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SHOP TOWELS FROM BANGLADESH

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

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DETERMINATION AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-514 (Final)

SHOP TOWELS FROM BANGLADESH

Determination

On the basis of the record[1] developed in the subject investigation, the Commission determines,[2] pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the act), 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 have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation effective September 12, 1991, following a preliminary determination by the Department of Commerce that imports of shop towels from Bangladesh were being sold at LTFV within the meaning of section 733(b) of the act (19 U.S.C. § 1673b(b)). Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 9, 1991 (56 FR 50926). The hearing was held in Washington, DC, on January 30, 1992, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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[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] Vice Chairman Brunsdale and Commissioner Crawford dissenting, Commissioner Watson not participating.

[3] 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.

VIEWS OF CHAIRMAN NEWQUIST, COMMISSIONER ROHR,
AND COMMISSIONER NUZUM

Based on the record developed in this final investigation, we determine that an industry in the United States is materially injured by reason of imports of shop towels from Bangladesh that are sold at less than fair value (LTFV).

I. Like Product

We begin our analysis in this investigation by defining the "like product." The "like product" is a "product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to investigation".[1] In its notice of initiation, the Department of Commerce defined the scope of the investigation as follows:

> 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.[2]

In determining the appropriate like product, we consider a number of factors relating to characteristics and uses, including: (1) physical characteristics and uses, (2) interchangeability of the products, (3) channels of distribution, (4) customer or producer perceptions, (5) common manufacturing facilities and production employees, and, where appropriate, (6) price.[3] No single factor is necessarily dispositive, and we may consider other relevant factors based upon the facts of a particular investigation. Generally, we have not drawn distinctions based on minor variations between

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[1] 19 U.S.C. § 1677(10).

[2] 57 Fed. Reg. 3997 (February 3, 1992).

[3] See, e.g., Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1168, n.4, 1180, n.7 (1988) (Asocoflores).

the articles subject to an investigation, and have sought "clear dividing lines among possible like products."[4]

In the preliminary investigation,[5] and in other investigations involving shop towels from other countries, the Commission found the like product to be all shop towels.[6] While the Commission is not bound to follow its previous determinations,[7] we see no basis in the record to characterize the like product any differently in this final investigation.

We note that while respondents assert various differences between the 100 percent cotton towels from Bangladesh and the cotton blend towels produced by petitioner, they propose the Commission further limit the like product to those towels which are domestically produced from imported 100 percent cotton fabric. Respondents, however, do not identify any significant differences between towels made from domestically produced 100 percent cotton fabric versus imported 100 percent cotton fabric.

Although we are to determine what domestic products are like or most similar in characteristics and uses to the subject imports, this does not necessarily mean that, in this investigation, the domestic like product must

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[4] See, e.g., Heavy Forged Handtools from the People's Republic of China, Inv. No. 731-TA-457 (Final) USITC Pub. 2357 (February 1991).

[5] Shop Towels from Bangladesh, 731-TA-514 (Preliminary), USITC Pub. 2379 (May 1991) at 8.

[6] 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.

[7] In Citrusuco Paulista v. United States, 704 F. Supp. 1075, 1087-8 (CIT 1988), the CIT found that the Commission may properly re-examine the like product definition in a particular investigation when presented with new information or arguments by the parties.

be produced from 100 percent imported cotton.[8] Rather, we must examine whether a clear dividing line exists between one kind of domestically produced shop towel (viz., those made from 100 percent imported cotton) and another (viz., those made from 100 percent domestic cotton or from a blend of materials).[9] We find that in this investigation the like product should again be defined as shop towels, regardless of the origin or cotton content of the fabric. Our analysis of the factors involved in determining the like product follows.

With respect to physical characteristics, shop towels are square or rectangular shaped pieces of cotton or cotton-blend fabric that are specifically designed for more than one-time use in wiping substances such as grease, oil or ink.[10] Shop towels are made from osnaburg fabric.[11] Many towels contain some amount of man-made fiber, such as acrylic, blended with the cotton.[12] Approximately one-third of domestically produced towels sold in the United States are in the griege[13] state, but many are printed or dyed, and a small quantity are treated with a soil release finish. Basic properties

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[8] Indeed, it is difficult to ascertain from the record in this investigation what distinctions, if any, can be made between domestic and imported 100 percent cotton fabric.

[9] Cambridge Lee Industries, Inc. v. United States, 723 F. Supp. 748, 750 (Ct. Int'l. Trade 1989).

[10] Report at I-5.

[11] Osnaburg is a strong, plain woven fabric, often made with very coarse yarns that usually consist of low-grade, short staple cotton or cotton waste. The fabric's hard texture prevents it from linting, yet it is porous enough to be absorbent. Report at I-5.

[12] Petitioner produces shop towels composed of a cotton and acrylic blend. The cotton, which accounts for over 80 percent of the blend, provides absorbency while the acrylic fiber provides a high degree of acid resistance. Report at I-5.

[13] Woven fabric that has received no dry or wet finishing operations, i.e. bleaching or dyeing. Report at I-6.

that a shop towel should possess are a high level of absorbency, and tear and stretch resistance, and the ability to withstand numerous washings at high water temperatures.[14]

Regarding end use and interchangeability, all shop towels, regardless of fiber content or country of origin, are generally used to wipe and clean unwanted or excessive substances such as grease, oil, or ink from machinery and equipment in manufacturing, industrial, or automotive facilities. We note that there appear to be some quality differences among shop towels with respect to durability. Towels containing a blend of cotton and non-natural fiber, such as acrylic, tend to withstand more washings than 100 percent cotton towels.[15] However, these differences do not appear to affect customer perceptions to the extent that they influence purchasing decisions.[16] For example, one purchaser stated that its purchasing policy was based on obtaining the highest quality towel available in the market at a specified price threshold. That purchaser also stated that its narrow purchasing price range rendered such product characteristics as soil release, dye, and print patterns secondary in the purchasing decision.[17] Shop towels, whether of all cotton or of cotton blend, are used for the same purposes by the same types of customers and are considered interchangeable.

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[14] Report at I-5.

[15] Report at I-40-41.

[16] At least one distributor noted that most of its customers select their shop towels based on the price and weight of the bale. The country of origin of the shop towel or the fabric is usually not a major consideration when making a selection, because the quality of shipments often varies from order to order regardless of the country of origin. Report at I-9.

[17] Report at I-41.

U.S. producers of shop towels typically sell most shop towels directly to laundry services which rent and clean the towels for industrial end users. Smaller quantities are sold to distributors for resale to other distributors, laundry services and end users.[18] Thus, the domestic products compete in the same channels of distribution.

With respect to common manufacturing facilities and production employees, 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. Similar processes are employed for cotton and blended towels. If a blended towel is desired, the weaver merely intersperses several bales of manmade fibers between cotton bales at the beginning of the yarn spinning sequence.[19] It appears that common manufacturing facilities and employees may be used to produce both cotton and blended towels.

Based on the foregoing, we determine that the like product is shop towels, whether blended or all cotton, regardless of the origin of the fabric.

II. Domestic Industry

Section 771(4)(A) of the Tariff Act of 1930 defines domestic industry as:

> the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product.[20]

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[18] Report at I-19.

[19] Report at I-9.

[20] 19 U.S.C. § 1677(4)(A).

There are three types of producers in this industry: (1) vertically integrated producers who produce fabric and convert it to shop towels; (2) "converters" who purchase fabric on the open market, convert the fabric into shop towels, then resell the finished product, and (3) "toll producers" who convert shop towels under toll agreements. Under toll agreements, a firm cuts and sews fabric provided by its customers, the contractors, who in turn sell the finished shop towels.

Because we find that the like product in this investigation is all shop towels, we find the domestic industry to be all producers of the like product. This includes integrated producers, converters, and toll producers.

III. Condition of the Industry

In assessing the condition of the industry, the Commission must consider, among other factors, production, shipments, 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.[21]

In analyzing the condition of the domestic industry, we have considered the industry as a whole, as well as the realities of the market in which it competes.[22] We have also looked at the different types of domestic producers

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[21] 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; H.Rep. 100-756, 100th Cong., 2nd Sess. at 617-618.

[22] In addition to the other factors affecting the condition of the domestic industry, Commissioner Nuzum also notes that the shop towel industry faced (continued...)

in our consideration of the factors and conditions affecting trade in this particular industry. In 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.

We note first that the structure of the domestic shop towel industry and market conditions changed somewhat during the period of the investigation. The industry has experienced an increase in the number of toll producers during the period of investigation. These producers experienced a significant increase in their share of domestic sales during the period.

Certain converters and toll producers reported shortages of the osnaburg fabric used to produce shop towels, particularly during the interim period January-September 1991 when compared with the same period in 1990. These fabric shortages reportedly caused production problems for certain members of the nonintegrated segment of the domestic industry.[23]

The shop towel industry has also felt the effects of the downturn in the economy during the period of the investigation, due to declines in the

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[22](...continued) increased competition from imports in general during the period of investigation. Total imports of shop towels from all sources increased from 107.9 million towels in 1988, to 145.7 million in 1989, to 162.0 million in 1990. During the 1991 interim period total imports then declined to 114.2 million towels as compared to 130.5 towels for the same January-September period in 1990. These conditions of competition, however, changed somewhat during the latter part of the period of investigation, with imports from Bangladesh showing different trends than imports from other sources. Imports from Bangladesh continued to increase steadily from 1989 on, whereas imports from other sources decreased from 1989 on. Report at I-37. Commissioner Nuzum's analysis of the condition of the domestic industry takes into account these changes in conditions of competition.

[23] Report at I-17.

manufacturing sector of the economy.[24] These effects were reflected in an overall decline in domestic consumption of shop towels after 1989. Domestic consumption of shop towels increased 11.1 percent between 1988 and 1989, from 353.2 million shop towels to 392.4 million towels, but then declined 1.4 percent in 1990, to 386.8 million towels. Consumption showed a significant drop of 14.0 percent during the interim period in 1991 when compared to the same period in 1990, falling from 298.6 to 256.7 million towels.[25] The value of domestic consumption followed similar trends, increasing by 7.6 percent between 1988 and 1989, then declining by 0.6 percent in 1990. Consumption, by value, declined by 13.7 percent in interim 1991 when compared with the same period in 1990.[26]

Domestic production of shop towels rose by 0.4 percent from 1988 to 1989, then fell by 8.5 percent from 1989 to 1990. Production also declined substantially between January-September 1990 and 1991 by an aggregate 15.5 percent.[27] Production by converters increased between 1988 and 1989, and declined thereafter. Toll production rose between 1988 and 1990, then declined during the interim period. The different types of producers each reported declines in production in interim 1991. Capacity increased throughout the period of investigation, due to an increase in the converter and toll production capacity. Overall, capacity utilization declined significantly throughout the period of investigation.[28]

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[24] Hearing Transcript at 43. As noted earlier, shop towels are predominantly used in manufacturing or industrial activity.

[25] Report at I-15.

[26] Report at I-15.

[27] Report at I-20.

[28] Report at I-20-21.

U.S. producers' total domestic shipments of shop towels increased slightly in quantity and value from 1988 to 1989, but then declined in both quantity and value throughout the remainder of the period of investigation. However, toll transfers increased in both quantity and value from 1988 to 1990, and declined in the interim period.[29] Shop towels are generally produced to order. Thus, inventories are typically quite low. However, for those firms reporting inventories, the data show an increase from 1988 to 1990, and a decline in the interim periods.[30] Moreover, as a ratio to production and as a ratio to shipments, inventories increased from 1988-1990, and remained stable in the interim periods.[31]

The total number of production and related workers increased from 1988 to 1989, but declined thereafter.[32] Employment for toll producers rose steadily between 1988 and 1990, then declined significantly in the interim period. The number of hours worked by shop towel production and related workers increased by 8.6 percent between 1988 and 1989 and by 4.4 percent between 1989 and 1990. However, the number of hours worked declined by 14.7 percent in the interim period. Wages paid declined slightly, and total compensation rose slightly, between 1988 and 1989. Between 1989 and 1990, wages and total compensation rose by 9.1 and 9.3 percent, respectively. Hourly wages, $7.08 in 1988, fell by 8.8 percent in 1989, and only partially recovered in 1990, growing by 4.5 percent. Hourly total compensation exhibited the same trend, declining 6.2 percent in 1989 and rising 4.6 percent

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[29] Report at I-21-22.

[30] Report at I-23.

[31] Report at I-23.

[32] Report at I-23-24.

in 1990. Between January-September 1990 and January-September 1991, hourly wages and total compensation rose slightly, by $0.02 and $0.01, respectively.[33] Overall, productivity fell by 7.6 percent in 1989 and 12.4 percent in 1990, while unit labor costs increased by 1.4 percent in 1989 and 19.5 percent in 1990. Productivity fell by 0.8 percent and unit labor costs rose by 1.0 percent in the interim periods.[34]

Reported research and development expenditures fluctuated throughout the period of investigation.[35] Although much of the other financial information gathered in this investigation is confidential, we note that the financial performance of the industry for the limited number of firms who provided usable data has deteriorated over the period of investigation. Overall, the data for the shop towel industry show an industry that is experiencing difficulties, with most of the financial indicators declining significantly throughout the period of investigation. This is true for all types of domestic producers reporting during the latter part of the period of investigation.

Based on the foregoing evidence regarding the condition of the U.S. industry producing shop towels, we find that the industry is experiencing material injury.[36]

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[33] Report at I-27.

[34] Report at I-27.

[35] Report at I-29.

[36] Although Commissioner Nuzum does not disagree with the statement that the domestic industry is materially injured, she does not find it necessary to make a finding of material injury separate from the consideration of causation.

IV. Material Injury by Reason of LTFV Imports

In making determinations in antidumping investigations, we consider whether the material injury being suffered by the domestic industry is "by reason of" the imports under investigation.[37] We consider the volume of imports, their effect on prices for the like product, and their impact on domestic producers.[38] We consider whether import volumes or increases in volume are significant, whether there has been significant underselling by imports, whether imports otherwise significantly depress or suppress prices for the like product, and any other economic factors having a bearing on the state of the domestic industry.[39] Although we may consider information that indicates that injury to the industry is caused by factors other than the allegedly LTFV imports,[40] we do not weigh causes.[41] The imports subject to investigation need only be a cause of material injury.[42]

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[37] 19 U.S.C. § 1673b(a).

[38] 19 U.S.C. § 1677(7)(B)(i).

[39] 19 U.S.C. § 1677(7)(C).

[40] Although Commissioners Rohr and Nuzum find that the evidence in this investigation supports an affirmative determination that imports of LTFV shop towels from Bangladesh are a cause of material injury, they note that there is also evidence of other causes of material injury. Consequently, they do not believe that imposition of antidumping duties or elimination of the dumping is likely to eliminate all injury to the domestic industry. Nevertheless, the Commission's mandate is simply to determine whether the subject imports are a cause of material injury, and they are satisfied that this test has been met.

[41] "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 imports, contraction in demand or changes in patterns of consumption, 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, 75 (1979). See also H.R. Rep. No. 317, 96th Cong., 1st Sess. 7 (1979).

[42] The Commission need not determine that imports are the principal or a substantial cause of material injury. S. Rep. No. 249, 96th Cong., 1st Sess.

(continued...)

The volume of imports subject to investigation increased sharply during the period of investigation. Imports of shop towels from Bangladesh increased from approximately 1.8 million pieces in 1988, to 4.4 million pieces in 1989, to 28.0 million pieces in 1990, and continued to increase in the interim period.[43] The increase in import volume corresponded to a significant increase in market share for the imports from Bangladesh. The Bangladeshi share of the U.S. market rose from 0.5 percent in 1988, to 1.1 percent in 1989, to 7.2 percent in 1990, and continued to increase to 9.7 percent in the interim period.[44] [45] At the same time, U.S. producers' market share declined steadily, from 69.4 percent in 1988 to 55.5 percent in the interim period,[46] indicating that Bangladeshi sales were at least in part displacing U.S. producers' sales.

The majority of domestic shop towel producers sells to laundry and linen services, which rent and clean the towels for industrial end users. They also sell smaller quantities to distributors for resale to other distributors, laundry services, and end users.[47] Importers of Bangladeshi shop towels sell primarily to distributors, although they also sell a portion directly to laundry services or end users. We find, therefore, that there is a

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[42](...continued)
74-75 (1979). See also United Engineering & Forging v. United States, slip op. 91-101 at 36 (CIT, November 18, 1991); 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).

[43] Report at I-15.

[44] Report at I-39.

[45] The Bangladeshi producers ship all of their shop towel production to the United States. Report at I-33, fn. 83.

[46] Report at I-39.

[47] Report at I-39-40.

significant overlap in the channels of distribution for the towels. Importers of Bangladeshi shop towels do compete directly with domestic producers on sales to laundry and linen services, and some of the subject imports sold to distributors are in turn sold to laundry and linen services.[48]

We note that there is a perceived difference in quality between the domestic and Bangladeshi products, with both the petitioner and respondent acknowledging that the domestic products are generally perceived to be of a higher quality. Several purchasers' questionnaires indicated, however, that Bangladeshi shop towels are comparable to the domestic product. Others felt that they were inferior.[49] On the whole, we find that quality differences are a secondary factor in the decision to purchase shop towels. All purchasers responding to the Commission's questionnaire indicated that price was a very important factor in their purchasing decision. Quality, in contrast, was characterized as very important by 6 purchasers and somewhat important by 7 purchasers.[50] In sum, the importance of price in purchasers' sourcing decisions for shop towels indicates that a shop towel is a near-commodity type of product.[51] [52]

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[48] Report at I-40.

[49] Economics Memorandum, INV-P-020, at 15.

[50] Economics Memorandum, INV-P-020, at 15-16.

[51] At least one distributor indicated that most of his customers select their shop towels on the basis of the price and weight of the bale. The country of origin of the shop towel or the fabric is usually not a major consideration when making a selection, because the quality of shipments often varies from order to order regardless of the country of origin. Report at I-9.

[52] Economics Memorandum, INV-P-020, at 17.

Against this background, we analyze the price trends in this investigation.[53] We note that pricing data were collected for sales both to distributors and laundry services. Further, price comparisons were obtained comparing towels of the same size and fiber content in the unbleached, uncolored state.[54] The comparisons indicated underselling by the Bangladeshi towels, which was substantial both in degree and scope.

Specifically, producer and importer questionnaires yielding comparisons of weighted-average prices for all-cotton 18 x 18 inch shop towels sold by U.S. producers and importers to laundry services show that the subject imports undersold the domestic product in all comparisons. Similarly, shop towels from Bangladesh sold by importers to distributors undersold the domestic product in every quarter during the period examined.[55] Purchase prices for U.S.-produced and imported 18 x 18 inch and 18 x 30 inch all cotton shop towels purchased from domestic producers and importers were also reported by laundry services and distributors. These responses resulted in 44 quarterly comparisons between the domestic and imported towels. In 39 of the 44 comparisons, the weighted-average price of the imported product was below that of the U.S.-produced product.[56] Specifically, a comparison of purchase prices reported by laundry services from domestic producers and importers for 18 x 18 inch shop towels showed margins of underselling for 13 of 15 price

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[53] Respondents have argued that the pricing data of one producer should be excluded from the pricing comparisons because they were not verified. However, pricing data submitted by that producer were verified through purchasers' questionnaire responses.

[54] Report at I-41-42.

[55] Report at I-43-44.

[56] Report at I-45.

comparisons.[57] A comparison of purchase prices reported by laundry services for domestic and imported 18 x 30 inch shop towels also showed margins of underselling in 10 of 12 direct price comparisons.[58] Similarly, a comparison of purchase prices reported by distributors for domestic and imported 18 x 18 cotton shop towels showed margins of underselling in 10 out of 10 direct price comparisons.[59] A comparison of purchase prices reported by distributors for 18 x 30 inch shop towels showed margins of underselling in 6 out of 7 direct price comparisons.[60]

It has been argued in this investigation that the material injury experienced by the domestic industry is due to the economic downturn during the period of investigation, and not imports from Bangladesh. The declines in apparent U.S. consumption during the latter part of the period of investigation do suggest the shop towel industry has been adversely affected by the economic downturn. It is noteworthy, however, that the imports from Bangladesh continued to increase significantly in the face of a decline in apparent U.S. consumption. Further, the legislative history reminds us that the domestic industry is more vulnerable to the effects of unfairly traded imports during an economic downturn.[61]

Respondents contend that Bangladeshi sales have not displaced those of the domestic industry, but have instead displaced sales of imports from other sources. Nonsubject imports of shop towels increased in quantity by 33.1

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[57] Report at I-46.

