

CERTAIN NYLON YARN AND GROUPED NYLON FILAMENTS FROM FRANCE

**Determination of No Injury in
Investigation No. AA1921-185
Under the Antidumping Act,
1921, as Amended, Together With
the Information Obtained
in the Investigation**

**USITC PUBLICATION 922
OCTOBER 1978**

UNITED STATES INTERNATIONAL TRADE COMMISSION

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NEWS

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USITC REPORTS NO INJURY TO U.S. INDUSTRY FROM LTFV IMPORTS OF NYLON YARN FROM FRANCE

The United States International Trade Commission today reported to the Secretary of the Treasury its determination, by a 4-to-0 vote, that there is no injury or likelihood of injury or prevention of establishment of an industry in the United States by reason of sales of nylon yarn from France at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended.

Chairman Joseph O. Parker, Vice Chairman Bill Alberger, and Commissioners George M. Moore and Catherine Bedell concurred in the unanimous determination.

The Commission's investigation began on July 26, 1978, after receipt of a determination of LTFV sales of the products from the Treasury Department. A public hearing in connection with the investigation was held on August 29, 1978, in Washington, D.C.

Textile nylon yarn is used in apparel and home furnishings. The French firm investigated by the Treasury Department accounted

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USITC REPORTS NO INJURY TO U.S. INDUSTRY FROM LTFV IMPORTS OF NYLON YARN
FROM FRANCE

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for 87 percent of all U.S. imports of the product from France between August 1, 1977, and January 31, 1978. The weighted average margin of LTFV sales was 22.4 percent.

Eight domestic firms manufacture the products. U.S. producers' shipments declined from 360.6 million pounds in 1975 to 341.4 million pounds in 1976, but then rose to 366.3 million pounds in 1977. Shipments in January-June 1978 increased 5.9 percent over shipments in the corresponding period of 1977. Apparent U.S. consumption of textile nylon yarn decreased slightly from 1975 to 1976, and then rose in 1977. Consumption was 2 percent higher in January-June 1978 than in January-June 1977.

The percentage of U.S. capacity utilized for the production of textile nylon yarn rose from about 80 percent in 1975 to 86 percent in January-June 1978, and profit improved substantially in that period.

The Commission's report, Nylon Yarn From France (USITC Publication 922), contains the views of the Commissioners and information developed during the investigation (No. AA1921-185). Copies may be obtained by calling (202) 523-5178 or from the Office of the Secretary, 701 E Street NW., Washington, D.C. 20436.

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

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

[AA1921-185]

NYLON YARN FROM FRANCE

Determination of No Injury or Likelihood Thereof

On July 18, 1978, the United States International Trade Commission received advice from the Department of the Treasury that nylon yarn from France is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)). Accordingly, on July 26, 1978, the Commission instituted investigation No. AA1921-185 under section 201(a) of said act to determine whether an industry in the United States is being, or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. For purposes of Treasury's determination, the term "nylon yarn" refers to nylon yarn and grouped nylon filaments, not textured, provided for in items 309.3030, 309.3130, 310.0149, and 310.0249 of the Tariff Schedules of the United States Annotated (TSUSA).

Notice of the institution of the investigation and of the public hearing held in connection therewith was published in the Federal Register of August 1, 1978, (43 F.R. 33833). The public hearing was held in Washington, D.C., on August 29, 1978, and all persons requesting the opportunity to appear were permitted to appear by counsel or in person.

In arriving at its determination, the Commission gave due consideration to all written submissions from interested persons and information adduced at the hearing as well as information obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

Determination

On the basis of information developed in investigation No. AA1921-185, the Commission unanimously determined 1/ that an industry in the United States is not being, and is not likely to be injured, and is not prevented from being established by reason of the importation of nylon yarn from France that is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

1/ Chairman Parker, Vice Chairman Alberger, and Commissioners Moore and Bedell. Commissioner Stern had not yet assumed her duties as a Commissioner at the time that the determination was made.

STATEMENT OF REASONS OF CHAIRMAN JOSPEH O. PARKER AND
COMMISSIONERS BILL ALBERGER, GEORGE M. MOORE, AND
CATHERINE BEDELL

In order for a Commissioner to make an affirmative determination in an investigation under the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)), it is necessary to find that an industry in the United States is being or is likely to be injured, or is prevented from being established, and the injury or likelihood thereof must be by reason of imports at less than fair value (LTFV).

