***.

Table G-1
Shop towels: U.S. imports, by sources, 1988-90[1]

Item	1988	1989	1990

* * * * * * *

[1] U.S. imports of shop towels were reported by 15 firms, *** of which reported imports of shop towels from Bangladesh. Data from the *** importers of Bangladeshi shop towels are believed to account for virtually all imports of shop towels from Bangladesh, whereas data provided by the importers of shop towels from all countries other than Bangladesh are estimated to account for only approximately one-third of imports from these countries.

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

U.S. shipments of imported shop towels from Bangladesh, as reported in questionnaire responses, *** (table G-2). In terms of value, shop towels from Bangladesh ***. Average unit values ***. There were *** exports reported.

Table G-2
Shop towels: Shipments of U.S. imports from Bangladesh, by types, 1988-90[1]

Item	1988	1989	1990

* * * * * * *

[1] U.S. imports of shop towels from Bangladesh were reported by *** firms, which are believed to account for virtually all imports of shop towels from Bangladesh.

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

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

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