[58] Report at I-47.

[59] Report at I-47.

[60] Report at I-48. No price comparisons are available for blended shop towels because there are no imports from Bangladesh of these types of towels.

[61] H. Rep. No. 96-317, 96th Cong. 1st Sess. 47 (1979).

percent from 1988 to 1989, but fell 5.1 percent in 1990 and 17.7 percent between January-September 1990 and 1991. 1990 levels of approximately 134 million towels were still significantly higher than 1988 levels of approximately 106 million towels.[62] However, in each year under investigation, and in interim 1991, the domestic industry lost market share, either to imports from Bangladesh alone or to both subject and nonsubject imports.[63]

Respondents have also urged consideration of the current quota, pursuant to the Multifiber Arrangement, on imports of shop towels from Bangladesh. We note that the existence of an import quota does not preclude the Commission from making an affirmative determination. Imports of the subject merchandise have increased significantly during the period of investigation, notwithstanding the existence of a quota during the latter part of this period. Moreover, the Multifiber Arrangement provides for increases in the quota. Finally, quotas and bilateral agreements pursuant to the Multifiber Arrangement do not control the prices at which the subject shop towels are sold in the United States, and therefore do not prevent the possibility of import price effects on the domestic industry.

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[62] Report at I-37.

[63] Commissioners Rohr and Nuzum note that respondents also urge that the margins of dumping found by the Department of Commerce are too small to support a finding that any injury to the domestic industry is by reason of the unfairly traded imports. Respondents' posthearing brief at 9-10. However, as noted above, the like product is of a near-commodity type. Consequently, small differences in price are likely to affect purchasing decisions. Moreover, the recession may have led purchasers to become more price sensitive. As Congress has stated, "[f]or one type of product, price may be the key factor in making a decision as to which product to purchase and a small price differential resulting from the amount of the ... margin of dumping can be decisive..." S. Rep. No. 249, 96th Cong., 1st Sess. at 88 (1979).

Conclusion

On the whole, in light of the condition of the domestic industry, the significant and increasing volume of imports from Bangladesh, the substantial price underselling by the imports, and the importance of price in the decision to purchase shop towels, we conclude that the domestic shop towel industry is materially injured by reason of imports of shop towels from Bangladesh.

Dissenting Views of Vice Chairman Anne E. Brunsdale
Shop Towels from Bangladesh
Inv. No. 731-TA-514

I find that no domestic industry is materially injured or threatened with material injury by reason of dumped imports of shop towels from Bangladesh. I join my colleagues' discussions of like product and the condition of the domestic industry.[1] Their discussion of the former adequately supports the finding of one like product in this case. My determination that no domestic industry is materially injured by reason of the dumped imports is based primarily on the low volume of imports, the low dumping margin, the relatively large market share of "fairly traded" imports, and the limited substitutability of the subject imports and the domestic like product.

Material Injury by Reason of Dumped Imports

In assessing material injury, the Commission is required to evaluate all relevant economic factors within the context of conditions of competition that are distinctive to the domestic industry.[2] Specifically, we are instructed to consider (1) the

[1] Unlike the majority, I do not reach a separate legal conclusion on the presence or absence of material injury after reviewing industry trends. Such a conclusion is not required by the statute, nor does it serve any useful purpose. On the other hand, it is important in my view to understand the condition of the industries before deciding whether any injury resulting from the dumped imports is material.

[2] 19 U.S.C. Section 1677(7)(C)(iii)

volume of the imports that are the subject of the investigation, (2) the effect of those imports on U.S. prices for the like product, and (3) the impact of those imports on the domestic producers.[3]

The volume of the subject imports in this case is very small both in absolute terms and in terms of market share. In 1990, less than $3 million worth of shop towels were imported from Bangladesh, accounting for roughly 6 percent of the domestic market. By contrast, "fairly traded" imports in the amount of over $14 million accounted for close to 30 percent of the domestic shop towel market.[4]

The large increase in imports from Bangladesh over the period of the investigation can be quite misleading because the initial level of imports was so small -- less than $170,000 or 0.5 percent of the domestic market. I note that imports of "fairly traded" shop towels also increased throughout the full years of the investigation.[5] It is striking that the domestic producers did not fare worse, particularly in the interim period, given that a major producer, Eagle, went out of business for a reason unrelated to the subject imports.[6]

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[3] 19 U.S.C. Section 1677(7)(B)(i).

[4] See Report at I 37-39.

[5] During the interim period both the domestic and the Bangladeshi market share increased. See Report at I 37, 39.

[6] That reason is confidential. Customers did indicate that they switched to buying Bangladeshi towels even before Eagle went out of business, when Eagle no longer seemed viable. See Report at I-17, E-3, I-48, 49.

The dumping margin in this case was less than 5 percent, meaning that if shop towels from Bangladesh had been priced 5 percent higher they would have been considered fairly traded. The average unit value of a Bangladeshi shop towel was $.10 in 1990.[7] Had they been priced less than a penny higher, the subject imports would have been found to be fairly traded.

In order to assess the effects of the dumping on the volume of domestic sales, domestic prices, and domestic producers, I look at the underlying conditions of competition in the industry. One of the most important factors in this examination is the substitutability of the domestic like product, the subject imports, and the "fairly traded" imports. If the domestic like product, the subject imports, and the "fairly traded" imports are close substitutes, customers are likely to switch in response to a change in their relative prices.[8] Thus, the relative substitutability of the various products affects the volume of domestic sales lost to the subject imports due to the dumping. For example, if the domestic like product is more substitutable for the dumped imports than are the "fairly traded" imports, it is likely that domestic producers would be more adversely

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[7] See Report at I-37.

[8] Substitutability can be determined by examining the elasticity of substitution, an economic concept defined as the percentage change in the ratio of the quantities of two products demanded divided by the percentage change in their relative price. A positive elasticity of substitution indicates that goods are substitutes. The higher the elasticity of substitution, the more substitutable are the goods. For a more explicit definition of the elasticity of substitution, see <u>Forklift Trucks</u>, <u>supra</u>, note 4, at 75-76; <u>Color Picture Tubes</u>, <u>supra</u>, note 4, at 25-26.

affected by the dumping.

All shop towels share basic similarities. The towels are relatively low-quality fabric pieces that are used for industrial cleaning. Petitioner, respondent, and many customers, however, perceive domestic towels to be of higher quality than the subject imports.[9] They note that domestic towels may be more absorbent and durable than the subject imports, perhaps because many are made of a blended fabric. In addition, there are differences in the weaving, sizing, hemming, and weight of the towels.[10] Finally, customers found differences in the level of service and reliability of different shop towel producers.[11]

Domestic shop towels are generally priced higher than imports. The average unit value of domestic shop towels is $.14 compared to $.10 for the subject imports and $.11 for other imports.[12] It is not surprising, however, that consumers differ in their views on the relative value of domestic shop towels and the subject imports. The very fact that these differently priced shop towels are being sold at the same time, in the same market,

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[9] See Report at I-40-41. The Commission does not have the same level of detailed information about the quality of "fairly traded" imports. However, it appears that imports from China and Pakistan are regarded as being of relatively low quality, while imports from Korea, Taiwan, Turkey and Egypt are considered to be of relatively high quality. See Hearing Transcript at 102 and importer trip notes from 12-9-91.

[10] See Report at 8-10.

[11] See Report at 40-41.

[12] Converters and toll contractors generally charge lower prices than the integrated producer. See Report at I-22 and I-37.

indicates that some consumers consider domestic towels a better value despite their higher price, while others consider Bangladeshi towels a better value.[13] Indeed, over 85 percent of domestic shop towels are sold directly to industrial laundry services, while the vast majority of subject imports are sold to distributors.

The question that is central to my determination is this: would domestic producers have gotten more sales or been able to charge higher prices had the imports from Bangladesh been priced 5 percent higher? I do not believe that all or even most customers would have stopped buying Bangladeshi shop towels at the higher price. Of those customers that would have switched, a significant number would probably have bought other relatively low-quality imported shop towels. Since the Bangladeshi share of the market even with dumping was only 6 percent, I think it unlikely that domestic producers would have realized much of an increase in sales had there been no dumping. Finally, given the excess capacity in the domestic shop towel market, the general availability of imports, and the ease of entry by existing cut-and-sew operations, I think it unlikely that domestic firms' prices were depressed or suppressed by subject imports.

In this case, it was difficult to consider the effect of the imports on the domestic industry as a whole, because of the

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[13] For example, in industries where towels are lost before they actually wear out, durability would not be as much of a factor. In addition, any customer who wants a printed towel or logo would not want to buy the subject imports. See Report at I 48-49.

different types of producers -- fully integrated producers, converters of domestic and imported fabric, and toll producers.[14] Although converters and toll producers are part of the domestic shop towel industry, the integrated producer adds more value per towel.[15] For example, integrated producers' share of domestic output was <u>much</u> lower than their share of total compensation paid to production related workers.[16] In addition, they have specialized equipment, while many converters and toll producers have manual sewing machines that could be used to produce other textile and apparel products.

Since the average unit value of shop towels produced by converters and toll producers is closer to the average unit value of Bangladeshi shop towels than is the average unit value of shop towels produced by the integrated producer, it is likely that converters and toll producers are the ones most affected by the dumping. For the reasons stated above, this must be taken into account when considering the overall effect of the dumping on the domestic industry.

Furthermore, since any action to prevent dumping cf shop

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[14] For example, the financial data includes only the integrated producer and one converter who reported having trouble getting supplies of shop towel fabric. Their experience is not likely to be representative of the entire industry.

[15] One converter reported that the price charged for conversion is about 20 percent of the total cost of a shop towel. See Report at I-25. Respondent stated that the value-added of conversion for Bangladeshi towels is significantly less than that. See Respondent's posthearing brief at 17.

[16] The exact numbers are confidential. See Report at I-20, 25.

towels will not affect imports of shop towel fabric, it will be of more benefit to converters and toll producers that can import low-priced fabric but do not have to compete with the subject imports. It would be more beneficial for fully-integrated producers to have duties placed on the fabric as well as the finished towels.

Threat of Material Injury

There is no real and imminent threat that imports from Bangladesh will materially injure the domestic industry producing shop towels. I have considered all the relevant statutory factors and find no support for an affirmative threat determination. This is particularly true since the product is under quota and, therefore, any future increase in imports is limited.

DISSENTING VIEWS OF COMMISSIONER CAROL T. CRAWFORD

Shop Towels from Bangladesh

Inv. No. 731-TA-514 (Final)

I concur with my colleagues in the majority with respect to the definition of the like product and the domestic industry. I determine, however, that the domestic industry is not materially injured, nor threatened with material injury, by reason of LTFV imports from Bangladesh. My negative material injury determination is based principally upon the small volume and market share of subject imports, the lack of any significant price effect of those imports on the domestic product, the low dumping margin, and the lack of any significant impact of subject imports on the domestic industry. My negative threat determination is based upon these same considerations, as well as the statutory threat criteria, and the existence of quantitative restraints on the growth of future imports from Bangladesh.

I. NO MATERIAL INJURY BY REASON OF LTFV IMPORTS

A. VOLUME EFFECT

The first factor the statute directs the Commission to consider in determining whether there is material injury by reason of LTFV imports is "whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant." 19 U.S.C. § 1677(7)(C)(i). The evidence of record indicates that total imports of shop towels, by value, ranged from 25.7 percent of consumption in 1988 to 35.0 percent in 1990. However, subject imports comprised only a small portion of total imports, ranging from 1.4 percent in 1988 to 16.6 percent of total imports in 1990 and 20.9 percent in the interim period. Thus, in a domestic market with nearly $50 million in sales in 1990, imports accounted for less than $18 million, and subject imports comprised less than $3 million or about 6 percent, by value, of total domestic consumption.[1] In the circumstances of this investigation, such a small volume and market share are not significant. See S. Rep. No. 249, 96th Cong., 1st Sess. 88 (1979).[2]

B. PRICE EFFECT

1. Price and Non-Price Competition

The statute next asks the Commission to examine the effects of subject imports on prices of the domestic product. Price is always an important factor in purchasing decisions. However, relative price, not absolute price, is the determinative factor in such decisions. A review of the record indicates that quality and other non-price factors play at least as important a role as price in this market.[3] Although petitioner characterizes shop towels as

[1] Report at I-15, Table 1 and I-37-I-39, Table 15.

[2] Apparent large percentage increases in market share over the period of investigation are a function of the low base in 1988.

[3] In this finding I disagree with conclusions of the staff regarding significance of non-price factors. See INV-P-020 at 15-18. The facts apparent in the record and cited in that memorandum support a different conclusion -- that quality and other non-price factors are at least as important as price. See Transcript of Commission Hearing (March 3, 1992) at 14-32.

a commodity product, the record provides evidence of product differentiation between the domestic product and the imported product.[4] The subject imports are of inferior quality, which is generally perceived by purchasers. The Bangladesh towels are made of 100 percent cotton with irregular weave and hemming. The domestic product is a cotton blend and a heavier fabric which, together with its more uniform weave and better hemming, results in a more absorbent and more durable towel.[5] Durability is important to purchasers of shop towels, but particularly to the laundry services which earn a better return per towel with towels that can withstand more washings.[6]

Subject imports are sized with substances such as clay or salt water as opposed to the starch used by domestic producers. Starch sizing used in the domestic towels results in greater absorbency and greater weight per bale after washing than the subject imports.[7]

Another non-price difference between the imported and domestic towels relates to the finishing of subject and domestic shop towels. Subject towels are generally sold in the griege state, that is, unbleached, undyed, and unfinished. Whereas, domestic towels are generally bleached or dyed and often sold with logos. This "finishing" from the griege state adds to the cost per towel,

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[4] See, e.g., Report at I-7-I-8.

[5] Report at I-7-I-8.

[6] Report at I-40-I-41.

[7] Report at I-9.

and is also reflected in the price differential between the domestic and subject products.[8]

The record indicates that purchasers differentiate between the domestic and subject products by service characteristics as well. Domestic producers, in particular the petitioner, are typically more reliable sources of supply, with fewer delivery problems and ready availability. In addition, domestic producers sponsor quality control programs to educate the purchasers' employees on cost saving methods and laundering the product.[9]

Because of these differences between the domestic and subject import towels, it is unlikely that purchasers view them as close substitutes. Therefore, purchasers would not have been likely to switch from domestic to subject import towels in response to such a small price reduction as results from a 4.6 percent dumping margin.

2. Channels of Distribution

The domestic product and subject imports also serve somewhat different markets and use different channels of distribution.[10] Eighty-five percent of the domestic product is sold directly to laundry services, which rent and clean the towels for commercial and industrial end users. Whereas, the large majority of subject imports are sold to distributors for resale to printers, automotive services and other industrial users. Laundry services which depend

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[8] Report at I-6-I-7.

[9] Report at I-19.

[10] Report I-19, I-39-I-40.

on durability, absorbency and reliable service, purchase primarily the domestic product.[11] Distributors, who resell to end users and whose profit margin relates directly to the purchase price of the towels, are more price sensitive and tend to purchase more of the subject imports.

3. The Effect of Imports on Domestic Price

In evaluating the effect of imports on domestic prices, Congress has directed the Commission to consider whether "there has been significant underselling by the imported merchandise" and whether "imports of such merchandise otherwise depresses prices to a significant degree or prevents price increase, which otherwise would have occurred, to a significant degree." 19 U.S.C. § 1677(7)(C)(ii).

The record contains evidence of underselling by subject imports. While underselling can be a factor in a highly price sensitive market, the shop towel market is not such a market. The price differential here reflects the better value of the domestic product, that is, the higher quality and better service provided by domestic producers, relative to the product cost. The lower price of the subject imports reflects its inferior quality and reduced reliability of service relative to cost. Because of this product differentiation, the "underselling" by imports does not appear to be "significant" as a market factor.

Imports have not depressed or suppressed prices to any

[11] Purchasers report the domestic blended towels withstand about twice as many washings as subject imports. Report at I-40-I-41.

significant degree. Domestic producers' prices to industrial laundry services increased between 1989 and 1990 and increased further in 1991. Prices to distributors have been stable since the third quarter of 1989.[12] Unit values also reflect price stability, but increased in 1991.[13] Net sales per thousand towels increased constantly throughout the period.[14] Thus there is no evidence of significant price depression by subject imports.

Nor is there evidence of significant price suppression by subject imports. Given the excess capacity among domestic producers, the ease with which toll producers and converters can enter the market, and the abundant supply of non-subject imports, domestic producers would not be able to raise their prices. It is unlikely at best that domestic producers would have been able to raise their prices had the low quality Bangladesh towels been priced 4.6 percent higher.[15]

C. IMPACT ON THE DOMESTIC INDUSTRY

The statute finally directs the Commission to examine the impact of imports on the domestic industry. The statute lists specific "impact factors" for Commission consideration and provides that the "Commission shall evaluate all relevant economic factors . . . within the context of the business cycle and conditions of competition that are distinctive to the affected industry." 19

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[12] Report at I-43, Figure 1.

[13] <u>See</u> Report at I-22, Table 4.

[14] Report at I-28, Table 8.

[15] <u>See</u> Report at I-15-I-18.

U.S.C. § 1677(7)(C)(iii). The distinctive conditions of competition in this industry include the largely segmented markets for the imported and domestic product (noted above), the decline in domestic consumption of the product from 1989 to 1991,[16] the apparent limited supply of raw materials for the production of shop towels,[17] the different types of producers (integrated, converters, and toll producers), and the dynamic nature of the market place with relatively easy entrance by toll producers, converters, and foreign producers.

The statutory impact factors present a mixed picture of the industry's performance. The picture is mixed in part because conditions in the industry are mixed[18] and in part because data are incomplete.[19] The financial data in the record thus provide information on only about half the industry and in most instances exclude the toll producers altogether.

Total U.S. consumption declined coincident with the recession

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[16] Report at I-15, Table 1. The decline in consumption has been linked to the recession, either because of plant closings or lower production levels. Since manufacturing facilities are the principal customers of industrial laundry services, lower production levels lead to less demand for towels from industrial laundry services.

[17] One converter exited the industry due to the lack of available raw materials.

[18] E.g., petitioner, an integrated producer with a large market share, is experiencing declines in its shop towel sales, while toll producers are increasing sales.

[19] There are no financial data for the tolling operations, the part of the industry that has been expanding rapidly. There also are no financial data for two new entrants, a toll producer and a converter, which entered the industry in 1989 and by 1990 had claimed a larger market share than the subject imports.

in 1990 and 1991. Output, sales, cash flow, profits and capacity utilization all declined.[20] Market share of domestic producers declined, although two new domestic entrants claimed a larger share of the market in 1990 than that of subject imports. Productivity declined generally in 1990.[21]

Factors affecting domestic prices include costs of production, productivity, capital expenditures, as well as competitive conditions in the industry and overall demand for the product. Some members of the domestic industry experienced substantial increases in their cost of production, along with declining productivity, large capital expenditures and a reduced demand for shop towels.[22] Although it is impossible to draw conclusions from the incomplete data in the record, it is likely that the reduced demand served to restrain prices at a time when at least some parts of the industry were experiencing internal pressure to increase prices. (See the discussion of domestic prices, above.) The extremely limited data for return on investment show a sharp decline.[23]

Inventories were negligible throughout the period for all

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[20] However, toll producers showed large increases in output; both toll producers and converters expanded capacity during the period; profit and cash flow data were available only for petitioner and one converter, which suspended operations in late 1991 when it could no longer obtain osnaburg fabric.

[21] See Report at I-20, Table 3 and I-27-I-29.

[22] See Report at I-27-I-29.

[23] Report at I-29, Table 9. This decline may be related to substantial wage and factory overhead cost increases and large increases in capital expenditures during the period.

types of producers.[24]

Employment data are also mixed. In general, the number of workers, hours worked and wages paid remained constant or declined slightly overall, but increased substantially for the toll producers. Whereas, hourly wages and total hourly compensation increased after 1989 for all producers.[25]

Finally, domestic producers representing the majority of the domestic industry responded that they have experienced no "actual negative effects" due to subject imports on their growth, investment, ability to raise capital, or existing development and production efforts.[26] The same producers responded that the presence of subject imports has not influenced the scale of capital investments undertaken.[27] In light of these mixed indicators, I conclude that subject imports have not had a significant impact on the domestic industry.