Determination

On the basis of information obtained in this investigation, we determine that an industry in the United States is not being and is not likely to be injured, and is not being prevented from being established 1/ by reason of the importation of nylon yarn and grouped nylon filaments from France, which the Department of the Treasury (Treasury) has determined are being, or are likely to be sold at LTFV.

The imported article and the domestic industry

The subjects of this investigation are nylon yarn and grouped nylon filaments and includes all nylon yarn and grouped nylon filaments, 2/ not textured. Nylon yarn and grouped nylon filaments are widely used in three major end use categories: industrial, carpet, and textile. We consider the relevant industry in this investigation to be those facilities in the United States devoted to the production of textile nylon yarn and grouped nylon filaments. At the present time, eight U.S. firms produce these articles.

1/ Prevention of the establishment of an industry is not an issue and will not be discussed further.

2/ For purposes of its investigation, Treasury defined "nylon yarn" as meaning nylon yarn and grouped nylon filaments, not textured, provided for in items 309.3030, 309.3130, 310.0149, and 310.0249 of the Tariff Schedules of the United States. The Commission also has adopted this definition.

LTFV Sales

Treasury investigated imports during the period August 1, 1977, to January 31, 1978. The investigation was limited to Rhone Poulenc Textiles who is estimated to have accounted for 87 percent of all U.S. imports of nylon yarn and grouped nylon filaments from France. Comparisons were made on 83 percent of the sales from Rhone Roulenc to the United States. LTFV margins were found on 100 percent of the sales compared, with a weighted average margin of 22.4 percent.

The Question of Injury or Likelihood by Reason of LTFV Sales

U.S. imports and Market Share--Total imports of textile nylon yarn increased by more than 75 percent between 1975 and 1976, more than 30 percent in 1977 and declined by more than 10 percent in the first six months of 1978 from the comparable period of 1977. Imports from France increased 6.2 percent in 1976, 28 percent in 1977, and then dropped off by 50 percent in the first half of 1978. During the period 1975 to June 1978, imports from France constituted less than 20 percent of total imports. The French nylon yarn accounted for 1.5 percent of total U.S. consumption in 1975, 1.9 percent in 1977 and fell to 0.7 percent in January - June 1978.

U.S. Producers' Shipments--Producers' shipments declined from 360.6 million pounds in 1975 to 341.4 million pounds in 1976, then recovered to 366.3 million pounds in 1977. During January - June 1978, domestic shipments have continued to climb to 11.2 million pounds ahead of the comparable period of 1977; an increase of 5.9 percent.

Capacity Utilization--U.S. producers' capacity utilization remained at

approximately 80 percent from 1975 through 1977, and has risen to 86 percent in the first half of 1978.

U.S. Exports--U.S. exports of textile nylon yarn closely followed the fluctuations of U.S. producers' domestic shipments. Exports declined by 1.6 million pounds from 1975 to 1976, but then increased 2.9 million pounds to 9.6 million pounds in 1977. During the first half of 1978, exports have increased dramatically over the comparable period of 1977, indicating a growing demand for American yarns in foreign markets.

Inventories--U.S. producers' inventories have increased from 4.3 percent of domestic shipments at the end of 1975 to 8.6 percent at the end of 1977 and 15.3 percent in the first half of 1978. The inventory turnover ratio dropped during this period but is expected to level off in 1978. The data on inventories and the inventory turnover ratio are affected by the inclusion of data from a particular domestic company experiencing production problems. The inventory turnover ratio is raised significantly when data from this company is excluded.

Consumption--U.S. consumption declined 1.2 percent from 1975 to 1976, but increased in 1977 to 9 percent over 1976. Consumption has continued to grow in the first two quarters of 1978, increasing 2 percent over the same period in 1977. The low growth rate for the textile nylon yarn industry is due to a number of factors; it is a "mature" industry in which markets are fairly well defined, increased competition from polyester, and lastly, apparently some competition between types of nylon.

Employment--Both employment and man-hours increased steadily from 1975 to 1977, and have remained level in the first half of 1978.