D. OTHER ECONOMIC FACTORS

An additional factor that I consider in reaching my negative determination in this investigation is the low margin of dumping. Consideration of the effect of the margin of dumping is expressly approved in the legislative history to the Trade Act of 1979 and by our reviewing courts. <u>See</u> S. Rep. No. 249, 96th Cong., 1st

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[24] Report at I-23, Table 5.

[25] Report at I-24-I-26, Table 6.

[26] Another significant producer responded that sales were adversely affected by all imports, not just subject imports.

[27] Report at Appendix E.

Sess. 74 (1979); Hyundai Pipe Co. v. United States, 670 F. Supp. 357, 360 (CIT 1987).

Consideration of the dumping margin is also appropriate since it is consistent with the remedial purposes of the antidumping laws. An antidumping order is imposed only if there is material injury by reason of LTFV imports. That remedy is an antidumping duty designed to offset the foreign producer's unfair price advantage resulting from dumping; the remedy is not a prohibition on imports. Thus, in making a material injury determination prior to imposing offsetting duties, it is appropriate to consider the effect of the dumping on the volume and prices of subject imports and the impact of the subject imports on the domestic industry.

In this investigation, the tenuous connection between the LTFV imports and any decline in the condition of the domestic industry is completely severed by the low dumping margin of 4.6 percent.[28] Given the low import penetration levels, the fact that quality as well as price is important in purchasing decisions, the lack of any significant impact of subject imports on the domestic industry, and the low dumping margin, I determine that the domestic industry is not materially injured by reason of subject imports.

II. NO THREAT OF MATERIAL INJURY BY REASON OF LTFV IMPORTS

I further determine that there is no threat of material injury by reason of LTFV imports from Bangladesh. Application of the

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[28] DOC used a constructed value calculation to determine the weighted average dumping margin of 4.6 percent. Report at I-14 and n. 48.

statutory threat criteria[29] to the facts of this case requires such a result. The existence of a quota which restricts future imports from Bangladesh to levels slightly above current import levels precludes a significant increase in subject imports, even though the United States is their principal export market.[30] The existence of the quota also precludes any rapid increase in market penetration. Further, the nature of competition in the domestic market, described above, suggests that future imports, even assuming some marginal growth in market share, will not have a depressing or suppressing effect on price. In addition, importer's inventories have declined in recent periods, rather than increased. Finally, there are no other adverse trends that indicate a real and imminent threat of material injury to the domestic industry from subject imports.

[29] 19 U.S.C. § 1677(7)(F).

[30] Report at I-36. The existence of the quota and the limits on future imports renders moot the existence of unused capacity, and any expansion of capacity, in Bangladesh.

INFORMATION OBTAINED IN THE INVESTIGATION

INTRODUCTION

Following a preliminary determination by the U.S. Department of Commerce (Commerce) that imports of shop towels[1] from Bangladesh are being, or are likely to be, sold in the United States at less than fair value (LTFV) (56 FR 46411, September 12, 1991), the U.S. International Trade Commission (the Commission), effective September 12, 1991, instituted investigation No. 731-TA-514 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was posted in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and published in the Federal Register on October 9, 1991 (56 FR 50926).[2] The hearing was held in Washington, DC, on January 30, 1992.[3]

Effective February 3, 1992, Commerce made an affirmative final LTFV determination (57 FR 3996, February 3, 1992). The applicable statute directs that the Commission make its final injury determination within 45 days after the final determination by Commerce.

Background

This investigation results from a petition filed by Milliken & Co. (Milliken), LaGrange, GA, on March 29, 1991, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of shop towels from Bangladesh. In response to that petition the Commission instituted investigation No. 731-TA-514 (Preliminary) under section 733 of the Tariff Act of 1930 (19 U.S.C § 1673b(a)) and, on May 13, 1991, determined that there was a reasonable indication of material injury.

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, nor was the establishment of an industry in the United States materially retarded, by reason of imports of textiles and textile products of cotton from Pakistan. At the same time, in investigation No. 104-

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[1] Shop towels, provided for in subheading 6307.10.20 of the Harmonized Tariff Schedule of the United States (HTS) (reported under item 366.2840 of the former Tariff Schedules of the United States Annotated (TSUSA)), are absorbent industrial wiping cloths made from a loosely woven fabric. The fabric may be either 100 percent cotton or a blend of materials.

[2] Copies of Federal Register notices are presented in app. A.

[3] A list of the participants in the hearing is presented in app. B.

TAA-1,[4] the Commission determined that an industry in the United States would not be materially injured, or threatened with material injury, and 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, 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.[5] 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.[6] 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.[7] Effective June 27, 1984, Commerce preliminarily determined that certain benefits that constitute bounties or grants were being provided to manufacturers, producers, or exporters in Peru of cotton shop towels.[8] Commerce suspended the investigation, effective September 12, 1984, based on an agreement to cease exports of the product to the United States.[9]

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

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

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

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

[8] The estimated net bounty or grant was 44 percent ad valorem.

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

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.[10] On July 1, 1991, Commerce published in the Federal Register (56 FR 29941) its final negative countervailing duty determination, which stated that the estimated net bounty or grant rate is *de minimis*.

THE PRODUCT

Description

Shop towels are square or rectangular pieces of all-cotton[11] or cotton-blend[12] osnaburg fabric.[13] They are used to wipe and clean unwanted or excessive substances such as grease, oil, or ink from machinery and equipment in manufacturing, industrial, or automotive facilities. Shop towels are specifically designed for more than "one-time use." Consequently, the basic physical properties required by a shop towel are high absorbency, tear and stretch resistance, and the ability to withstand numerous washings at high water temperatures.

The most widely used shop towel size is 18 x 18 inches, which accounts for an estimated 90 percent of the market. Other less common sizes are 18 x 20 inches, 18 x 24 inches, 18 x 30 inches,[14] 18 x 36 inches, and 36 x 36 inches. The quoted size refers to the cut fabric before it is trimmed, hemmed, and laundered. The towel size is reduced during each of these

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[10] Bangladesh, like Peru, is not a "country under the Agreement."

[11] Includes fibers and waste. According to official statistics of the U.S. Department of Commerce, 96.1 percent of all shop towels imported in 1990, and 100 percent of those imported from Bangladesh, were classified as all-cotton. Domestic producers reported that *** of their shop towel production in 1990 was all-cotton. See app. C.

[12] Milliken manufactures shop towels composed of a cotton and acrylic blend. The cotton, which accounts for over 80 percent of the blend, provides absorbency while the acrylic fiber provides a high degree of acid resistance. Transcript of the conference, p. 31. Some imported shop towels, primarily those from China, contain a 55/45 blend of cotton and ramie (a vegetable fiber very similar to flax (linen) in appearance and properties).

[13] A strong, plain woven fabric, often made with very coarse yarns that usually consist of low-grade, short staple or cotton waste. The fabric's hard texture prevents linting yet is porous enough to be absorbent. The majority of imports of all-cotton, unfinished, osnaburg fabric are classified under HTS subheading 5208.12.40; the column-1 general rate of duty is 7 percent ad valorem. There is currently no quota on imports of such fabric from Bangladesh. In addition to shop towels, osnaburg fabric is occasionally used for other types of towels and, according to the petitioner, for garment linings, coating substrates, and bagging materials. Posthearing brief of the petitioner, p. 7 of "Milliken's Responses to the Commission's Questions."

[14] The printing industry is a leading user of the 18 x 30 inch shop towel.

operations. Shop towels of 18 x 18 inches are marketed in bales that usually weigh between 155 and 200 pounds and contain a count of either 2,500 or 3,000 towels.[15] About 625 to 630 square yards of fabric are required to produce a 2,500-count bale of 18 x 18 inch shop towels.

Overall, a slight majority of shop towels is sold in the griege state,[16] though many are printed and/or dyed and a small quantity[17] are treated with stain-release finishes (to allow washing at a lower water temperature). 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 extra features as dyeing and printing usually add two to three cents[18] to the final cost of a shop towel.[19]

Imported and Domestic Product Comparison

According to the petitioner,[20] shop towels are essentially a commodity product. Counsel for the respondents disputes this characterization, however, as some physical differences distinguish imported (including Bangladeshi) towels from domestically produced towels.

The cotton fiber content in a domestically produced shop towel depends upon the source of its fabric (see appendix C). Milliken's fabric is made primarily from cotton waste fiber blended with a small percentage of manmade fiber, whereas the cotton used in the imported fabric and towels consists mostly of cotton waste fiber blended with new cotton fiber. Waste fiber is usually less expensive than new fiber but is also generally shorter. Longer length (over 3/8 inch) fiber, either new cotton or manmade, must be blended with the shorter length waste fiber so that it can be spun into yarn efficiently, that is, with less twist and fewer tangles.

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[15] The petitioner, by far the largest single domestic producer, markets 18 x 18 inch shop towels in 3,000-count bales, whereas the imported 18 x 18 inch shop towels and those produced by domestic converters are marketed in 2,500-count bales. Both domestically produced and imported 18 x 30 inch shop towels, the second most common size, are marketed in 1,500-count bales.

[16] That is, the woven fabric has received no dry- or wet-finishing operations, such as bleaching, dyeing, or printing. Although virtually all imported shop towels are sold in the griege state, the majority of domestically produced shop towels receive some sort of finishing.

[17] *** reported that ***. Producers' questionnaire, p. 12. *** reported treating shop towels with a stain-release finish.

[18] According to ***. ITC staff interview, Oct. 31, 1991. According to the petitioner, "Milliken's added cost to make a printed shop towel is ***." Posthearing brief of the petitioner, p. 8 of "Milliken's Responses."

[19] Laundry services frequently dye the towels as they are laundered. This process is usually less expensive than purchasing dyed towels from the manufacturer. ITC staff interview with ***.

[20] ITC staff interview with ***.

The yarns used in domestically produced fabric for manufacturing shop towels are usually number 5 (5s)[21] in the filling (width of the fabric) and number 10 (10s) in the warp (length of the fabric). The fabric in imported towels usually consists of yarn numbers 12, 10, 8, 6, or 5, with the same size yarns used in both the warp and the filling. The domestically produced fabric for shop towels usually has 26 yarns per inch in the warp and 20 yarns per inch in the filling.[22] Fabric in imported towels usually has a yarn count ranging from 26 to 32 yarns per inch.

The fabric used to make shop towels is wholly or predominantly cotton[23] and usually ranges in weight from 4.5 to 5.5 ounces per square yard.[24] Bangladeshi shop towels are generally made from 100-percent cotton fabric[25] that is usually lighter in weight, after the first washing (when the sizing[26] is removed), than domestically produced shop towel fabric.

Virtually all imported shop towels are sold in the griege state. However, according to producers' questionnaire responses, approximately two-thirds of the shop towels produced in the United States in 1990 were printed, dyed, or treated with a soil-release finish. Also, as a result of different hemming processes, (predominantly) manually-sewn imported shop towels usually have rounded corners, whereas domestically produced towels, usually hemmed on automated serging machinery, ordinarily have square corners.

Quality Considerations

Foreign-produced shop towel fabric has been described as being of lower quality than domestically produced shop towel fabric.[27] The foreign-produced

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

[22] The more numerous warp yarns provide strength and stability to the fabric, while fewer filling yarns offer absorbency. Interview with *** on Apr. 11, 1991.

[23] In the case of Milliken's shop towels, cotton fiber content ***. Posthearing brief of the petitioner, p. 7. Certain imports, particularly those from China, are reported to contain only 55 percent cotton and 45 percent ramie.

[24] Petition, p. 4.

[25] The petitioner has indicated that all shop towels contain a minor amount of manmade materials. According to Mr. Terry Topp of Milliken, "I can take any towel on the market and run it through analysis and there's always going to be a certain percent of manmade fibers in there. And that includes competition from overseas." Transcript of the hearing, p. 50.

[26] Sizing is a finishing process in which a substance is added to yarn and fabric to give them additional strength, stiffness, smoothness, or weight. The term "sizing" also refers to the stiffening agent itself.

[27] Staff interview with *** on Apr. 11, 1991. *** has purchased *** fabric for shop towel production.

fabric is usually less uniform in construction and weave[28] and contains more non-fiber particles, such as leaf and stem parts,[29] than the domestically produced fabric. Each imported shop towel is overedged, or hemmed, individually, on manually operated sewing machines with cotton thread. This manual overedging results in less consistency in stitching and less durability than the domestic shop towel. Most domestic shop towels are hemmed mechanically[30] using nylon thread, which is more durable than cotton thread.

The number of washings a shop towel made of domestically produced fabric can endure before it is "ragged-out" is estimated by the petitioner to range between 30 and 40. The average imported shop towel reportedly would endure fewer washings. However, according to questionnaire responses by shop towel purchasers, the average shop towel, whether domestic or imported, is usually laundered only 9 to 17 times before it must be replaced. Before a shop towel physically wears out, it is usually lost, stolen, damaged, or torn, and thus unable to generate further revenue as a rental item.

For economic reasons, commercial laundries, the major purchasers of shop towels, prefer shop towels to be a specific, uniform weight. A 2,500-count bale of 18 x 18 inch shop towels (a standard quantity in which all imported and some domestically produced towels are sold) will therefore weigh approximately 175 to 180 pounds (each towel weighs about 1.1 to 1.2 ounces).[31] Many commercial laundries believe that if shop towels are too light, they will have less abrasion resistance and wear out sooner. On the other hand, if shop towels are too heavy, they will require additional detergent when washed and fewer will be able to be laundered in a single load.

Shop towels made of domestically produced fabric contain starch sizing, whereas most imported shop towels and domestically produced shop towels of foreign-produced fabric (usually made by domestic converters or toll producers[32]) often contain less desirable substances (e.g., salt water or

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[28] Foreign-produced fabric often contains irregular yarns that are not uniform in size and that contribute to an uneven weave in the fabric. This unevenness often results in a fabric more susceptible to rips and snags, causing the shop towel to wear out more rapidly.

[29] *** noted that 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 many short fibers. This tightly twisted yarn is less absorbent and more susceptible to knotting than yarn containing longer fibers and a looser twist.

[30] ***.

[31] Counsel for the respondents indicated that the majority of Bangladeshi shop towels are imported into the United States in bales weighing either 155 or 170 pounds, although three importers reported receiving bales of Bangladeshi shop towels weighing 175 pounds.

[32] Toll producers contract for a flat fee to perform only the cut-and-sew operations for a specified number of bales of shop towels. The fabric is owned by another firm, usually an importer, which supplies the fabric to the toll producer and provides the customer and destination for the finished shop towels.

clay) for sizing.[33] As the sizing is removed in the first several washings, the towels become softer, smaller, and lighter. However, when excessive and undesirable (nonstarch) sizing is used in low-quality shop towel fabric, a 2,500-count bale of shop towels can be reduced in weight by as much as 25 percent. One shop towel distributor[34] claimed that customers will usually complain if too much weight is lost (5 to 10 pounds is acceptable for a 2,500-count bale weighing 175 pounds) after the first washing, will return the towels, and will expect to be compensated. He also noted that most of his customers select shop towels based on the price and weight of the bale. The country of origin of the shop towel or the fabric is usually not a major consideration when customers make a selection, because the quality of shipments often varies from order to order regardless of the country of origin.[35]

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 vertically-integrated shop towel production operation such as Milliken's begins at the first stage: yarn spinning and fabric weaving. Shop towel converters begin with the second or third manufacturing stage. The following steps in the manufacturing process for shop towels pertain to a domestic, vertically-integrated production operation, except where mentioned.

Yarn spinning and fabric weaving begins by opening the fiber bales with a "top feeder," which skims along the top of as many as 30 to 35 aligned bales. If a blended fabric is desired, several bales of manmade fibers are interspersed between cotton bales to initiate fiber blending. As the fibers are removed from the bales, they are blown through duct works into cleansing machinery, which opens the fibers and removes nonfiber plant particles and trash. At this time the batch may be reblended to alter the ratio of cotton fiber to manmade fiber. This step, if required, is usually performed manually; afterwards the fiber continues automatically through sensory machinery, 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 and removes leafy matter and trash. Next, several strands of sliver[36] 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

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[33] *** stated that imported fabric is also frequently "bulked up" by using lard, oil, or grease. Staff interview at *** on Nov. 6, 1991. A further complication, according to ***, is that machines that cut and serge fabric treated with nonstarch sizing require additional maintenance and more frequent replacement of parts. Staff interview at *** on Nov. 5, 1991.

[34] ITC staff interview with *** on Nov. 6, 1991.

[35] ITC staff interview with *** on Nov. 6, 1991.

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

(adding a tighter twist). The resulting yarn is placed on cones and later unwound and wrapped around a beam for the warp yarns and on spindles for the filling yarns. During the slashing process, the beam of warp yarns is treated, or "sized," with corn starch to increase strength and to help hold the twist in the yarn. It is then placed on the loom for weaving, at which time 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 respondents, and on hand-operated looms in the case of the other two.

The second main manufacturing stage is the printing and dyeing process. The fabric, which is either 36 or 54 inches wide, passes through printing equipment and/or a vat for dyeing. The fabric is then dried and wrapped on a beam. In foreign manufacturing facilities, shop towels are cut first and then, if desired, 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 18-inch roll of fabric is automatically cut to the desired length; the cut pieces are then trimmed and hemmed.[37] In the United States, the cutting and stitching stage is generally 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 is baling and packaging. At this stage the finished shop towels are stacked in bundles of 50 towels each and placed on baling machinery. Milliken packages 3,000 18 x 18 inch shop towels or 1,500 18 x 30 inch towels in a 200-pound bale. Foreign manufacturers and other domestic producers usually package only 2,500 18 x 18 inch towels in a 175- to 180-pound bale.

Domestic converters divide their cutting and stitching operations into five steps. The first step involves bringing the inventory of fabric to the plant and unbaling or unrolling it. Imported fabric is usually shipped in bales, whereas domestically produced fabric is shipped on rolls. According to one domestic toll producer,[38] imported fabric is usually shipped in bales containing 1,000 to 1,100 square yards, although on occasion it is shipped in bales of 625 square yards, which will produce 2,500 18 x 18 inch shop towels. The domestically produced fabric is usually purchased on 300 to 400 square yard rolls that consist of second- and third-quality fabrics and odd lots.

Next the fabric is spread and cut to size. The fabric, usually 36 inches wide, is placed on a long, narrow worktable, cut to 18-foot lengths,

[37] 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.
[38] ITC staff interview with *** on Nov. 5, 1991.

and stacked 200 layers deep. The entire 200 layers are cut simultaneously, creating four 18 x 18 inch shop towels per square yard of fabric.

The third step is stitching and sewing. A sewing machine, or serger, is used to hem and trim each side of the towel. According to one toll producer,[39] the average sewing machine operator can sew about *** in an 8-hour day, whereas an automatic sewing machine, ***, can produce about *** in the same time period. The fourth step requires binding the finished towels in 2,500-count bales. Finally, the shop towels are stored, if necessary, or shipped to a printer or dyer or to the final customer.

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 covering one year). 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

[39] ITC staff interview with *** on Nov. 5, 1991.

Substitute Products

Disposable towels of paper or nonwoven textile fabric, as well as rags, are in many instances substitutable for shop towels. Use of disposable products increased in the early 1980s; however, use of disposables has reportedly declined in recent years.[40] Disposable products are initially less expensive but cannot be laundered or reused. In addition, some former consumers of 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.

Although shop towels can be produced from other woven textile fabrics, it is not economically feasible to replace the wholly- or predominantly-cotton osnaburg fabric with a fabric of a different construction. Cotton waste has the combined advantages of being both inexpensive and absorbent.[41] The plain basic weave of osnaburg also offers strength and durability, which are needed to resist abrasion and withstand repeated launderings.

U.S. Tariff Treatment

The rates of duty applicable to shop towels in the HTS, effective January 1, 1989, generally are the same as those in effect under the former TSUS. The shop towels under investigation are classified in HTS chapter 63 (under superior text reading "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), and reported under TSUSA item 366.2840 (covering not ornamented, not jacquard-figured shop towels, of[42] cotton). The column 1-general rate of duty for imports of shop towels is 10.5 percent ad valorem, as shown in the following tabulation (in percent ad valorem); the same rate of duty was imposed under the former TSUS.