Profits -- Net profits before taxes for the industry rose from \$25.8 million in 1975 to \$43.3 million in 1976, then fell off sharply in 1977 to \$8.8 million although net sales increased steadily throughout the period. Net profits for 1978 projected to an annual basis indicate an increase of 16 percent over 1977. A portion of the profit loss can be attributed to higher costs. However, in 1976, although expenses rose modestly, the manufacturers' average price rises were 10 percent to more than 20 percent, suggesting that prices may have increased before higher expenses occurred, and profits were thereby increased. The low profits in 1977 can also be attributed to the failure of one producer to maintain its market share due to increased competition from another domestic producer, rather than competition from imports.

Prices -- The margin of underselling of imports from France rose steeply in 1976, then dropped in 1977 and 1978 from that reported in 1976. In one of the three representative denier yarns for which price data was collected, prices offered by importers of the French product were higher than those offered by domestic producers by margins ranging from one to six percent in the period July 1975 through December 1977.

Lost Sales -- Of the eight domestic producers, three furnished specific information on lost sales to imports from France. It is apparent from information gathered by the Commission, that quality and availability of the French yarn, as well as the desire of purchasers to develop an alternate source of supply, were all more important factors than price in those instances where purchasers bought the French yarn. Most of those customers no longer buy the French yarn.

Likelihood--Furthermore, there is no likelihood of injury to the domestic industry producing textile nylon yarn and grouped nylon filaments as a result of LTFV imports from France. Producers' shipments, apparent U.S. consumption, capacity utilization, net sales, and profits show healthy increases for January - June 1978 in comparison to the comparable period of 1977.

Evidence of anticipated growth in the domestic market for nylon yarn is the fact that a major new producer, Chevron Fibers Co., entered in 1976. Another indication of the improved outlook for the domestic industry is that one of the two largest producers of textile nylon yarn, Monsanto Textiles Co., recently announced price increases of 7 to 9 percent on its textile-denier nylon yarns effective October 1, 1978. In the first six months of 1978, imports of textile nylon yarn from France have dropped to 0.7 percent of apparent U.S. consumption. One of the two French exporters, SNIA Viscosa, S.A., has discontinued production of textile nylon yarn for the U.S. market, and Rhone Poulenc plans to gradually curtail its exports to the U.S. market and withdraw completely by 1981.

Summary--Considering all of these economic factors, it is apparent that this industry is not injured or likely to be injured by reason of imports from France at LTFV. U.S. imports from France have been minimal and have decreased in the first half of 1978; domestic producers' shipments have continued to climb since 1976; capacity utilization has risen; U.S. exports have increased dramatically since 1977; inventories have increased, but only due primarily to a domestic company experiencing production problems; employment and man-hours have increased; profits declined in 1977, but due primarily to a number of

non-import related factors; and the lost sales reported were not the result of price. Thus we have found in the negative.

SUMMARY

On July 26, 1978, the United States International Trade Commission instituted investigation No. AA1921-185 following receipt of advice from the Department of the Treasury that nylon yarn and grouped nylon filaments from France are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended. The Commission must determine whether an industry in the United States is being or is likely to be injured by reason of the importation of such merchandise into the United States.

Textile nylon yarn and grouped nylon filaments are used in apparel and home furnishings end uses. The French firm investigated by the Treasury accounted for 87 percent of all U.S. imports of nylon yarn and grouped nylon filaments from France during the period of Treasury's investigation--August 1, 1977, to January 31, 1978. The weighted average margin of LTFV sales was 22.4 percent.

Textile nylon yarn and grouped nylon filaments are produced in the United States by eight U.S. firms. U.S. producers' shipments declined from 360.6 million pounds in 1975 to 341.4 million pounds in 1976, and then rose to 366.3 million pounds in 1977. Shipments during January-June 1978 increased 5.9 percent over shipments in the corresponding period of 1977. Fluctuations in U.S. exports of nylon yarn closely tracked U.S. producers' shipments through January-June 1978, when they more than doubled over exports in January-June 1977. Apparent U.S. consumption of textile nylon yarn decreased slightly from 1975 to 1976, and then rose to *** million pounds in 1977, or by *** percent from 1976. Consumption rose *** percent in January-June 1978, compared with that in the corresponding period of 1977.

The percentage of U.S. capacity utilized for the production of textile nylon yarn remained at approximately 80 percent from 1975 through 1977, but rose to 86 percent January-June 1978. Aggregate profit-and-loss data for seven reporting firms showed net profit before taxes rising 68 percent to \$43.3 million between 1975 and 1976 and then dropping off sharply to \$8.8 million in 1977. Profit improved substantially in the first half of 1978. Labor productivity and cost analyses were employed in an attempt to find explanations for the profit variations. The industry's failure or inability to raise prices in the face of substantially rising costs probably caused the large decline in net profit before taxes in 1977.

U.S. producers' inventories rose in each year from 1975 through 1977, and then decreased slightly in 1978. Inventory turnover ratios decreased during January 1975-June 1978, indicating a slower inventory liquidation cycle.

U.S. imports from France increased from 1.5 percent of total U.S. consumption in 1975 to 1.9 percent in 1977 before falling to 0.7 percent in January-June 1978. Market penetration of all imports rose from *** percent in 1975 to *** percent in 1977, and dropped slightly to *** percent of total U.S. consumption in 1978.

Pricing data on three representative denier nylon yarns revealed that prices of yarns imported from France ranged from 13 percent below to 6 percent above U.S. producers' prices from January 1975 to June 1978.

Specific lost sales information was supplied to the Commission by three U.S. producers of textile nylon yarn. Questionnaire responses from nine major purchasers of French and U.S.-made yarn revealed that quality of the French yarn was the strongest factor in purchasing decisions, followed by the desire of the purchasers to maintain an alternative source, availability, and then price. Seven of the nine purchasers notified the Commission that they had terminated purchases of textile nylon yarn from France, citing most often the lack of competitive pricing of the French yarn as their reason for terminating purchases.

The likelihood of future injury to the domestic textile nylon yarn industry will depend on demand for the yarn in the U.S. market as well as the ability and intention of the two French manufacturers of the yarn, Rhone Poulenc Textiles and SNIA Viscosa, S.A., to export yarn at LTFV. Consumption of textile nylon yarn is expected to rise moderately in the years ahead, assuming no new encroachment on nylon's markets by polyester.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On July 18, 1978, the United States International Trade Commission received advice from the Department of the Treasury that nylon yarn and grouped nylon filaments from France are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)). Accordingly, on July 26, 1978, the Commission instituted investigation No. AA1921-185 under section 201(a) of the act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

Notice of institution of the Commission's investigation and of a public hearing to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's New York Office, and by publishing the notice in the Federal Register of August 1, 1978 (43 F.R. 33833). 1/ The public hearing was held in Washington, D.C., on August 29, 1978.

The complaint which led to Treasury's determination of sales at LTFV was filed by counsel representing E. I. du Pont de Nemours & Co., Inc., a large U.S. producer of nylon yarn. Treasury's notice of investigation was published in the Federal Register of January 25, 1978 (43 F.R. 3470). A notice of determination of sales at LTFV and withholding of appraisement was published in the Federal Register of July 20, 1978 (43 F.R. 31257). 2/

Description and Uses

Nylon was first developed and commercially produced in 1939 by E. I. du Pont de Nemours & Co., Inc., Wilmington, Del. "Nylon" refers to a whole family of noncellulosic manmade polymers called polyamides, of which two types, nylon 66 and nylon 6, are made into a number of textile and industrial forms. Nylon for textile use is sold to various intermediate and end users in continuous monofilaments, short length staple fibers, and nontextured and textured continuous filament yarn of fine to heavy denier.

The common method of manufacturing nylon yarn utilizes petroleum, air, and water as raw materials, which are combined by chemical processes into compounds known as adipic acid and hexamethylene diamine (nylon 66) or caprolactam (nylon 6). These compounds are then reacted to form polyamides, which are fiber-forming long-chain molecules.

1/ A copy of the Commission's notice of investigation and hearing appears in app. A.

2/ Copies of Treasury's notices on nylon yarn from France are presented in app. B.