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[40] In fact, there was reportedly an overwhelming move back to the woven (wholly- or predominantly-cotton) shop towel beginning in the mid- to late-1980s. ITC staff interview with *** on Apr. 11, 1991.

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

[42] "Of" was defined as meaning "wholly or in chief value of the named material." See general headnote and rule of interpretation 9(e)(i) of the former TSUS.

	Rates of Duty		
	Column 1		Column 2
Tariff provision	General	Special	
HTS subheading 6307.10.20......	10.5	Free (E*, IL) 6.3 (CA)	40
TSUSA item 366.2840........	10.5	5.3 (I)	40

Preferential tariff treatment for goods falling in 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 not excluded by statute and falling in tariff provisions designated with "E*" are eligible for duty-free entry under the Caribbean Basin Economic Recovery Act (CBERA).[43] The duty rate with the symbol "IL" indicates that these products are eligible for duty-free entry pursuant to the United States-Israel Free-Trade Area Implementation Act of 1985. Those goods originating in the territory of Canada and receiving reduced-duty treatment under the United States-Canada Free-Trade Agreement are indicated by duty rates followed by the symbol "CA" (here the 1992 rate is shown). Bangladesh, however, is not eligible for any of the above-mentioned special duty rates, nor are shop towel imports eligible for duty-free entry under the Generalized System of Preferences (GSP).[44]

Multifiber Arrangement

Importation of shop towels is subject to control under the Multifiber Arrangement (MFA),[45] and is covered, respectively, by quota categories 369

[43] 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. Goods subject to textile agreements in 1983 are ineligible for benefits.

[44] 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 and continues through the close of July 4, 1993, following its renewal in 1984.

[45] The MFA has authorized control of world trade in textiles and apparel since 1974. Created under the sponsorship of the General Agreement on Tariffs and Trade, 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 (continued...)

(other cotton manufactures) and 863 (silk, linen, or ramie towels). In 1990, 52.9 percent by quantity of imported shop towels came from countries upon which specific shop towel import quotas had been imposed (China, India, Indonesia, Malaysia, Pakistan, Philippines, Sri Lanka, Taiwan, Thailand, and Turkey). That figure soared to 96.1 percent by quantity for January-September 1991, as Bangladeshi,[46] Burmese, and Egyptian shop towels were brought under quota.

NATURE AND EXTENT OF SALES AT LTFV

On February 3, 1992, Commerce published in the Federal Register (57 FR 3996) its final determination that shop towels from Bangladesh are being, or are likely to be, sold in the United States at LTFV. Based on questionnaire responses from three of the five known Bangladeshi shop towel producers,[47] Commerce compared the U.S. purchase price with the foreign market value (FMV)[48] during its period of investigation, October 1, 1990, through March 31, 1991. From this comparison, Commerce established weighted-average dumping margins of 2.72 percent for Sonar Cotton Mills (B.D.), Ltd., 42.31 percent for Eagle Star Textile Mills, Ltd., and 4.60 percent for all other Bangladeshi shop towel producers.

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 U.S. imports

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[45] (...continued)
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.

[46] A quota on Bangladeshi shop towels was negotiated following a quota call imposed by Commerce on Oct. 31, 1990. 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 kg for quota year 1991, 1,071,278 kg for quota year 1992, and 1,135,555 kg for quota year 1993.

[47] One of the three producers responding to the questionnaire, Greyfab (Bangladesh), Ltd., had no sales during the period of investigation and was, therefore, excluded from the calculations. A sixth Bangladeshi producer, Hashem Textile Mills, Ltd., was discovered in 1992.

[48] Because none of the three producers had home-market or third-country sales, Commerce based FMV on constructed value, which "includes the cost of materials and fabrication of the merchandise exported to the United States, plus general expenses, profit, and packing." See Commerce determination in app. A. ***.

of shop towels, as compiled from the U.S. Department of Commerce's official statistics (table 1).

Apparent U.S. consumption of shop towels, by quantity, increased 11.1 percent between 1988 and 1989, from 353.2 million shop towels to 392.4 million, then declined 1.4 percent in 1990, to 386.8 million. Apparent consumption for January-September 1991 fell 14.0 percent from the first three quarters of 1990, from 298.6 million pieces to 256.7 million. By value, apparent U.S. consumption increased by 7.6 percent, from $46.8 million to $50.3 million, between 1988 and 1989. In 1990, apparent consumption declined by 0.6 percent. Consumption fell 13.7 percent between January-September 1990 and 1991, from $38.4 million to $33.1 million.

Table 1
Shop towels: U.S. shipments of shop towels, U.S. imports, and apparent U.S. consumption, 1988-90, January-September 1990, and January-September 1991

Item	1988	1989	1990	Jan.-Sept.-- 1990	Jan.-Sept.-- 1991
	Quantity (1,000 towels)				
Producers' U.S. shipments....	245,243	246,705	224,791	168,082	142,556
U.S. imports from--					
Bangladesh.................	1,789	4,429	28,010	22,205	24,996
Other sources..............	106,135	141,222	134,018	108,324	89,163
Total....................	107,924	145,651	162,028	130,529	114,160
Apparent consumption...	353,167	392,356	386,819	298,611	256,716
	Value (1,000 dollars)				
Producers' U.S. shipments....	34,715	35,391	32,476	24,266	21,100
U.S. imports from--					
Bangladesh.................	169	488	2,904	2,298	2,503
Other sources..............	11,870	14,413	14,608	11,826	9,533
Total....................	12,039	14,901	17,511	14,123	12,035
Apparent consumption...	46,754	50,292	49,987	38,389	33,135

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

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.

U.S. Producers

The Commission sent producers' questionnaires to 17 companies, 12 of which reported manufacturing shop towels in the United States between January 1988 and September 1991. Concentrated in the South, eight of the companies are located in Georgia, two in Texas, and one each in Missouri and

Massachusetts (table 2). In addition, *** reported contracting shop towel production under toll agreements.[49]

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

Firm	Share of production	Position	Location
	Percent		
Integrated producer:			
Milliken & Co.	***	([1])	LaGrange, GA
Converters:			
Eagle Textiles Manufacturing, Inc. (Eagle)	***	***	Columbus, GA
***	***	***	***
Kleen-Tex Industries, Inc. (Kleen-Tex)	***	***	LaGrange, GA
***	***	***	***
***	***	***	***
***	***[2]	***	***
Toll producers:			
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
Total	100.0		

[1] Petitioner.
[2] ***.

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

The petitioner, Milliken, is reportedly the only U.S. producer that is vertically integrated from the production of fabric to the production of shop towels. The firm, one of the larger textile producers in the United States and the largest shop towel producer, also produces a wide array of other textile products. In addition to shop towels, Milliken's KEX Division also produces mats and mops in its LaGrange, GA, facility.

[49] ***. A *** firm, ***, is also known to contract shop towel production. *** was sent a questionnaire but did not respond.

Eagle, Kleen-Tex, *** all purchase fabric on the open market,[50] "convert" the fabric into shop towels, then resell the finished product. From 1982 until 1987, Eagle Textiles, Inc., marketed shop towels produced by Wipo, Inc., in Columbus, GA. In 1987, Eagle Textiles, Inc., created a separate corporation, Eagle Textiles Manufacturing, Inc., which rented Wipo's Columbus facilities and began producing shop towels, fender covers, and other towel products, itself. However, in September 1991, Eagle suspended operations following the loss of its sole osnaburg fabric supplier, ***.[51]

Kleen-Tex, ***, produces shop towels, mats, mops, and fender and seat covers. In the past, the firm ***.[52] However, on December 18, 1991, Kleen-Tex announced the formation of a supply partnership between itself and U.S. weaver West Point-Pepperell, Inc.[53]

***, which produces sheets and pillow cases in addition to shop towels, began shop towel production in ***. The company ***. ***. Company officials reported ***. ***.

*** accounted for *** percent of 1990 U.S. production of shop towels. In addition to shop towels, the firm also produces grass catchers. *** accounted for *** percent of 1990 U.S. production of shop towels. *** produces shop towels and a variety of other products, including lint-free towels for use in "clean rooms," polishing towels, aprons, and bags.

*** companies convert shop towels under toll agreements: ***. Under these agreements, the *** firms cut and serge fabric[54] provided by their customers, the contractors ***, for a fee of approximately *** a bale. The finished shop towels are then sold by the contractors. Several of the toll producers noted a shortage of fabric, which they attributed to the low cost of imported shop towels, although Bangladeshi shop towels were not singled out. Although generally ***.[55]

***, which currently produces shop towels, industrial laundry bags, pet beds, back supports, and dust covers, has been using osnaburg fabric for ***.[56] *** converted *** fabric supplied to it by *** and *** fabric supplied by ***[57] [58] under toll agreements. It has also converted fabric purchased ***. *** charges *** to convert (inventory, spread/cut, sew, bale, store, and ship) one bale of 2,500 shop towels. The finished product sells for ***.[59]

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[50] ***. See app. C.

[51] Despite reporting ***.

[52] A Kleen-Tex official noted ***. Conversation with *** on Apr. 11, 1991.

[53] According to Kleen-Tex Executive Vice President Gary Dye, "A problem in recent months has been a shortage of American fabric. That's now been resolved." Kleen-Tex press release, Dec. 18, 1991.

[54] According to questionnaire responses by ***.

[55] *** took no position on the petition.

[56] ***.

[57] *** is a *** company that imports fabric from ***, according to ***.

[58] ***.

[59] Staff interview with *** on Nov. 5, 1991.

*** converts shop towels, which account for *** percent of its sales, as well as institutional aprons, canvas coin bags, tote bags, bath towels, and diapers. *** has converted fabric ***.

*** concentrate on shop towel production. ***. *** provided *** but is believed to have begun production ***.

*** all import shop towels directly, in addition to importing osnaburg fabric for conversion in the United States.[60] Information provided by *** is presented in appendix D. *** repeatedly refused to provide any data. *** imports fabric directly and purchases its finished shop towels from importers as well as from toll producers.

U.S. Importers

The Commission sent importers' questionnaires to 39 firms identified by the U.S. Customs Service as having imported material classified under statistical reporting numbers 6307.10.2005 and 6307.10.2015 of the HTS (item 366.2840 of the former TSUSA).[61] Importers' questionnaires were also sent to the 17 recipients of the producers' questionnaires. Of the 56 recipients of the importers' questionnaire, shop towel import data were reported by 33 firms, 9 of which reported imports from Bangladesh. Ten firms reported that they had not imported shop towels between January 1, 1988, and September 30, 1991, 2 acknowledged importing shop towels from countries other than Bangladesh but would provide no data, 1 notified Commission staff of its closure, and 10 did not respond to the Commission's request for information. Data from the nine importers of Bangladeshi shop towels are believed to account for virtually all imports of shop towels from Bangladesh between January 1, 1988, and September 30, 1991, whereas data provided by the importers of shop towels from all countries other than Bangladesh are estimated to account for between 53 percent (in 1989) and 98 percent (in January-September 1991) 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.

Based on the Commission's questionnaire response, 80 percent of shop towel importers (28 of 35 active respondents) are concentrated in California (9), New York (7), Georgia (5), Texas (4), and Massachusetts (3). Companies which imported shop towels from Bangladesh between January 1, 1988, and

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[60] On June 28, 1991, Milliken, the petitioner in the present case, requested that Commerce undertake a circumvention inquiry on imports of Pakistani osnaburg fabric and extend the coverage of the countervailing duty order on Pakistani shop towels to include said fabric. Shop Towels from Pakistan: Request for a Circumvention Inquiry, pp. 1, 2.

[61] All importers of Bangladeshi shop towels were included, as were all companies which imported shop towels valued at more than $50,000 from any country in any year between 1988 and 1991.

September 30, 1991, are located in California (4), Texas (2), Georgia (2), and Indiana (1).[62]

Channels of Distribution

U.S. producers typically sell most shop towels to laundry services that rent and clean the towels for industrial end users. Smaller quantities are sold to distributors for resale to other distributors, laundry services, and to end users. Most domestic shop towel sales to industrial laundry services are transacted through the producers' sales personnel, who may also provide sales and product services. Product and support services are important to industrial laundry services that frequently replenish shop towels lost to general usage and attrition. The petitioner, Milliken, provides an array of services through its sales force, including seminars on telecommunications, production, selling skills and participatory management, audio visual sales aids for the customers of laundry services, access to various Milliken marketing aids, sales leads generated through conventions, and "Partners for Profit" quality seminars.[63]

Importers of Bangladeshi shop towels, in contrast, sell the majority of their Bangladeshi shop towels to distributors, with remaining sales to laundry services or end users. End users consist of large industrial firms that maintain in-house laundry facilities and retail stores that repackage shop towels in smaller quantities for ultimate sale to consumers. Importers market shop towels through direct contact, catalogs, and telemarketing. Although the importers typically provide only shipping and ordering services, distributors may provide some product and support services to their industrial laundry customers.

As shown in the following tabulation compiled from questionnaire data, over 80 percent of U.S.-produced shop towels were sold to laundry services in 1990, in contrast to *** percent of shop towels imported from Bangladesh. More than *** percent of shop towels imported from Bangladesh were sold to distributors during 1990. A small percentage of shop towels were sold to end users by U.S. producers and importers, 0.2 and *** percent, respectively.

	U.S. producers	U.S. importers
Laundry services...	85.4	***
Distributors.......	14.4	***
End users..........	.2	***
Total..........	100.0	100.0

[62] ***.

[63] Milliken reported that ***. Posthearing brief of the petitioner, pp. 10-11.

CONSIDERATION OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

The 12 U.S. producers of shop towels[64] that provided responses to the Commission's request for data accounted for all known U.S. shop towel production in 1990. The information presented in this section of the report is compiled from data submitted in response to the Commission's questionnaires.

U.S. Production, Capacity, and Capacity Utilization

Total reported U.S. production of shop towels rose by 0.4 percent (1.0 million shop towels) from 1988 to 1989, then fell by 8.5 percent (21.2 million shop towels) from 1989 to 1990 (table 3). However, while ***.[65] ***. Production *** declined between January-September 1990 and 1991 by an aggregate 15.5 percent.[66]

Table 3
Shop towels: U.S. capacity,[1] production, and capacity utilization,[2] by types, 1988-90, January-September 1990, and January-September 1991

Item	1988	1989	1990	Jan.-Sept.-- 1990	Jan.-Sept.-- 1991
	Average-of-period capacity (1,000 towels)				
Integrated producer	***	***	***	***	***
Converter firms	***	***	***	***	***
Toll producers	***	***	***	***	***
Total	275,119	294,860	309,863	233,514	250,869
	Production (1,000 towels)				
Integrated producer	***	***	***	***	***
Converter firms	***	***	***	***	***
Toll producers	***	***	***	***	***
Total	248,235	249,263	228,029	170,977	144,511
	Average-of-period capacity utilization (percent)				
Integrated producer	***	***	***	***	***
Converter firms	***	***	***	***	***
Toll producers	***	***	***	***	***
Average	90.2	84.5	73.6	73.2	57.6

[1] ***.
[2] Milliken reported *** in 1988.

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

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[64] Only 11 of the responding firms produced shop towels in 1990. ***.
[65] This figure reflects ***.
[66] ***.

Milliken's average capacity *** between 1988 and 1990 and the January-September periods of 1990 and 1991. However, total average capacity increased by 7.1 percent in 1989, 5.1 percent in 1990, and 7.4 percent in January-September 1991, ***. Overall capacity utilization fell from 90.2 percent in 1988 to 84.5 percent in 1989 and 73.6 percent in 1990, and from 73.1 percent to 57.6 percent between January-September 1990 and 1991.

U.S. Producers' Domestic Shipments, Company Transfers, and Export Shipments

Information on U.S. producers' shipments of shop towels, as discussed in this section of the report, is presented in table 4. In terms of quantity, domestic shipments by Milliken and the converting firms ***. From January-September 1990 to January-September 1991, domestic shipments ***. However, toll transfers ***, then *** between January-September 1990 and 1991.

Table 4
Shop towels: Shipments by U.S. producers, by firm types and by shipment types, 1988-90, January-September 1990, and January-September 1991

				Jan.-Sept.--	
Item	1988	1989	1990	1990	1991
	Quantity (1,000 towels)				
Integrated producer:					
Domestic shipments	***	***	***	***	***
Exports	***	***	***	***	***
Total	***	***	***	***	***
Converter firms:					
Domestic shipments	***	***	***	***	***
Exports	***	***	***	***	***
Total	***	***	***	***	***
Toll producers:					
Toll transfers	***	***	***	***	***
Domestic shipments	***	***	***	***	***
Subtotal	***	***	***	***	***
Exports	***	***	***	***	***
Total	***	***	***	***	***
All firms:					
Toll transfers	***	***	***	***	***
Domestic shipments	***	***	***	***	***
Subtotal	245,243	246,705	224,791	168,082	142,556
Exports	***	***	***	***	***
Total	***	***	***	***	***

Table 4--Continued
Shop towels: Shipments by U.S. producers, by firm types and by shipment types, 1988-90, January-September 1990, and January-September 1991

Item	1988	1989	1990	Jan.-Sept.-- 1990	Jan.-Sept.-- 1991
	Value (1,000 dollars)				
Integrated producer:					
Domestic shipments	***	***	***	***	***
Exports	***	***	***	***	***
Total	***	***	***	***	***
Converter firms:					
Domestic shipments	***	***	***	***	***
Exports	***	***	***	***	***
Total	***	***	***	***	***
Toll producers:					
Toll transfers[1]	***	***	***	***	***
Domestic shipments	***	***	***	***	***
Subtotal	***	***	***	***	***
Exports	***	***	***	***	***
Total	***	***	***	***	***
All firms:					
Toll transfers	***	***	***	***	***
Domestic shipments	***	***	***	***	***
Subtotal	34,715	35,391	32,476	24,266	21,100
Exports	***	***	***	***	***
Total	***	***	***	***	***
	Unit value (per towel)				
Integrated producer:					
Domestic shipments	***	***	***	***	***
Exports	***	***	***	***	***
Average	***	***	***	***	***
Converter firms:					
Domestic shipments	***	***	***	***	***
Exports	***	***	***	***	***
Average	***	***	***	***	***
Toll producers:					
Toll transfers[3]	***	***	***	***	***
Domestic shipments	***	***	***	***	***
Average	***	***	***	***	***
Exports	***	***	***	***	***
Average	***	***	***	***	***
All firms:					
Toll transfers[3]	***	***	***	***	***
Domestic shipments	***	***	***	***	***
Average	$0.14	$0.14	$0.14	$0.14	$0.15
Exports	***	***	***	***	***
Average	***	***	***	***	***

[1] The value of toll transfers was estimated by staff based on the unit value of domestic shipments by reporting toll contractors and the quantity produced by toll producers. Shipments by reporting toll contractors were not included as domestic shipments in order to avoid double-counting.
[2] Not applicable.
[3] Based on domestic shipment data provided by ***. See app. D.

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

In terms of value, domestic shipments by Milliken and the converters ***. Toll transfers ***. However, between January-September 1990 and 1991, toll transfers ***.[67]

*** reported export shipments of shop towels.[68] Export shipments, in terms of quantity, ***. In terms of value, the trend ***. Between January-September 1990 and 1991, ***.

On a per-towel basis, the value of ***'s domestic shipments ***. The unit value of the converters' domestic shipments ***. The unit value of domestic shipments by the reporting toll contractors ***.

U.S. Producers' Inventories

Of the 12 reporting U.S. shop towel producers, *** kept end-of-period inventories. Inventories held *** (table 5). As a ratio to U.S. shipments, inventories *** from *** percent in 1988 to *** percent in 1989 and *** percent in 1990, and *** between January-September 1990 and January-September 1991. ***. ***.

Table 5
Shop towels: End-of-period inventories of U.S. producers, by firm types, 1988-90, January-September 1990, and January-September 1991

* * * * * * *

U.S. Employment, Wages, and Productivity

The total number of shop towel production and related workers (PRWs)[69] increased by 15.1 percent between 1988 and 1989, rising from 271 to 312 (table 6).[70] However, shop towel PRW employment fell 3.8 percent, from 312 to 300,

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[67] Because insufficient data were provided by the firms contracting toll production, the value of all toll transfers was estimated based on the unit value of the reporting toll contractors' domestic shipments. See app. D.

[68] ***.

[69] *** of the shop towel PRWs are nonunionized.

[70] These data reflect the entry of *** into the domestic shop towel industry in 1989.

between 1989 and 1990,[71] and 7.5 percent, from 308 to 285, between January-September 1990 and 1991.[72] ***'s employment of shop towel PRWs ***.[73] Employment of shop towel PRWs by ***. Shop towel PRW employment by ***.

Table 6
Average number of total employees and production and related workers in establishments wherein shop towels are produced, hours worked,[1] wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs,[2] by firm types and by products, 1988-90, January-September 1990, and January-September 1991[3]

Item	1988	1989	1990	Jan.-Sept.-- 1990	Jan.-Sept.-- 1991
	Number of employees				
All products:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Total....................	1,158	1,176	1,044	1,044	993
	Number of production and related workers (PRWs)				
All products:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Total....................	996	1,009	887	886	843
Shop towels:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Total....................	271	312	300	308	285

[71] In 1988, *** eliminated *** shop towel PRW positions. In 1989, *** eliminated *** PRW positions due to *** and *** eliminated *** for ***. In 1990, *** eliminated *** PRW positions ***; *** eliminated *** PRW positions due to ***.

[72] *** reported employment reductions impacting *** shop towel PRW positions in 1991. *** reported a total of *** layoffs due to ***; *** reported *** layoffs due to ***.

[73] Milliken's shop towel workforce, ***. This compares to *** during the same period.

Table 6--Continued
Average number of total employees and production and related workers in establishments wherein shop towels are produced, hours worked,[1] wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs,[2] by firm types and by products, 1988-90, January-September 1990, and January-September 1991[3]

Item	1988	1989	1990	Jan.-Sept.-- 1990	Jan.-Sept.-- 1991
	Hours worked by PRWs (1,000 hours)				
All products:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Total....................	1,963	2,105	1,772	1,314	1,254
Shop towels:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Total....................	498	541	565	416	355
	Wages paid to PRWs (1,000 dollars)				
All products:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Total....................	14,317	14,238	12,585	9,324	8,744
Shop towels:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Total....................	3,528	3,494	3,811	2,872	2,457
	Total compensation paid to PRWs (1,000 dollars)				
All products:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Total....................	17,239	17,123	14,833	10,990	10,345
Shop towels:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Total....................	4,019	4,094	4,473	3,380	2,889

Table 6--Continued
Average number of total employees and production and related workers in establishments wherein shop towels are produced, hours worked,[1] wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs,[2] by firm types and by products, 1988-90, January-September 1990, and January-September 1991[3]

Item	1988	1989	1990	Jan.-Sept.-- 1990	Jan.-Sept.-- 1991
	Hourly wages paid to PRWs				
All products:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Average..................	$7.29	$6.76	$7.10	$7.10	$6.97
Shop towels:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Average..................	$7.08	$6.46	$6.75	$6.90	$6.92
	Hourly total compensation paid to PRWs				
All products:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Average..................	$8.78	$8.13	$8.37	$8.36	$8.25
Shop towels:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Average..................	$8.07	$7.57	$7.92	$8.13	$8.14
	Productivity (towels per hour)				
Shop towels:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Average..................	498.5	460.7	403.6	411.0	407.1
	Unit labor costs (per 1,000 towels)				
Shop towels:					
Integrated producer........	***	***	***	***	***
Converter firms............	***	***	***	***	***
Toll producers.............	***	***	***	***	***
Average..................	$16.19	$16.42	$19.62	$19.77	$19.99

[1] Includes hours worked plus hours of paid leave time.
[2] On the basis of total compensation paid.
[3] Firms providing employment data accounted for 100 percent of reported total U.S. shipments (based on quantity) in 1990.

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

The number of hours worked by shop towel PRWs increased by 8.6 percent (43,000 hours) between 1988 and 1989 and by 4.4 percent (24,000 hours) between 1989 and 1990, reflecting ***. The number of hours worked by shop towel PRWs declined *** by 14.7 percent (61,000 hours) between January-September 1990 and January-September 1991.

Wages paid to shop towel PRWs declined slightly, and total compensation rose slightly, between 1988 and 1989. Between 1989 and 1990, wages and total compensation both rose, by 9.1 percent and 9.3 percent, respectively. Hourly wages, $7.08 in 1988, fell 8.8 percent in 1989,[74] and only partially recovered in 1990, growing by 4.5 percent. Hourly total compensation, $8.07 in 1988, exhibited the same trend, declining 6.2 percent in 1989 and rising 4.6 percent in 1990. Between January-September 1990 and January-September 1991, hourly wages and total compensation rose slightly, by $0.02 and $0.01, respectively.

Milliken's productivity ***, while its unit labor costs ***. The converters reported ***.[75] The toll producers' productivity and unit labor costs ***. Overall, productivity fell by 7.6 percent in 1989 and 12.4 percent in 1990, while unit labor costs increased by 1.4 percent in 1989 and 19.5 percent in 1990. Between January-September 1990 and January-September 1991, Milliken's productivity ***. The converters reported ***. The toll producers reported ***. Overall, productivity fell by 0.8 percent and unit labor costs rose by 1.0 percent in the interim periods.

Financial Experience of U.S. Producers

Financial information on overall establishment operations and shop towel operations was provided by Eagle, Kleen-Tex, and Milliken. Subsequent to the prehearing staff report, on-site verifications were performed on Milliken's and Kleen-Tex's data. As a result, Milliken made significant adjustments to its interim data to reflect comparability between its fiscal basis and the January-September period. Kleen-Tex's financial data, however, could not be documented or explained. Accordingly, its financial data were considered unverifiable and are not included in the financial section of the final staff report. The data of Eagle and Milliken, representing *** percent of reported 1990 U.S. production of shop towels, are presented in this section.

Overall Establishment Operations

Income-and-loss data on the U.S. producers' overall establishment operations are presented in table 7. In addition to the product under investigation, Milliken, the largest and only fully integrated producer, indicated in its questionnaire response that it produces *** in its overall establishment operations. Shop towels accounted for *** percent of Milliken's 1990 overall establishment net sales.

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[74] ***.

[75] ***.

Table 7
Income and loss experience of U.S. producers on the overall operations of their establishments wherein shop towels are produced, fiscal years 1988-90, January-September 1990, and January-September 1991

*   *   *   *   *   *   *

Shop Towel Operations

Income-and-loss data for U.S. producers' shop towel operations are presented in table 8. The data are for ***. Selected financial data for each are presented in the following tabulation:

*   *   *   *   *   *   *

Contributing to Milliken's *** profitability during 1988-90 were ***. ***.[76] Milliken purchases its waste cotton from ***.

Table 8
Income and loss experience of U.S. producers on their shop towel operations, fiscal years 1988-90, January-September 1990, and January-September 1991

*   *   *   *   *   *   *

Eagle, unlike Milliken, is a converter and is not as vertically integrated. Whereas Milliken's production begins with ***, Eagle begins with the basic woven material, osnaburg fabric, to produce the same product. Accordingly, ***, as shown in the following tabulation (in dollars per thousand towels):

*   *   *   *   *   *   *

Milliken's ***. Milliken's capital expenditures ***. Eagle's per-unit factory overhead cost ***.

[76] Staff telephone conversation, Dec. 20, 1991.

Capital Expenditures

The capital expenditures (all for machinery and equipment) reported by *** as of fiscal yearends 1988, 1989, and 1990, are presented in the following tabulation (in thousands of dollars):

* * * * * * *

Investment in Productive Facilities

The value of property, plant, and equipment and total assets, and the return on total assets for *** as of fiscal yearends 1988, 1989, and 1990 are presented in table 9.

Table 9
Assets and return on total assets of U.S. producer of shop towels as of the end of fiscal years 1988-90, September 30, 1990, and September 30, 1991

* * * * * * *

Research and Development Expenses

***'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. The producers' responses are shown in appendix E.

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[77]--
>
> (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,

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

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

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

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.[78]

Subsidies (item (I) above) and agricultural products (item (IX)) are not issues in this investigation. 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;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in appendix E. 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); and any other threat indicators, if applicable (item (VII) above), follows. There are no allegations of dumping in third-country markets.[79]

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[78] 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."

[79] All Bangladeshi shop towel production is shipped to the United States. According to the respondents, there are neither third-country sales nor home-market sales.

U.S. Importers' Inventories

Yearend inventories held by the nine responding importers of shop towels from Bangladesh *** from *** in 1988 to *** pieces in 1989 and 953,000 pieces in 1990 (table 10). However, between September 30, 1990, and September 30, 1991, end-of-period inventories *** percent from *** pieces to ***.[80] As a share of imports of shop towels from Bangladesh, end-of-period inventories were *** percent in 1988, then *** from *** percent to 3.1 percent between 1989 and 1990 and from *** percent to *** percent between September 1990 and September 1991. End-of-period inventories of Bangladeshi shop towels as a percentage of U.S. shipments of imports *** between 1989 and 1990 and September 1990 and 1991.

Table 10
Shop towels: End-of-period inventories of U.S. importers, by sources, 1988-90, January-September 1990, and January-September 1991

Source	1988	1989	1990	Jan.-Sept.-- 1990	Jan.-Sept.-- 1991
	Quantity (1,000 towels)				
Bangladesh	***	***	953	***	***
Other sources	***	***	4,927	***	***
Total	6,264	6,714	5,880	15,097	4,775
	Ratio to imports (percent)				
Bangladesh	***	***	3.1	***	***
Other sources	***	***	4.3	***	***
Average	7.4	8.3	4.1	9.3	3.2
	Ratio to U.S. shipments of imports (percent)				
Bangladesh	***	***	***	***	***
Other sources	***	***	***	***	***
Average	7.6	8.4	3.3	9.1	3.1

Note.--Ratios are calculated using data of firms supplying both numerator and denominator information. Interim period ratios are calculated on the basis of annualized imports and shipments of imports.

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

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[80] *** inventories in 1991. These *** were partially offset by *** in end-of-period inventories held by ***, the only importer of shop towels from Bangladesh with ***.

Ability of Foreign Producers to Generate Exports and Availability of Export Markets Other Than the United States

The Commission requested information regarding shop towel production in Bangladesh from the counsel for the respondents (Sonar Cotton Mills (Bangladesh), Ltd. (Sonar), Eagle Star Mills, Ltd. (Eagle Star), Greyfab (Bangladesh), Ltd. (Greyfab), Khaled Textile Mills, Ltd. (Khaled), and Shabnam Textiles (Shabnam)); Calderon Textiles (an importer of Bangladeshi shop towels that helped establish the shop towel industry in Bangladesh);[81] the Bangladeshi Embassy in the United States; and the U.S. Embassy in Dhaka, Bangladesh. Data received from counsel for the respondents are estimated to represent one-third of all Bangladeshi shop towel exports to the United States in 1988[82] and all such exports from 1989 through September 1991. Calderon Textiles provided additional data from a sixth Bangladeshi shop towel producer, Hashem Textile Mills, Ltd. (Hashem), not represented by counsel. The Bangladeshi Embassy provided information on quota allocations. The U.S. Embassy in Bangladesh could provide no information.

Annual production capacity reported by the Bangladeshi shop towel producers increased from *** pieces in 1988 to *** in 1989 and *** in 1990, and from *** to *** between January-September 1990 and January-September 1991 (table 11). Capacity utilization in 1988 was estimated by *** to be *** percent. Capacity utilization then dipped to *** percent in 1989 as ***, but partially recovered in 1990, reaching *** percent. Capacity utilization for the first three quarters of 1991 declined to *** percent from *** percent for the first three quarters of 1990.

Table 11
Shop towels: Foreign producer capacity, production, and capacity utilization, 1988-90, January-September 1990, and January-September 1991

* * * * * * *

Bangladeshi shop towel production increased rapidly between 1988 and 1990, from *** to *** pieces. However, production figures for the first three quarters of 1991 fell *** percent from the first three quarters of 1990, declining from *** to ***. Shipments to the United States[83] showed a nearly identical trend between 1988 and 1990, rising from *** to *** pieces, but declined *** percent, from *** to *** pieces, between the first three quarters

[81] Transcript of the hearing, p. 10.

[82] *** was identified by one of the U.S. importers as its source of Bangladeshi shop towels. ITC staff was unable to contact this company to confirm shop towel production, but its reported 1988 shipments were only ***. A second importer identified *** as its source of Bangladeshi shop towels. While ITC staff could not confirm this company's production, its reported 1988 shipments were only ***.

[83] The Bangladeshi producers ship all of their shop towel production to the United States.

of 1990 and 1991 (see table 12).[84] The respondents identified three reasons for declining production and shipments in 1991: the shop towel quota negotiated by Bangladesh and the United States and signed on April 5, 1991; the April 30, 1991, cyclone and resulting floods, which caused heavy damage to the Sonar and Greyfab[85] facilities in Chittagong;[86] and the September 12, 1991, assessment of preliminary dumping duties against Bangladeshi shop towels by Commerce.

Table 12
Shop towels: Foreign producer shipments, end-of-period inventories, and ratio of shipments to inventories, 1988-90, January-September 1990, and January-September 1991

* * * * * * *

End-of-period inventories held by the Bangladeshi shop towel producers *** from *** in 1988 to *** pieces in 1989 and nearly *** pieces in 1990. Inventories *** from *** to *** between September 30, 1990, and September 30, 1991.[87] As a share of shipments, inventories *** from *** to *** percent between 1989 and 1990 and from *** to *** percent between January-September 1990 and January-September 1991.

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 *** due to the quota[88] imposed on imports into the United States of shop towels from Bangladesh. The quota, which includes a 6-percent growth rate from the base year, restricts entry to 1,010,640 kg of shop towels in quota year 1991, 1,071,278 kg in quota year 1992, and 1,135,555 kg in quota year 1993.[89]

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[84] Shipments fell more sharply than production during the interim periods in part because *** shop towels were destroyed in the April 1991 cyclone. Also, ***.

[85] These two firms together accounted for *** percent of 1990 Bangladeshi exports of shop towels to the United States and *** percent of exports for the first three quarters of 1991.

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

[87] Slightly over *** of the increase was due to the entry of Hashem into the Bangladeshi shop towel industry. Hashem is believed to have begun production prior to September 1991, but did not make its first shipment until November.

[88] The quota was retroactively effective from Feb. 1, 1991, through Jan. 31, 1994. It did not deter Hashem from beginning shop towel production.

[89] Based on counsel for the respondents' estimation of 33 shop towels/kg, this restriction limits entry to 33.4 million pieces in quota year 1991, 35.4 million in 1992, and 37.5 million in 1993.

The five respondents, like the petitioner, are vertically integrated from the production of fabric to production of the finished shop towel.[90] 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 six 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.[91] These two producers accounted for *** percent of Bangladesh's shop towel exports to the United States in 1990 and *** percent in the first three quarters of 1991. The remaining four shop towel producers, Sonar, Eagle Star, Greyfab, and Hashem, use power looms to weave the fabric and individually operated basic sewing machines to hem the towels.[92] Their combined shares of exports to the United States for the same periods were *** percent and *** percent, respectively.

Shabnam, Greyfab, and Khaled reported that they *** in their most recent fiscal year. Sonar reported ***. Eagle Star reported that *** percent of the firm's sales are represented by sales of shop towels.[93] Of the six Bangladeshi shop towel producers, *** reported production and exportation of a product other than shop towels (***) to the United States. Eagle Star also manufactures cotton, polyester, and viscose rayon yarn for the Bangladeshi market.[94]

According to information provided by counsel for the respondents, *** of the Bangladeshi shop towel producers--***[95]--are wholly-owned by Bangladeshi citizens. ***.[96] ***.[97]

Data reported for 1991 and projections for 1992 were necessarily influenced by the U.S. import quotas imposed upon Bangladeshi shop towels. Bangladeshi shop towel producers indicated that their reported projections for 1992 are based on allocations made according to 1990 export performance. The following tabulation presents the reported data and projections of the six Bangladeshi producers:

[90] Transcript of the conference, p. 66. Hashem is also vertically integrated. Transcript of the hearing, pp. 58-60.
[91] Transcript of the conference, pp. 37 and 43.
[92] Petition, app. D. Transcript of the conference, p. 64. Transcript of the hearing, pp. 58-60.
[93] Eagle Star also reported ***. Hashem ***.
[94] Postconference brief by counsel for respondents, pp. 21-22.
[95] According to ***. Staff interview on ***.
[96] ***. Posthearing brief of the respondents, attachment B, p. 5.
[97] Posthearing brief of the respondents, attachment B, p. 5.

Item	1991[1]	1992[2]
Capacity (1,000 towels)[3]	***	***
Production (1,000 towels)	***	***
Capacity utilization (percent)	***	***
Exports to the United States (1,000 towels)	***	***[4]
End-of-period inventories (1,000 towels)	***	***
Inventories as a ratio to total shipments (percent)	***	***

[1] Actual data, as provided by counsel for the respondents. Correspondence from R. Brian Burke, Feb. 7, 1992 (revised Feb. 20, 1992).
[2] Projected.
[3] As provided in responses to preliminary and final foreign producers' questionnaires and correspondence from counsel R. Brian Burke, Feb. 7 and Feb. 20, 1992. Respondents' counsel provided projected production capacity for ***.
[4] Counsel for the respondents has noted that Eagle Star's projected 1992 shipments of *** are based on the current duty level. ***. Correspondence from R. Brian Burke, Feb. 7, 1992.

According to information provided to the Commission by the Bangladeshi Embassy in the United States, *** Bangladeshi firms collected letters of allocation permitting them to export shop towels to the United States in the 1991 quota year. In addition to the five respondents, *** collected allocation letters from the Export Promotion Bureau of Bangladesh.[98] The quota restraints imposed by the allocation system are presented in table 13.

Table 13
Shop towels: Bangladesh's quota allocations for the export of shop towels to the United States, quota year 1991

*　　*　　*　　*　　*　　*　　*

CONSIDERATION OF THE CAUSAL RELATIONSHIP BETWEEN IMPORTS OF THE SUBJECT MERCHANDISE AND THE ALLEGED MATERIAL INJURY

U.S. Imports

As previously mentioned, the Commission sent importers' questionnaires to 39 firms identified by *** as having imported material classified under statistical reporting numbers 6307.10.2005 and 6307.10.2015 of the HTS (reported under item 366.2840 of the former TSUSA) and to the 17 recipients of the producers' questionnaires. Shop towel import data were reported by 33

[98] *** additional firms were issued letters of allocation permitting the exportation of *** apiece of shop towels to the United States, but did not collect them.

firms, 9 of which reported imports from Bangladesh. Data from the nine importers of Bangladeshi shop towels are believed to account for 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 between 53 percent (in 1989) and 98 percent (in January-September 1991) of imports from these countries. Because of underreporting by the importers of shop towels from all countries other than Bangladesh, especially during 1989, the peak importing year for non-Bangladeshi shop towels, official statistics will be presented in this section of the report. Questionnaire data on imports collected during the course of the investigation are presented separately in appendix F.

Annual official import statistics of the U.S. Department of Commerce for shop towels are presented in table 14, while quarterly import statistics are presented in appendix G. U.S. trade statistics indicate that Bangladesh provided 1.7 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 1.4 percent of all U.S. shop towel imports in 1988, 3.3 percent in 1989, and 16.6 percent in 1990. In the January-September periods of 1990 and 1991, Bangladesh provided 17.0 and 21.9 percent of imports by quantity, respectively, and 16.3 and 20.9 percent by value. Unit values increased from $0.09 per towel in 1988 to $0.11 in 1989, and fell to $0.10 in 1990 and 1991.

Table 14
Shop towels: U.S. imports, by sources, 1988-90, January-September 1990, and January-September 1991

Source	1988	1989	1990	Jan.-Sept.-- 1990	Jan.-Sept.-- 1991
	Quantity (1,000 towels)				
Bangladesh	1,789	4,429	28,010	22,205	24,996
Other sources	106,135	141,222	134,018	108,324	89,163
Total	107,924	145,651	162,028	130,529	114,160
	Value (1,000 dollars)				
Bangladesh	169	488	2,904	2,298	2,503
Other sources	11,870	14,413	14,608	11,826	9,533
Total	12,039	14,901	17,511	14,123	12,035
	Unit value (per towel)				
Bangladesh	$0.09	$0.11	$0.10	$0.10	$0.10
Other sources	.11	.10	.11	.11	.11
Average	.11	.10	.11	.11	.11

Note.--Because of rounding, figures may not add to the totals shown; unit values are calculated from unrounded figures.