The nylon, usually in the form of nylon chips, is then melted and pumped through a spinneret, a device akin to a shower nozzle. The spinneret extrudes the nylon, which is then solidified and taken up on a bobbin. This process is known as spinning. At this stage the nylon is in continuous monofilament form. Next, grouped monofilaments are extruded further, then twisted into yarn. Nylon in this stage, i.e., continuous filaments and nylon yarn, not textured, is the subject of this investigation.

After the nylon has been made into yarn, it is sold directly, or processed further, to be used in three major end-use categories: Industrial (tire cords and other applications), carpet, and textile. For the purpose of this report, "nylon yarn" will refer to textile nylon yarn and textile nylon grouped filaments in continuous form, not textured. 1/

Within the textile nylon yarn industry, yarn may be sold directly after it has been extruded and placed on a package (flat yarn) or may be processed (textured) to give the yarn bulk, stretch, or greater comfort qualities. In 1977, approximately 63 percent of all domestic shipments of textile yarn were sold as flat yarns for the manufacture of such products as knit and broadwoven fabric. The remaining 37 percent were sold as "feed yarn for texturing." The feed yarn can be textured by the yarn producer itself (as was approximately 10 percent of total textile nylon yarn production in 1977) or sold to independent texturers, which in turn apply special texturing techniques to the yarn before it is sold to fabric or apparel end users.

The end users of textile nylon yarn are predominantly in the apparel area, although some textile nylon yarn is used in the home furnishings industry and in the manufacture of such products as parachutes and sewing threads. These last three end-use categories accounted for only 16 percent of total textile nylon yarn production in 1977; the apparel industries took up the remaining 84 percent (table 1, app. D). In the apparel end uses, nylon fares well in product areas that require elasticity, durability, and low moisture absorbency. Typical apparel made from nylon yarn includes sweaters and socks, nightgowns, athletic outerwear, and women's hosiery.

1/ The three end-use categories are differentiated by the thickness (denier) of the continuous monofilament and by the number of monofilaments making up the yarn. Thus, a typical industrial-denier yarn is 840/140 (840 thickness denier, with 140 filaments to the yarn). A typical carpet denier is 1350/68; textile denier yarns range from 15/1 for sheer hosiery to 400/100 for upholstery. Imports of industrial and carpet nylon yarn are minimal, and all the LTFV imports from France were in the textile-denier-yarn category.

U.S. Tariff Treatment

The nylon yarn and grouped nylon filaments that are the subjects of this investigation are classified for tariff purposes under items 309.3030, 309.3130, 310.0149, and 310.0249 of the Tariff Schedules of the United States Annotated (TSUSA). These item numbers became effective January 1, 1977; from 1975 to 1977, the subject articles entered the United States under items 309.3020, 309.3120, 310.0148, and 310.0248. The bulk of imports of these articles are entered under TSUSA item 310.0149. The current most-favored nation rates of duty for these items are as follows:

<u>TSUSA</u> <u>Item No.</u>	<u>Description</u>	<u>Rate of Duty</u>
309.3030-----	Grouped filaments and strips (in continuous form), wholly of grouped filaments of nylon, valued not over 80 cents per pound.	8.5¢ per lb
309.3130-----	Grouped filaments and strips (in continuous form), wholly of grouped filaments of nylon, valued over 80 cents per pound.	10.5% ad val.
310.0149-----	Yarns wholly of continuous nylon fibers, singles, with twist but not over 20 turns per inch, not textured, and valued not over \$1 per pound.	12.5¢ per lb
310.0249-----	Yarns wholly of continuous nylon fibers, singles, with twist but not over 20 turns per inch, not textured, and valued over \$1 per pound.	16% ad val.

The United States is a party to the Arrangement Regarding International Trade in Textiles, which is commonly called the Multifiber Arrangement or MFA. This agreement provides a formula for limiting the level of international trade in most textile and apparel articles of natural and manmade fibers. Nylon grouped filaments in continuous form as well as other unprocessed nylon fibers are not covered by the MFA. Nylon yarn, however (TSUSA items 310.0149 and 310.0249), is subject to the manmade fiber restraints under Textile Category No. 602 of the MFA, but at present the United States has no bilateral restrictions vis-a-vis the European Economic Community that would limit the importation of nylon yarn from that source.

U.S. Producers

Eight firms produce commodity-type textile nylon yarn and grouped filaments in the United States. Although the corporate offices of the producers are scattered throughout the country, the producing facilities are concentrated in the Southeast, especially in Virginia and the Carolinas.