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. The rate of increase slowed between January-September 1990 and 1991, as the quantity of shop towels imported from Bangladesh grew by 2.8 million, or 12.6 percent, and the value by $205,000, or 8.9 percent.[99]

Imports of shop towels from all other countries, in terms of quantity, increased by 33.1 percent from 1988 to 1989, but fell 5.1 percent in 1990 and 17.7 percent between January-September 1990 and 1991. In terms of value, shop towels imported from all other countries increased by 21.4 percent from 1988 to 1989 and by 1.4 percent in 1990, but fell by 19.4 percent between January-September 1990 and 1991. Average unit values fell from $0.11 per towel in 1988 to $0.10 in 1989, then returned to $0.11 in 1990 and 1991.

U.S. Producers' Imports

None of the U.S. producers of shop towels reported imports of the subject product from Bangladesh during the period covered by the investigation. However, one U.S. producer of shop towels, ***, did report importing *** shop towels from other sources in 1988 and *** in 1989, with values of *** in 1988 and *** in 1989.

U.S. Market Penetration by Imports

Market penetration as presented in this section is calculated using data submitted in response to the Commission's questionnaires and from official statistics of the U.S. Department of Commerce (table 15). In terms of volume, U.S. market penetration by the subject imports from Bangladesh increased from 0.5 percent in 1988 to 1.1 percent in 1989 and to 7.2 percent in 1990, and from 7.4 percent to 9.7 percent between the January-September periods of 1990 and 1991. In terms of value, the increase was from 0.4 percent in 1988 to 1.0 percent in 1989 and 5.8 percent in 1990, and from 6.0 percent to 7.6 percent between January-September 1990 and 1991.

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[99] *** noted in their questionnaire responses that they had arranged for the importation of *** shop towels from Bangladesh in the fourth quarter of 1991. A *** importer indicated that it was expecting a shipment of *** shop towels imported from Bangladesh to arrive ***. However, as noted in app. G, only 4.9 million shop towels from Bangladesh were imported into the United States in the fourth quarter of 1991.

Table 15
Shop towels: Producers' and importers' shares of apparent U.S. consumption, 1988-90, January-September 1990, and January-September 1991

(In percent)

Item	1988	1989	1990	Jan.-Sept.-- 1990	Jan.-Sept.-- 1991
	Share of the quantity of U.S. consumption				
Producers' U.S. shipments....	69.4	62.9	58.1	56.3	55.5
U.S. imports from--					
Bangladesh.................	.5	1.1	7.2	7.4	9.7
Other sources..............	30.1	36.0	34.6	36.3	34.7
Subtotal.................	30.6	37.1	41.9	43.7	44.5
Total..................	100.0	100.0	100.0	100.0	100.0
	Share of the value of U.S. consumption				
Producers' U.S. shipments....	74.3	70.4	65.0	63.2	63.7
U.S. imports from--					
Bangladesh.................	.4	1.0	5.8	6.0	7.6
Other sources..............	25.4	28.7	29.2	30.8	28.8
Subtotal.................	25.7	29.6	35.0	36.8	36.3
Total..................	100.0	100.0	100.0	100.0	100.0

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

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

The share of the market held by U.S. producers, by quantity, fell from 69.4 percent in 1988 to 62.9 percent in 1989 and 58.1 percent in 1990, and from 56.3 percent to 55.5 percent between January-September 1990 and 1991. By value, the U.S. producers' share fell from 74.3 percent in 1988 to 70.4 percent in 1989 and 65.0 percent in 1990, but increased slightly between January-September 1990 and 1991, from 63.2 percent to 63.7 percent.

Prices

Market Characteristics

The majority of U.S.-produced shop towels are sold directly to industrial laundry services, and remaining sales are through distributors or directly to end users.[100] In contrast, importers of Bangladeshi shop towels

[100] ***. Several distributors reported that they were unable to obtain shop towels from Milliken and instead purchased imported products to meet their needs.

sell primarily to unrelated distributors that, in turn, sell shop towels to laundry services, end users, and other distributors.

Most U.S. producers employ a direct sales force to market shop towels to laundry services. Typically, this sales force sells other products, such as floor mops and mats, also manufactured by U.S. shop towel producers. Through sales personnel, U.S. shop towel producers provide such services as sales training, promotional material, and responses to special customer requests. In addition, the petitioner, Milliken, provides various management seminars and audio visual sales aids.[101] In contrast, importers of Bangladeshi towels sell through direct contact, telemarketing, and catalogs. Typically, support services provided by importers are limited to shipping and ordering assistance.

The majority of shop towels are sold on a spot basis, but some are sold on contracts providing price guarantees for 1 to 12 months. *** reported that spot sales accounted for *** percent of the firm's total shop towel sales and *** reported that *** percent of its sales was on a spot basis.

Though several producers and importers publish price lists, these lists generally serve only as a guide in negotiations. *** reported offering discounts based upon large volume purchases. *** reported ***-percent discounts on purchases of *** towels, and ***-percent discounts on sales larger than *** shop towels. *** offers discounts based on total annual billing, ranging from *** percent for purchases between *** and *** to *** percent for purchases greater than ***.[102] These discounts may be an important factor in a high-volume purchaser's sourcing decision.[103] [104]

U.S. producers and importers of shop towels quote selling prices f.o.b. their U.S. plants and/or U.S. warehouses on sales to distributors and industrial laundries. Domestic shop towels are usually sold in bales of up to 3,000 towels, while imported bales usually contain 2,500 towels. Both are usually transported by truck. Freight costs reported by U.S. producers and importers ranged from 2 to 8 percent of total delivered costs for shop towels.

Both the petitioner and the respondent agree that the domestic products are generally perceived to be of higher quality than imports.[105] Important quality factors include absorbency, serging, and durability through general use and washings. Questionnaire responses indicate that for domestically produced all-cotton towels, purchasers expect approximately 13 washings on average and for domestically produced blended shop towels, purchasers expect

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[101] Milliken reported that ***. Posthearing brief of the petitioner, p. 10 of "Responses."

[102] ***. Staff conversation with *** on Jan. 28, 1992.

[103] *** reported that it attempts to maintain volume discounts by purchasing from U.S. shop towel producers.

[104] *** importers of Bangladeshi shop towels reported offering discounts that varied depending on the customer, but provided no details.

[105] Transcript of the conference, pp. 35 and 70.

17 washings on average.[106] Responses further indicate that for Bangladeshi-produced all-cotton shop towels, purchasers expect nine washings on average. In addition, several firms indicated that Bangladeshi shop towels are either inferior or comparable in quality with the domestic products.[107] *** reported that the coarser yarns in the domestic product gave it higher absorbency than the imported product. *** stated that domestic products weighed more and contained less sizing than imported products, also resulting in greater absorbency.

Although U.S. shop towel producers offer such special features as dyeing, printing, and soil-release finishes, petitioners claim that the price difference between imports and domestic products exceeds the value of these distinctions in quality. The petitioner claims that because the shop towel supply business is highly price-competitive, the laundry services and distributors generally cannot increase their prices if they use more expensive domestically produced towels rather than imports.[108] In addition to price, product availability, quality, and service are the major factors in sourcing decisions for shop towel purchasers according to questionnaire responses. The petitioner claims that to offset the effects of the low prices of imports, it offers several unique support services including sales training, market research assistance, and "Partners for Profit" seminars on quality improvement.

Price Data

The Commission requested net U.S. f.o.b. selling prices from U.S. producers and importers for sales to laundry services and distributors for both all-cotton and blended shop towels. Net f.o.b. purchase prices from U.S. producers and importers by laundry services and distributors for both all-cotton and blended shop towels were also requested. The price data were requested for the largest single sale/purchase and for total sales/purchases of the products specified,[109] by quarters, from January 1988 through September 1991. The products for which pricing data were requested are as follows:

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[106] Milliken's "cotton plus" (blended) shop towel contains over 80 percent cotton fiber and the balance is acrylic fiber. Acrylic adds strength and is acid-resistant, helping to increase the useful life of the towel. Transcript of the conference, pp. 31-32.

[107] *** purchasers responding to the question of quality comparison reported that Bangladeshi shop towels are either comparable or inferior to the domestic product.

[108] ***.

[109] Although data were requested for towels made from fabric weighing between 4.5 and 5.5 ounces per square yard, the average weight for the actual 18 x 18 inch towels for which prices were reported was lower than the weight range specified for the fabric. Based on 3,000-towel bales, the average weight of Milliken's 18 x 18 inch blended towel is approximately *** ounces per square yard, while Bangladeshi 18 x 18 inch all-cotton towels weigh *** to *** ounces per square yard for bales containing 2,500 towels. No respondent reported prices for shop towels weighing between 4.5 and 5.5 ounces per square yard.

PRODUCT 1: All-cotton shop towel, unbleached and uncolored, 18 x 18 inches, made from fabric weighing between 4.5 and 5.5 ounces per square yard.

PRODUCT 2: All-cotton shop towel, unbleached and uncolored, 18 x 30 inches, made from fabric weighing between 4.5 and 5.5 ounces per square yard.

PRODUCT 3: Blended fabric shop towel, unbleached and uncolored, 18 x 18 inches, made from fabric weighing between 4.5 and 5.5 ounces per square yard.

PRODUCT 4: Blended fabric shop towel, unbleached and uncolored, 18 x 30 inches, made from fabric weighing between 4.5 and 5.5 ounces per square yard.

U.S. Producers' and Importers' Prices

Prices for the domestically produced and imported Bangladeshi shop towels were based on average net U.S. f.o.b. selling prices to laundry services and distributors developed from producer and importer questionnaire responses. *** U.S. producers and *** importers provided usable price data on sales to laundry services and distributors during January 1988-September 1991, but not necessarily for each product or for each quarter of the subject period.[110] [111]

Quarterly comparisons between prices reported by U.S. producers and importers for shop towels resulted in 29 quarterly comparisons between domestic and imported Bangladeshi shop towels. In all of these comparisons the weighted-average price of the imported product was below that of U.S.-produced shop towels.

Weighted-average prices of domestically produced all-cotton, 18 x 18 inch towels (product 1) sold to industrial laundry services *** in 1988 from *** to *** per thousand towels, or by *** percent (table 16).[112] U.S. producers' average prices then *** in July-September 1989, before *** to *** per thousand towels in July-September 1991.

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[110] Price data reported by U.S. producers and importers for product 2 were insufficient for analysis. Data for product 2 were reported by purchasers, however, and are discussed later in this section. In addition, there were no reported imports of blended shop towels, products 3 and 4, from Bangladesh.

[111] During the Commission staff's verification, prices reported by Kleen-Tex were not investigated. However, staff has subsequently verified pricing data submitted by Kleen-Tex through purchasers' questionnaire responses.

[112] Weighted-average prices mask some differences in individual firms' price data. In mid-1988, the *** producer of all-cotton shop towels, ***, reported ***. ***.

Table 16
Product 1: Weighted-average selling prices, f.o.b. U.S. point of shipment, and quantities reported by domestic producers and importers for sales of 18 x 18 inch, all-cotton towels to industrial laundry services, and margins of underselling, by quarters, January 1988-September 1991

*   *   *   *   *   *   *

Weighted-average prices to industrial laundry services of imported shop towels from Bangladesh also *** during the period examined. Prices were *** during April-June 1990 and *** per thousand towels during July-September 1991. *** importers reported prices to industrial laundry services. *** sold *** quantities at approximately *** per thousand towels. The *** importer sold *** at approximately *** per thousand towels. Virtually all sales for the *** occurred from *** to ***, explaining *** average prices and *** in the later periods. Importers reported sales averaging *** towels per quarter for product 1 sold to industrial laundries, while U.S. producers reported selling, on average, *** towels per quarter to industrial laundry services during the period of investigation (figure 1).[113]

Figure 1
Net f.o.b. selling prices and quantities for shop towel product 1, by quarters, January 1988-September 1991

*   *   *   *   *   *   *

A comparison of weighted-average prices for all-cotton, 18 x 18 inch shop towels sold by U.S. producers and importers to laundry services shows that imports undersold the domestic product in every quarter in which comparisons were possible. Margins of underselling ranged from *** per thousand towels (4.9 percent) to *** (20.0 percent). The margins fluctuated over the 14 quarters, reaching their highest level in ***.

*** U.S. producers reported prices for domestic product 1 sold to distributors. These prices *** throughout the period examined with ***. Prices were *** per thousand towels in April-June 1990 and *** in July-September 1988 (table 17).[114] During 1990 and January-September 1991 price movements generally *** in reported quantities of towels sold as the result of ***.[115]

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[113] ***, with average sales of *** towels per quarter, only supplied price data for the period July 1989-September 1991, accounting for the *** in U.S. producers' quantities sold during July-September 1989.

[114] *** reported usable price information for sales of 18 x 18 inch, all-cotton towels to distributors for January-March 1989. ***.

[115] ***.

Table 17
Product 1: Weighted-average selling prices, f.o.b. U.S. point of shipment, and quantities reported by domestic producers and importers for sales of 18 x 18 inch, all-cotton towels to distributors, and margins of underselling, by quarters, January 1988-September 1991

*   *   *   *   *   *   *

Importers' weighted-average prices for product 1 sold to distributors *** during the period examined. From January-March 1988 to April-June 1989, prices *** per thousand towels. Between April-June 1989 and July-September 1989, prices *** percent as ***. During the period July-September 1989 through July-September 1991, average prices *** per thousand towels.

Imported shop towels from Bangladesh sold to distributors undersold the domestic product in every quarter during the period examined. Margins of underselling ranged from 3.8 percent in *** to 19.0 percent in ***. The average margin of underselling was *** per thousand towels.

*** U.S. producers, ***, reported sales of products 3 and 4, blended 18 x 18 and 18 x 30 inch shop towels, predominantly to laundry services.[116] The petitioner's blended fabric for products 3 and 4 contains greater than 80 percent cotton waste fiber and the balance in acrylic waste fiber.[117] The acrylic fiber is used for strength, durability, and acid resistance.[118] Although blended shop towels are more likely to withstand a greater number of washings and general usage, the higher the manmade fiber content, the less absorbent blended towels are than shop towels constructed from all-cotton fabric.[119]

U.S. producers' prices for blended shop towels (products 3 and 4) sold to industrial laundry services are shown in table 18. During the three-year period 1988-90, U.S. producers' prices to industrial laundry services for product 3 *** at *** per thousand towels, approximately *** per thousand towels *** than average prices for all-cotton towels. In January-March 1991, prices *** percent to *** per thousand towels.[120] Weighted-average prices for product 4 sold by U.S. producers to industrial laundry services *** throughout the period January 1988-September 1990, in a range of *** per thousand towels, and reported quantities were *** for product 3.[121] [122]

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[116] Information gathered in the investigation indicates that imported shop towels from Bangladesh are made from all-cotton fabric, and that Bangladesh does not export blended shop towels. No price data were reported for imported products 3 and 4.

[117] *** reported sales of 18 x 18 and 18 x 30 inch blended shop towels made from Milliken fabric. *** stated that during the 3-year period 1988-90, ***. ***.

[118] Transcript of the conference, p. 35.

[119] Telephone conversation with ***.

[120] During the first quarter of 1991 *** reported price ***, respectively.

[121] *** reported a price for October-December 1990 of ***.

[122] There were no prices reported by U.S. producers for sales of product 4 to industrial laundry services for 1991.

Table 18
Products 3 and 4: Weighted-average selling prices, f.o.b. U.S. point of shipment, and quantities reported by domestic producers for sales of 18 x 18 inch and 18 x 30 inch U.S.-produced blended shop towels to laundry services, by quarters, January 1988-September 1991

* * * * * * *

Purchase Prices

Purchase prices for the domestically produced and imported Bangladeshi shop towels were based on average net f.o.b. prices reported by laundry services and distributors in questionnaire responses. Eight laundry services and nine distributors purchasing domestic and Bangladeshi-produced shop towels provided usable price data for January 1988-September 1991, but not necessarily for each product or for each quarter of the period.[123] Quarterly comparisons between purchase prices for the U.S.-produced and imported shop towels reported by laundry services and distributors resulted in 44 quarterly comparisons between domestic and imported Bangladeshi shop towels. In 39 of the 44 comparisons, the weighted-average price of the imported product was below that of the U.S.-produced product. Margins of underselling were highest for product 1 and 2 sold to distributors.

Laundry services

Five industrial laundry service firms reported purchase prices of both domestically and Bangladeshi-produced all-cotton, 18 x 18 inch shop towels (product 1), but not necessarily for each quarter of the period, and one firm reported prices only for the Bangladeshi product. Purchase prices for the domestic product *** percent overall; they were *** during January-March 1988 and *** during April-June 1991 (table 19 and figure 2). During October 1990-September 1991, prices *** per thousand towels. Reported quantities *** from *** to *** million towels during the period examined as *** supplied pricing information for January 1990-September 1991.[124] Average purchase prices reported by *** laundry service firms for Bangladeshi 18 x 18 inch shop towels were higher than U.S. prices in the first half of 1988 at ***,[125] but then *** in late 1988 and January-June 1989. Average purchase prices then *** during July 1989-September 1991.

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[123] Price data reported by purchasers for blended shop towels (products 3 and 4) were reported only for domestic product; therefore no price comparisons for the domestic and Bangladeshi product are shown.

[124] ***. Staff interview with ***.

[125] *** reported data during January-June 1988.

Table 19
Product 1: Weighted-average purchase prices, f.o.b. U.S. point of shipment and quantities reported by laundry services for 18 x 18 inch, all-cotton towels from domestic producers and importers, and margins of underselling/(overselling), by quarters, January 1988-September 1991

* * * * * * *

Figure 2
Net f.o.b. purchase prices and quantities for shop towel product 1, by quarters, January 1988-September 1991

The reported purchase prices for imported Bangladeshi 18 x 18 inch shop towels were lower than U.S. prices in 13 of 15 direct price comparisons. Margins of underselling were highest, 12.8 percent, during ***, and lowest, 6.7 percent, during ***, concurrent with *** U.S. producer prices. Margins of underselling remained below *** percent during the second half of 1989 and in 1990, but ***. During the first two quarters of 1988, Bangladeshi shop towel purchase prices were higher than those of U.S.-produced towels, resulting in margins of overselling of *** and *** percent, respectively.[126]

Three laundry service firms reported purchase prices for both domestic and Bangladeshi-produced 18 x 30 inch all-cotton shop towels (product 2). Prices reported by laundry services for domestic product *** during the period January-March 1988 through April-June 1990 (table 20). Prices were *** in the third quarter of 1990 and *** in July-September 1991 as *** during these two quarters, and reported *** during January 1990-September 1991.

Table 20
Product 2: Weighted-average purchase prices, f.o.b. U.S. point of shipment, and quantities reported by laundry services for 18 x 30 inch, all-cotton towels from domestic producers and importers, and margins of underselling/(overselling), by quarters, January 1988-September 1991

* * * * * * *

Purchase prices reported by laundry service firms for 18 x 30 inch towels imported from Bangladesh ***. In 1988 and 1989, purchase prices generally ***. However, in January-March 1990 reported quarterly purchases *** and average prices *** percent. Reported prices *** in 1990, but then *** percent through July-September 1991 as reported quantities ***. Prices were *** at *** per thousand towels during January-June 1988 and *** at *** during July-September 1989.

[126] *** reported import prices for the period January-June 1988.

A comparison of purchase prices reported by laundry services for domestic and imported 18 x 30 inch shop towels showed margins of underselling in 10 of 12 direct price comparisons. Margins of underselling were highest, 11.9 percent, during ***, and lowest, 1.9 percent, during ***. During the third and fourth quarters of 1989, Bangladeshi prices reported by laundry services were higher than those of the domestic product, resulting in margins of overselling of *** and *** percent, respectively.

Distributors

Weighted-average prices reported by distributors for purchases of domestically produced all-cotton, 18 x 18 inch shop towels (product 1) ranged from *** per thousand towels during the period examined (table 21).[127] Prices *** during 1989, then *** to *** during January-March 1990 and remained *** through September 1991 with *** towels per quarter being reported. Distributors' reported purchase prices for Bangladeshi 18 x 18 inch, all-cotton towels *** during the period examined. During April 1988-June 1989, prices were ***, then, with the exception of July-September 1989,[128] prices *** through April-June 1991, and returned to near 1988 levels in July-September 1991.

Table 21
Product 1: Weighted-average purchase prices, f.o.b. U.S. point of shipment, and quantities reported by distributors for 18 x 18 inch, all-cotton towels from domestic producers and importers, and margins of underselling, by quarters, January 1988-September 1991

* * * * * * *

Quarterly comparisons of distributors' purchase prices for domestic and Bangladeshi-produced 18 x 18 inch, all-cotton shop towels showed consistent underselling. Margins of underselling ranged from 5.9 to 18.1 percent, with margins highest during ***.

Weighted-average prices reported by distributors for purchases of domestically produced all-cotton, 18 x 30 inch shop towels (product 2) fluctuated during January 1989-September 1991 (table 22). Prices ranged from *** per thousand towels during January-March 1991 to *** during July-September 1989. Quantities *** from *** to *** towels per quarter during January 1989-September 1991. *** reported prices for Bangladeshi-produced 18 x 30 inch, all-cotton towels. These prices were *** during 1990, then *** during the period October 1990-September 1991.

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[127] No prices were reported by distributors for U.S.-produced 18 x 18 inch, all-cotton towels for 1988.
[128] ***.

Table 22
Product 2: Weighted-average purchase prices. f.o.b. U.S. point of shipment, and quantities reported by distributors for 18 x 30 inch, all-cotton towels from domestic producers and importers, and margins of underselling/(overselling), by quarters, January 1988-September 1991

* * * * * * *

Quarterly comparisons of distributors' reported purchase prices for domestic and Bangladeshi-produced 18 x 30 inch, all-cotton shop towels showed six instances of underselling. Margins of underselling ranged from 4.4 to 15.1 percent, with margins highest during ***. During ***, distributors' purchase prices for the Bangladeshi product were higher than prices for the domestic product by *** percent.

Lost Sales

In the final investigation, only *** provided specific information on alleged lost sales and revenue.[129] In the preliminary investigation, only *** provided lost sales allegations involving competition from imported Bangladeshi shop towels subject to this investigation. The following are reports of the conversations between Commission staff and those purchasers who could be reached and were willing to discuss their buying practices.

*** alleged *** lost sale of *** shop towels totaling *** during December 1989 to ***. *** stated that prior to 1989 he purchased only domestic shop towels, most recently from ***. Due to delivery problems and concerns involving ***, and not prices, he began purchasing imports from Bangladesh. *** stated that at that time prices for domestic and imported shop towels were comparable.

In the preliminary investigation *** cited *** in lost sales allegations. *** named *** as sales lost to Bangladeshi imports totaling *** during December 1990. *** reported an alleged lost sale to *** for *** totaling ***. *** commented that during 1988-90 *** did not purchase any foreign-produced shop towels, including those from Bangladesh.[130] *** also stated that *** at any time during the period examined.

*** allegedly rejected an offer for *** towels from *** at a total price of ***. *** could not recall this particular sale. However, *** said that generally *** attempts to secure the best quality towel available, whether imported or domestically produced, at a predetermined price threshold.

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[129] Two other U.S. producers, ***, indicated in their questionnaire responses in the final investigation that they had lost sales of shop towels to imported Bangladeshi products but provided no details. *** lost sale or lost revenue allegations in the final investigation.

[130] *** did not respond to the Commission's inquiry during the preliminary investigation. These comments were provided during the final investigation.

Lost Revenues

*** was named by *** in a lost revenue allegation of *** in November 1990 to imports from Bangladesh, involving *** shop towels. *** denied entertaining any quotes for Bangladeshi shop towels during 1988-91 due to the inferior quality of the product. *** prefers to buy domestic product because of higher quality, reliable delivery schedules, and prompt service. However, *** began purchasing shop towels from *** to fill its needs when ***.

*** 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 *** stated that it had to lower its price to *** per thousand towels in order to meet the lower prices of imports from Bangladesh. *** denied the allegation, stating that during 1988-90 ***.

*** alleged lost revenues of *** on a sale to *** of *** towels secured at *** per thousand towels, *** less 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.[131] *** stated that despite the generally higher quality, in terms of construction and durability, of the domestic product, most of ***'s customers did not consider the quality difference important enough to offset the large price difference between the imported and domestic product.

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131 ***.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that during January 1988-September 1991 the nominal value of the Bangladesh taka depreciated 14.6 percent overall relative to the U.S. dollar, as shown in the following tabulation:[132]

	Dollars per taka	Index[1]
1988:		
Jan.-Mar.	.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
1991:		
Jan.-Mar.	.02794	87.7
Apr.-June	.02794	87.7
July-Sept.	.02719	85.4

[1] Jan.-Mar. 1988 = 100.0.

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

[132] International Financial Statistics, December 1991.

APPENDIX A

FEDERAL REGISTER NOTICES

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

Shop Towels From Bangladesh

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of a final antidumping investigation.

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-514 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the act) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reasons of imports from Bangladesh of shop towels,[1] provided for in subheading 6307.10.20 of the Harmonized Tariff Schedule of the United States.

For further information concerning the conduct of this investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201, as amended by 56 FR 11918, Mar. 21, 1991), and part 207, subparts A and C (19 CFR part 207, as amended by 56 FR 11918, Mar. 21, 1991).

EFFECTIVE DATE: September 12, 1991.

FOR FURTHER INFORMATION CONTACT: Douglas E. Corkran (202-205-3177), 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 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of shop towels from Bangladesh are being sold in the United States at

[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.

less than fair value within the meaning of section 733 of the act (19 U.S.C. 1673b). The investigation was requested in a petition filed on March 29, 1991, by Milliken and Company, LaGrange, Georgia.

Participation in the investigation and public service list.—Persons wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, not later than twenty-one (21) days after publication of this notice in the **Federal Register**. 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.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this final investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made not later than twenty-one (21) 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 BPI under the APO.

Staff report.—The prehearing staff report in this investigation will be placed in the nonpublic record on January 17, 1992, and a public version will be issued thereafter, pursuant to § 207.21 of the Commission's rules.

Hearing.—The Commission will hold a hearing in connection with this investigation beginning at 9:30 a.m. on January 30, 1992, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before January 22, 1992. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on January 27, 1992, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by §§ 201.6(b)(2), 201.13(f), and 207.23(b) of the Commission's rules.

Written submissions.—Each party is encouraged to submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of § 207.22 of the Commission's rules; the deadline for filing is January 27, 1992. Parties may also file written testimony in connection with their presentation at the hearing, as provided in § 207.23(b) of the Commission's rules, and posthearing briefs, which must conform with the provisions of § 207.24 of the Commission's rules. The deadline for filing posthearing briefs is February 7, 1992; witness testimony must be filed no later than three (3) days before the hearing. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before February 7, 1992. All written submissions must conform with the provisions of § 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules.

Issued: October 1, 1991.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 91-24296 Filed 10-8-91; 8:45 am]

BILLING CODE 7020-02-M

[A-538-802]

Final Determination of Sales at Less Than Fair Value: Shop Towels From Bangladesh

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: February 3, 1992.

FOR FURTHER INFORMATION CONTACT: 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) 377-3464.

FINAL DETERMINATION:

Background

Since the publication of our affirmative preliminary determination on September 12, 1991 (56 FR 46411), the following events have occurred.

On September 10, 1991, Eagle Star Textile Mills, Ltd. (Eagle Star) and Sonar Cotton (B.D.), Ltd. (Sonar), respondents in this investigation, requested a postponement of the final determination and also requested a public hearing. Accordingly, we published a notice of postponement of the final determination on September 30, 1991 (56 FR 49458).

On October 9, 1991, petitioner in this investigation, Milliken & Company, requested a public hearing.

We concluded verification of the questionnaire responses between November 2 and 5, 1991, in Bangladesh for the two respondents in this investigation.

Respondents and petitioner filed case briefs on December 11 and 12, 1991, respectively, and rebuttal briefs on December 16 and 17, 1991, respectively. A public hearing was held on December 18, 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 classifiable under items 6307.10.2005 and 6307.10.2015 of the Harmonized Tariff Schedule (HTS). Although the HTS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

Period of Investigation

The period of investigation (POI) is October 1, 1990, through March 31, 1991.

Such or Similar Comparisons

We have determined for purposes of the final determination that the product covered by this investigation comprises a single category of "such or similar" merchandise.

Fair Value Comparisons

To determine whether sales of shop towels from Bangladesh to the United States were made at less than fair value, we compared the United States price (USP) to the foreign market value (FMV), as specified in the "United States Price" and "Foreign Market Value" sections of this notice.

United States Price

We based USP on purchase price for all companies, in accordance with section 772(b) of the Tariff Act of 1930 (the Act), both because the subject merchandise was sold to unrelated purchasers in the United States prior to importation into the United States and because exporter's sales price methodology was not indicated by other circumstances.

A. Eagle Star

We calculated purchase price based on packed, delivered C&F prices. We made deductions, where appropriate, for foreign inland freight, loading charges, forwarding and brokerage charges, port charges, carrying and handling charges, export charges, and ocean freight, in accordance with section 772(d)(2) of the Act. We adjusted purchase price for information contained in submissions presented after the preliminary determination as well as errors discovered at verification.

B. Sonar

We calculated purchase price based on packed, delivered C&F prices. We made deductions, where appropriate, for foreign inland freight, foreign brokerage and handling, and ocean freight, in accordance with section 772(d)(2) of the Act. We adjusted purchase price for information contained in submissions presented after the preliminary determination as well as errors discovered at verification.

Foreign Market Value

We calculated FMV based on constructed value (CV), in accordance with section 773(e) of the Act, because neither respondent sold such or similar merchandise in the home market or in any third-country market during the POI. The CV includes the cost of materials and fabrication of the merchandise exported to the United States, plus general expenses, profit, and packing.

A. Eagle Star

We used Eagle Star's CV data except in the following instances where the costs were not appropriately quantified or valued:

1. The Department allocated fabrication expenses based on the quantity of yarn consumed in production as a surrogate for the actual quantity of shop towels produced during the POI.
2. Depreciation on idle equipment was included and allocated between product lines on the basis of loom usage.
3. The Department rejected Eagle Star's claim for start-up costs, and therefore used actual costs incurred to produce shop towels.
4. Manufacturing costs were increased to include general depreciation expenses on common assets (boundary walls, general buildings, furniture etc.).
5. General and administrative (G&A) expenses and interest expenses were based on Eagle Star's financial statements and were calculated as a percent of cost of sales. The Department did not calculate an offset to interest expenses for an amount attributed to maintaining accounts receivable because Eagle Star did not have receivables.
6. Eagle Star did not include an amount for credit expense in reporting its U.S. selling expenses. As best information available (BIA), we calculated credit expense using the number of days between the date the merchandise was shipped and the date payment was received. We used a POI interest rate provided by Eagle Star during verification. See Comment 14 in the "Analysis of Comments Received" section of this notice.

We used Eagle Star's actual general expenses in accordance with section 773(e)(1)(B)(i) of the Act, because these expenses exceeded the statutory minimum of ten percent of the cost of materials and fabrication. For profit, we applied eight percent of the sum of the cost of materials, fabrication, and general expenses, pursuant to section 773(e)(1)(B)(ii) of the Act, because Eagle Star did not have any home market or third country sales on which to compute profit. We used U.S. selling expenses for CV because Eagle Star had no sales of the class or kind of merchandise in the home market or to any third country. We added U.S. packing costs.

Pursuant to § 353.56 of the Department's regulations (19 CFR 353.56), we made circumstance of sale adjustments for differences in credit expenses and inspection fees.

B. Sonar

We used Sonar's CV data except in the following instances where the costs were not appropriately quantified or valued:

1. Factory fabrication expenses were allocated to shop towels based on the ration of looms producing shop towels to the total looms in operation. The

allocated fabrication expenses were divided by the actual kilograms of shop towels produced rather than the standard weight per bale.

2. Depreciation on idle equipment was included and allocated between product lines based on loom usage.

3. The Department included overhead and depreciation expenses which Sonar failed to account for at verification and allocated them to shop towels based on loom usage.

4. G&A and interest expenses were based on Sonar's financial statements and were calculated as a percentage of cost of sales. The Department did not calculate an offset to interest expenses for an amount attributed to maintaining accounts receivable because Sonar did not have receivables.

5. Sonar did not include an amount for credit expense in reporting its U.S. selling expenses. Furthermore, Sonar did not report the date of receipt of payment for a number of its U.S. sales. As BIA, we calculated credit expense using the verified number of days between the date the merchandise was shipped and the date payment was received for those sales where the date of receipt of payment was available. For those sales where date of receipt of payment was not available, we used as BIA, the verified average time between the dates of shipment and receipt of payment for all other sales. We multiplied the result by a publicly available interest rate obtained from the countervailing duty investigation of shop towels from Bangladesh. See Comment 14 in the "Analysis of Comments Received" section of this notice.

We used Sonar's actual general expenses in accordance with section 773(e)(1)(B)(i) of the Act, because these expenses exceeded the statutory minimum of ten percent of the cost of materials and fabrication. For profit, we applied eight percent of the sum of the cost of materials, fabrication, and general expenses, pursuant to section 773(e)(1)(B)(ii) of the Act, because Sonar did not have any home market or third country sales on which to compute profit. We used selling expenses for CV because Sonar had no sales of the class or kind of merchandise in the home market to any third country. We added U.S. packing costs.

Pursuant to 19 CFR 353.56, we made circumstance of sale adjustments for differences in credit expenses and inspection fees.

Currency Conversion

In our analysis, we normally make currency conversions in accordance with 19 CFR 353.60, using the exchange rates certified by the Federal Reserve Bank of New York. Since the Federal Reserve Bank of New York does not provide exchange rate information for Bangladesh, we used the average exchange rate for Bangladesh for the POI published in the International Monetary Fund's International Financial Statistics.

Verification

As provided in section 776(b) of the Act, we verified information provided by the respondents by using standard verification procedures, including on-site inspection of the manufacturers' facilities, the examination of relevant sales and financial records, and selection of original source documentation containing relevant information.

Analysis of Comments Received

We invited interested parties to comment on the preliminary determination in this investigation. We received case and rebuttal briefs from the petitioner and the respondents.

Comment 1

Petitioner notes that during the course of this investigation, Eagle Star has claimed that its expenses should be adjusted for start-up operations. Petitioner assets that Eagle Star does not qualify as a start-up operation because it failed to show that it experienced any increase in efficiency after start-up. Petitioner asserts that low production is not a reason for a start-up adjustment, and in fact Eagle Star's low production was caused by market forces and production problems unrelated to production start-up. Petitioner maintains that shop towel production was simply an addition to related lines of business, and the production operations are so simple that there would be no resulting increase in efficiency after the start-up of operations. Also, petitioner contends that Eagle Star's start-up adjustments are wildly optimistic.

Eagle Star argues that its actual cost of manufacturing and its G&A expenses should be adjusted because it was only in operation for ten months and, therefore, is a start-up operation.

DOC Position

We agree with petitioner. In this case, Eagle Star did experience production problems but, according to its annual report, the problems were resolved prior to the POI. Market conditions, not start up, led to low production. Consequently, no start-up adjustments are appropriate.

Comment 2

Petitioner argues that the Department should use Eagle Star's total corporate financial statements to obtain general depreciation and G&A expenses rather than only the weaving unit's statements because the latter statements did not allocate to the weaving unit any expenses which benefit all of Eagle Star's units.

Eagle Star argues that the Department should accept the G&A and depreciation expenses reported on the weaving unit's audited financial statements rather than base the costs on the Eagle Star "consolidated" financial.

DOC Position

We agree with petitioner. The weaving unit's financial statements were prepared for tax reasons and represent only the incremental costs rather than the full costs of producing shop towels. Therefore, we have used Eagle Star's financial statements and allocated total corporate expenses on a cost of sales basis.

Comment 3

Petitioner contends that Eagle Star should include all indirect selling expenses in its CV calculations.

DOC Position

We agree with petitioner. At verification, it was found that company officials considered movement charges as selling expenses and included such movement charges in the selling expense account. The Department considers these expenses to be company-wide indirect selling expenses. We have, therefore, included them in the CV calculation.

Comment 4

Petitioner argues that Sonar's costs should be increased to account for the actual verified production weight.

Sonar also asserts that the Department should allocate total shop towel fabrication costs over the actual kilograms produced, contending that this would reduce the reported costs.

DOC Position

Consistent with both parties' recommendations, we have allocated total shop towel fabrication costs over actual kilograms produced to determine the actual fabrication costs per kilogram.

Comment 5

Petitioner argues that all of Sonar's production costs should be allocated to shop towels because Sonar does not allocate any fabrication costs to other products in its normal accounting records. However, petitioner contends that if costs are to be allocated among product lines, the allocation for Sonar and Eagle Star should be based on production volume rather than loom use, as suggested by respondents, because use of production volume is a standard accounting practice when the same machinery is capable of producing a range of products.

Sonar and Eagle Star argue that fabrication and depreciation expenses should be allocated among the products produced. Sonar asserts that loom usage is an appropriate method to allocate fabrication costs because it indicates the amount of time required to process the various products. Sonar maintains that the use of production volume would be inappropriate because shop towels require less processing time per kilogram than the other products.

DOC Position

We agree with respondents. Sonar produced products other than shop towels; therefore, it would be inappropriate for shop towels to bear manufacturing costs incurred to produce other products. In addition, the Department noted at verification that production of shop towels requires less processing time per kilogram of output than the other products produced. Thus, to produce shop towels and other products in equivalent amounts, the respondents did not need to devote as many looms to shop towel production. Since kilogram output in a given amount of processing time varies across product lines, we have determined that the relative processing time required for the various products is a more appropriate allocation basis and that this is best reflected by loom usage.

Comment 6

Petitioner argues that depreciation expenses on idle equipment were expenses that were actually incurred and reported by Sonar and Eagle Star for financial statement purposes. Therefore, these expenses should be allocated to production.

Sonar and Eagle Star argue that depreciation on idle looms should not be allocated to production because the looms will not lose value through obsolescence and were not used to produce shop towels.

DOC Position

We agree with petitioner. Sonar and Eagle Star depreciate all of their idle equipment for financial statement purposes. The depreciation did not relate specifically to any product, but was an expense incurred by the entire production operation. The Department allocated the financial statement expenses to shop towels based on loom usage in the same manner as the other overhead expenses. See Comment 5.

Comment 7

Petitioner argues that Sonar's total overhead expenses should be increased for any overhead expenses which Sonar failed to account for at verification.

Sonar cautions that the Department should be careful not to double count any overhead expenses, and should allocate such expenses among all product lines.

DOC Position

We agree with petitioner that Sonar's total overhead expenses should be increased for overhead expenses which Sonar failed to account for at verification. Therefore, we have included all overhead expenses from Sonar's financial records, and allocated them to shop towels based on loom usage. In doing so, we have been careful not to double count any overhead expenses.

Comment 8

Petitioner argues that Sonar's G&A and interest expenses should be allocated based on period sales.

Sonar argues that its G&A and interest expenses included expenses which were incurred for products that were produced but not sold during the POI. Therefore, some of these expenses should be allocated to the inventory of these other products.

DOC Position

We agree with petitioner. Sonar's G&A and interest expenses were incurred by the company as a whole during the fiscal year. These expenses relate to the firm's overall rather than to sales of a particular product. We have, therefore, allocated Sonar's G&A expenses and interest based on cost of sales, thereby accounting for them in the period in which they were incurred.

Comment 9

Petitioner argues that annual electricity, gas, and water expenses should not be divided in half to determine the six month POI expenses because it believes that shop towel production was higher during the POI.

Sonar argues that its methodology was appropriate and that, if anything, the production may have dropped in the second half of the year, resulting in overstated costs.

DOC Position

We agree that, in theory, electricity, gas and water expenses should vary in proportion to production. However, while Sonar produced additional product lines during the POI, the Department verified that shop towel production itself did not increase during this period. Therefore, any reallocation of annual utility expenses would result in no change to the reported shop towel manufacturing expenses. Accordingly, we have not reallocated these expenses.

Comment 10

Respondents contend that this antidumping investigation was improperly initiated because the petition failed to meet the requirements of 19 U.S.C. 1673a(b) (1). Respondents argue that, since the petition did not allege "the elements necessary for the imposition of the duty" and was not accompanied "by information reasonably available to the petitioner supporting this allegation", the Department erroneously initiated this investigation. Respondents note that the Department initiated this investigation on the basis of the financial statements of only one producer in Bangladesh, and then did not include this producer in its analysis. Respondents maintain that, since the Court of International Trade has held that the loss on financial statements does not constitute sufficient grounds for initiating a cost of production investigation, losses on a financial statement are also insufficient to justify the initiation of an entire antidumping investigation. Respondents cite *Huffy Corporation* v. *United States*, 632 F. Supp. 50 (Ct. Int'l. Trade, 1986).

Petitioner asserts that the initiation of this antidumping duty investigation was proper. Petitioner states that Shabnam was selected as a basis for initiating this case because the company offered the clearest and simplest evidence of dumping, since at the time of initiation the Department could not conclusively establish whether the other companies produced merchandise other than shop towels. Petitioner maintains that the case cited by respondents to support their claim that the Department erred in using Shabnam's financial statements to initiate this investigation is not applicable to this case.

DOC Position

We agree with petitioner. Respondents have confused the requirements of the statute for determining when there is a sufficient basis for initiating an antidumping investigation with the Department's regulatory guidelines for identifying appropriate questionnaire respondents. As the respondents correctly point out, to provide a basis for initiation, a petitioner must show the elements necessary for the imposition of an antidumping duty supported by information "reasonably available" to the petitioner, in accordance with 19 CFR 353.12(b). In this case, the petitioner presented information showing that a Bangladeshi firm which produced shop towels exclusively and sold such merchandise exclusively in the United States during calendar year 1990 had incurred a loss in the same period. This information was considered sufficient to warrant an investigation not merely because it indicated the company was operating at a loss, but because it was operating at a loss solely due to sales of a single product (the subject merchandise, shop towels) to a single market (the United States). Thus, considering in addition the information provided concerning injury caused by such imports, we determined that the petitioner had presented information in support of the elements necessary for the initiation of an antidumping duty investigation.

Moreover, the totality of the facts presented was distinct from those circumstances in which the Court of International Trade found a financial statement loss to be an insufficient basis for a cost of production investigation. There, the Court questioned the use of financial statements on the ground that an operating loss revealed in such statements may not relate to the cost of production, but instead may be attributable to other factors. These factors, namely a large capital investment and use of complicated accounting procedures, are not present in this case.

Once an antidumping investigation has been initiated, it is applicable to imports of the subject merchandise from the country as a whole. However, there is no statutory mandate that all producers and exporters of the subject merchandise in that country be investigated individually. Therefore, consistent with 19 CFR 353.42, the Department provided questionnaires to the two firms accounting for at least 60 percent of total sales of the merchandise under investigation. It is on the basis of the responses provided by these firms that we are determining there to have been sales at less than fair value.

Comment 11

Sonar contends that sales covered by invoice numbers SCML/48/90 and SCML/49/90 should be excluded from the final analysis, while the sales covered by invoice numbers SCML/86/91 and SCML/87/91 should be included. Sonar maintains that invoice numbers SCML/48/90 and SCML/49/90 were not made pursuant to a letter of credit, but rather according to a contract entered into before the POI. Sonar contends that invoice numbers SCML/86/91 and SCML/87/91 were made pursuant to a letter of credit opened during the POI, but that these invoices were inadvertently omitted from the sales listing.

Petitioner argues that the sales covered by invoice numbers SCML/48/90 and SCML/49/90 should not be excluded from the final analysis. Petitioner maintains that: (1) Sonar has used the date of the letter of credit as date of sale in all other instances; (2) almost all of the bales covered by these invoices were shipped pursuant to a letter of credit opened during the POI; and (3) the terms of sale were not finalized until the buyer opened the letter of credit during the POI. However, petitioner argues that if the Department recognizes the contract date as the date of sale, it should do so for only the 360 bales shipped as samples, not the total amount of bales shipped.

DOC Position

We agree with Sonar. Invoice numbers SCML/48/90 AND SCML/49/90 were verified to be made pursuant to a contract entered into before the POI and are, therefore, being excluded from our analysis. All other sales are being included in our analysis including sales that relate to invoice numbers SCML/86/91 and SCML/87/91.

Comment 12

Sonar contends that the Department should adjust for certain errors relating to ocean freight discovered at verification.

DOC Position

We agree with Sonar and are adjusting for all errors discovered at verification, not just those that relate to ocean freight.

Comment 13

Sonar maintains that there should be no deduction from United States price for marine insurance premiums. Although Sonar acknowledges that it did incur marine insurance on shipments made under invoice numbers SCML/48/90 and SCML/49/90, Sonar asserts that these sales were made prior to the POI. See Comment 11. Also, Sonar states that information obtained at verification clarified that the terms of sale for invoice number SCML/52/90, listed as CIF, were actually C&F. Furthermore, although the letters of credit for two other invoices examined at verification listed the terms of sale as CIF, Sonar claims that this was an error and that there were amendments to these letters of credit which showed the terms as C&F. However, Sonar states that these amendments could not be obtained due to the damage to the records during the cyclone in Bangladesh. Sonar notes that another shipment to one of its customers was cancelled when that customer did not agree to a C&F sales term.

Petitioner argues that Sonar has provided no documentation to prove that sales covered by invoices SCML/48/90 and SCML/49/90 were on a C&F basis. Thus, the Department should include payments of marine insurance for these sales.

DOC Position

We agree with Sonar. The information on the record leads to the conclusion that there were no CIF sales during the POI. Evidence to support this conclusion includes: 1) documents demonstrating that one sale listed as CIF was changed to C&F; 2) documents that show that a shipment was cancelled when a customer did not agree to C&F sales terms; and 3) documents that indicate that all other sales during the POI were on C&F sales terms.

Comment 14

Respondents contend that the Department cannot increase the CV of the shop towels produced by Sonar and Eagle Star by adding an imputed credit expense. Respondents also claim that there is no legal justification for reducing the purchase price for items other than movement charges, merely because the purchase price sales may include a credit expense incurred in the country of exportation. Respondents state that, in the past, the Department has taken the position that the CV should not be based on imputed costs. Both respondents claim that they did not extend credit to their United States customers, did not finance any accounts receivable and incurred no actual credit costs. Furthermore, respondents claim that imputing a credit expense as part of the SG&A expenses has the effect of inflating the statutory eight percent minimum amount for profit. Finally, respondents state that if the Department does decide to impute a credit expense, this expense should be based on information obtained during the verification. Sonar maintains that the Department should use verified information which shows the average period between date of shipment and date of receipt of payment. Sonar maintains that although it was unable to provide payment receipt documentation for every shipment because of the recent cyclone, the documentation on the record establishes that the period between the dates of shipment and receipt of payment is negligible. Eagle Star maintains that information from the verification should be used to establish date of receipt of payment and the interest rate on loans available to Eagle Star.

Petitioner disagrees with respondents' argument that adjustments for imputed credit expenses are not permissible where the U.S. price is based upon purchase price and foreign market value is based upon CV. Petitioner states that such adjustments are made frequently by the Department. Furthermore, petitioner states that the Department should adhere to its preliminary inputed credit adjustments in the final determination for Sonar, since Sonar's payment receipt documentation is incomplete and therefore unverifiable.

DOC Position

We agree with petitioner that adding an imputed credit expense to CV is reasonable and consistent with past practice (see e.g., Final Results of Antidumping Duty Administrative Review: Certain Valves and Connections, of Brass, for Use in Fire Protections System From Italy (55 FR 8971, March 9, 1990)). Furthermore, in the Final Results of Antidumping Duty Administrative Review: Certain Fresh Cut Flowers From Mexico (56 FR 1794, 1798, January 17, 1991), the Department stated that "extending credit on sales represents an opportunity cost to the seller; potential revenues from an immediate cash-for-goods sale are exchanged for the receipt of payment after some extended period. Money that would have been received had the goods been sold for cash up front could have been deposited to accrue interest. It is this additional accrued revenue which is forgone in extending credit. We have, therefore, imputed credit expenses in accordance with 19 CFR 353.56(a)(2)." During verification, Eagle Star voluntarily provided documentation supporting an interest rate available to it in Bangladesh during the POI. We have used this interest rate in our imputed credit calculations for Eagle Star. For imputed credit expenses for Sonar, we used verified data. However, to impute a credit expense for those sales where no information was available to determine the date of receipt of payment, we are using as BIA the verified average time between the dates of shipment and receipt of payment for all other sales. Also, consistent with our standard practice, we agree with respondents that there is no legal basis for reducing purchase price for items other than movement charges, *i.e.*, imputed credit expenses. We have therefore adjusted the FMV for imputed credit expenses.

Comment 15

Respondents assert that the inspection fee should not be added to CV as a surrogate for home market selling expenses. Respondents argue that there is no requirement that general expenses included in CV include selling expenses, unless such expenses are usually reflected in sales of shop towels in Bangladesh. While respondents do not object to the Department's substitution of U.S. general expenses for home market general expenses, respondents claim that inspection fees are relevant only to sales to a particular customer in the United States. However, respondents state that if these inspection fees are added to the CV, the Department should, at a minimum, not add inspection fees in comparisons made with sales where no inspection fees were incurred, as shown in the verification exhibits. Finally, respondents assert that if the inspection fees are added to CV, the Department must then make a sales-specific circumstance of sale adjustment to the FMV.

Petitioner argues that the Department can legitimately conclude that respondents would incur the same sort of inspection fees if shop towels were sold in the home market. Furthermore, petitioner states that these inspection fees cannot be ignored; if they are excluded from CV, petitioner argues that they must be deducted from U.S. price as a direct selling expense.

DOC Position

We agree with petitioner that these expenses cannot be ignored and have determined that these fees constitute a direct selling expense. We have, therefore, included a weighted-average fee in CV. We have also made a sales-specific circumstance of sale adjustment to the FMV by subtracting out the weighted-average fee from all transactions and adding in the actual fee for all applicable transactions.

Comment 16

Sonar argues that it made a clerical error and double counted stamping costs. It requests that the Department reduce the amount of its stitching expenses for a stamping fee that was also included in Sonar's packing expenses.

DOC Position

We agree with Sonar and have deducted the stamping charges from the stitching expenses.

Comment 17

Sonar argues that the Department should not include in CV any of the selling expenses included in Sonar's financial statements because those expenses have been verified as movement charges.

DOC Position

We agree with Sonar and have not included these movement charges in CV.

Comment 18

Eagle Star contends that all shop towels it shipped during the POI should be included in the Department's final analysis. Eagle Star maintains that the information from these shipments, collected at verification, better represents information about the company's pricing practices than the three shipments reported as having been sold within the POI.

Petitioner argues that Eagle Star's claim should be rejected since it is contrary to established Departmental practice and there is no justification to alter this practice in this case.

DOC Position

We agree with petitioner. There is no basis for the Department to change its sales reporting requirements in this investigation.

Comment 19

Eagle Star argues that its manufacturing costs should be allocated to the shop towels which were finished during the POI.

DOC Position

We disagree. Fabrication costs should be allocated to the quantity of shop towels produced during the POI, and Eagle Star's methodology did not account for work-in-process. The Department consequently allocated fabrication expenses based on the quantity of yarn consumed in production.

Continuation of Suspension of Liquidation

In accordance with section 735(d)(1) of the Act, we are directing the United States Customs Service (Customs) to continue to suspend liquidation of all entries of shop towels from Bangladesh, as defined in the "Scope of Investigation" section of this notice, that are entered, or withdrawn from warehouse, for consumption on or after September 12, 1991, which is the date of publication of our preliminary determination in the Federal Register.

Customs shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the FMV of the merchandise subject to this investigation exceeds the USP as shown in the table below. This suspension of liquidation will remain in effect until further notice.

Producer/manufacturer/exporter	Margin percentage
Eagle Star Textile Mills, Ltd	42.31
Sonar Cotton Mills (B.D.) Ltd	2.72
All Others	4.60

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Investigations, Import Administration. The ITC will make its determination whether these imports materially injure, or threaten material injury to, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled

However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping on shop towels from Bangladesh entered, or withdrawn from warehouse, for consumption on or after the date of suspension of liquidation, equal to the amount by which the foreign market value of the merchandise exceeds the United States price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)), and 19 CFR 353.20.

Dated: January 27, 1992.

Alan M. Dunn,

Assistant Secretary for Import Administration.

[FR Doc. 92-2549 Filed 1-31-92; 8:45 am]

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APPENDIX B

CALENDAR OF THE PUBLIC HEARING

CALENDAR OF THE PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing in connection with investigation No. 731-TA-514 (Final), Shop Towels from Bangladesh, on January 30, 1992.

In Support of the Imposition
<u>of Antidumping Duties:</u>

Wilmer, Cutler and Pickering
Washington, DC
<u>on behalf of</u>

Milliken and Company

Terry Topp, Product Manager

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

In Opposition to the Imposition
<u>of Antidumping Duties:</u>

Rode and Qualey
New York, NY
<u>on behalf of</u>

Sonar Cotton Mills (Bangladesh), Ltd.

Eagle Star Mills, Ltd.

Greyfab (Bangladesh), Ltd.

Khaled Textile Mills, Ltd.

Shabnam Textiles

R. Brian Burke --OF COUNSEL

Calderon Textiles, Indianapolis, IN

Azher Khan, President

APPENDIX C

COMPOSITION AND SOURCES OF OSNABURG FABRIC

Table C-1
Composition and sources of osnaburg fabric used by U.S. producers of shop towels, by firms, 1990

* * * * * * *

APPENDIX D

QUESTIONNAIRE RESPONSES FROM TOLL CONTRACTORS ***

Questionnaire Responses from Toll Contractors ***

*** reported contracting three firms--***--to produce shop towels for it under toll agreements during the period January 1, 1989,[1] through September 30, 1991. *** reported contracting shop towel production in 1988 and 1989 with ***.[2] Shipments by these *** firms *** from *** shop towels in 1988 to nearly *** in 1989, *** of *** percent. Between 1989 and 1990, ***'s domestic shipments *** percent, to *** shop towels. However, after *** reported shipments of shop towels *** between January-September 1990 and January-September 1991.[3]

By value, reported shipments of shop towels produced under toll contracts *** from *** to *** between 1988 and 1990, before *** from *** to *** between January-September 1990 and January-September 1991. Unit values *** from *** in 1988 and 1989 to *** in 1990 and 1991.

---

[1] *** did not contract any toll production in 1988.

[2] ***.

[3] In contrast to the trend in domestic shipments reported by Milliken and the converters, ***. However, ***. Staff interview with ***, Jan. 31, 1992.

APPENDIX E

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

Impact of Imports on U.S. Producers' Growth, Investment, Ability to Raise Capital, and Existing Development and Production Efforts

<u>Response of U.S. producers to the following questions</u>:

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, including efforts to develop a derivative or more advanced product, 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 F

IMPORTERS' QUESTIONNAIRE RESPONSES

Table F-1
Shop towels: Reported U.S. imports, by sources, 1988-90, January-September 1990, and January-September 1991

Item	1988	1989	1990	Jan.-Sept.-- 1990	Jan.-Sept.-- 1991
	Quantity (1,000 towels)				
Bangladesh	1,793	5,091	***	***	***
Other sources	82,347	75,537	***	***	***
Total	84,140	80,628	144,256	121,920	113,069
	Value (1,000 dollars)				
Bangladesh	173	461	***	***	***
Other sources	8,391	7,556	***	***	***
Total	8,564	8,017	14,404	12,216	11,626
	Unit value (per towel)				
Bangladesh	$0.10	$0.09	***	***	***
Other sources	.10	.10	***	***	***
Average	.10	.10	$0.10	$0.10	$0.10

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

APPENDIX G

QUARTERLY IMPORT STATISTICS

Quarterly Import Statistics

Imports of Bangladeshi shop towels, by quantity, exhibited a consistent pattern in 1987 and 1988, with nearly one-half of the yearly imports entering the United States in the third quarter (table G-1). Beginning in the first quarter of 1989, however, shop towel imports from Bangladesh began a steady, seven-quarter increase, before declining in the fourth quarter of 1990. The following quarter, shop towel imports from Bangladesh peaked at over 14 million pieces, representing over one-third of all first quarter 1991 imports. Quarterly imports from Bangladesh fell to 4.5 million in the second quarter of 1991, rose to 6.4 million in the third quarter, historically the peak quarter for shop towel imports from Bangladesh, then returned to 4.9 million in the fourth quarter.

Imports of Bangladeshi shop towels, by value, exhibited essentially the same trend as imports by quantity. By unit value, such imports were lower than the aggregated average of all other countries in 11 quarters, higher in 6, and the same in 2 between 1987 and 1991.[1] The only general trend exhibited was a tendency for shop towels from Bangladesh to have a lower per-unit value than that of the combined imports from all other countries in the third and fourth quarters (7 of 9 comparisons).

Table G-1
Shop towels: U.S. imports of shop towels, by sources and by quarters, 1987-91

Item	Jan.-Mar.	Apr.-June	July-Sep.	Oct.-Dec.	Total
	Quantity (1,000 towels)				
1987:					
Bangladesh	451	313	900	300	1,964
All other	29,178	29,637	33,067	27,453	119,334
Total	29,629	29,949	33,967	27,753	121,298
1988:					
Bangladesh	627	300	863	0	1,789
All other	20,716	20,229	28,042	37,149	106,135
Total	21,342	20,529	28,904	37,149	107,924
1989:					
Bangladesh	188	330	1,769	2,143	4,429
All other	54,291	36,101	32,492	18,339	141,222
Total	54,478	36,431	34,260	20,481	145,651
1990:					
Bangladesh	5,480	7,480	9,245	5,805	28,010
All other	33,947	34,830	39,547	25,693	134,018
Total	39,427	42,310	48,792	31,499	162,028
1991:					
Bangladesh	14,090	4,464	6,443	4,925	29,921
All other	27,421	30,947	30,795	28,817	117,980
Total	41,511	35,411	37,238	33,742	147,901

[1] There were no imports of shop towels from Bangladesh in the fourth quarter of 1988.

Table G-1--Continued
Shop towels: U.S. imports of shop towels, by sources and by quarters, 1987-91

Item	Jan.-Mar.	Apr.-June	July-Sep.	Oct.-Dec.	Total
	Value (1,000 dollars)				
1987:					
Bangladesh	60	30	87	31	209
All other	2,954	3,040	3,417	3,057	12,468
Total	3,014	3,071	3,504	3,088	12,677
1988:					
Bangladesh	58	28	83	0	169
All other	2,283	2,347	3,131	4,109	11,870
Total	2,341	2,375	3,214	4,109	12,039
1989:					
Bangladesh	19	56	204	210	488
All other	5,102	4,044	3,078	2,189	14,413
Total	5,121	4,100	3,282	2,398	14,901
1990:					
Bangladesh	608	740	950	606	2,904
All other	3,501	3,897	4,428	2,782	14,608
Total	4,109	4,637	5,378	3,388	17,511
1991:					
Bangladesh	1,383	514	606	477	2,980
All other	3,123	3,240	3,170	3,071	12,604
Total	4,506	3,754	3,776	3,549	15,584
	Unit value (per towel)				
1987:					
Bangladesh	$0.13	$0.10	$0.10	$0.10	$0.11
All other	.10	.10	.10	.11	.10
Average	.10	.10	.10	.11	.10
1988:					
Bangladesh	.09	.09	.10	([1])	.09
All other	.11	.12	.11	.11	.11
Average	.11	.12	.11	.11	.11
1989:					
Bangladesh	.10	.17	.12	.10	.11
All other	.09	.11	.09	.12	.10
Average	.09	.11	.10	.12	.10
1990:					
Bangladesh	.11	.10	.10	.10	.10
All other	.10	.11	.11	.11	.11
Average	.10	.11	.11	.11	.11
1991:					
Bangladesh	.10	.12	.09	.10	.10
All other	.11	.10	.10	.11	.11
Average	.11	.11	.10	.11	.11

[1] Not applicable.

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

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