The domestic producers of textile nylon yarn range from very large and diversified corporations such as Du Pont, Allied Chemical Corp., and Standard Oil of California (Chevron), whose main activities are chemicals and petrochemicals, to small firms which produce textile nylon yarn for processing exclusively within their own plants. Of the eight domestic producers, two firms, Du Pont and Monsanto Textiles Co., accounted for *** percent of domestic production of textile nylon yarn in 1977.

All major domestic producers of textile nylon yarn produce their own nylon yarn from the constituent materials, with the exceptions of American Enka Corp. and Chevron Chemical Co. of Puerto Rico, which purchase nylon from other sources. Four firms produce nylon 6, and four produce nylon 66.

Since 1975 two firms have discontinued production of textile nylon yarn. They are Fiber Industries, Inc., a subsidiary of the Celanese Corp., and Beaunit Corp. These withdrawals were more than offset by the reactivation of a textile-nylon-manufacturing facility of significant capacity in Guayama, Puerto Rico, by a division of Chevron, on February 18, 1976. Chevron purchased the idled plant from Phillips Fibers Corp., which ceased production in early 1975.

The domestic industry is characterized by a three-tiered pricing system based on three types of product: Branded first-quality, unbranded (commodity-type) first-quality, and second-quality yarns. Branded first-quality yarn, which is yarn bearing the trade names of the manufacturer (e.g., Du Pont's Antron and Quiana) carry special technical and aesthetic qualities and sell at premiums above the market price of unbranded, commodity yarn. Unbranded, first-quality yarn constitutes the bulk of production of all textile nylon yarn in the United States and the total of imports from France. The third type of nylon yarn, second-quality, has variable market demand.

U.S. Imports

Total U.S. imports of textile nylon yarn demonstrated a marked growth from 1975 to 1977, increasing *** percent between 1975 and 1976 and *** percent in 1977 (tables 2 and 3). However, total U.S. imports declined by *** percent in January-June 1978 from the corresponding period of 1977. Imports of textile nylon yarn and grouped filaments from France increased *** percent in 1976 and *** percent in 1977 before dropping off by *** percent in the first half of 1978.

Data collected by the Commission indicate that two importers of textile nylon yarn from France account for virtually all imports of the subject articles. These importers are Rhone Poulenc Textiles and SNIA Viscosa, S.A. The imported yarn which was the subject of Treasury's investigation consisted

entirely of textile-denier yarn of type 66, manufactured by Rhone Poulenc Textiles, and imported by a single firm, J. J. Ryan & Sons, for subsequent sale to independent U.S. textile mills. During the period of Treasury's investigation, imports from Ryan were estimated by Treasury to account for 87 percent of all U.S. imports of textile nylon yarn and grouped filaments from France. ^{1/}

During the period January 1975-June 1978, Japan was the dominant supplier of U.S. imports of nylon yarn and grouped filaments, accounting for *** percent of total U.S. imports of the subject merchandise. Imports from France, by comparison, constituted *** percent of the total (table 2).

Nature and Extent of Sales at Less than Fair Value

The Department of the Treasury conducted an investigation on U.S. imports of nylon yarn and grouped nylon filaments from France during the period August 1, 1977, through January 31, 1978. The investigation was limited to those subject articles manufactured by Rhone Poulenc Textiles. Fair-value comparisons were made on 83 percent of the nylon yarn sales from Rhone Poulenc to the United States during the period of Treasury's investigation. LTFV margins ranging from 18 to 27 percent were found on 100 percent of the sales compared; the weighted average margin was 22.4 percent.

Since all merchandise from Rhone Poulenc was purchased or agreed to be purchased prior to the time of exportation by an unrelated U.S. customer, Treasury used purchase price in making its fair-value comparisons. Adjustments to the purchase price were made for ocean freight and inland freight. Because adequate sales of such or similar merchandise were made in the home market, home-market price, adjusted for inland freight and advertising, was compared with purchase price in calculating LTFV margins.

Other Recent Antidumping Proceedings Concerning Nylon Yarn Conducted by Treasury

On March 10, 1978, the Department of the Treasury initiated an antidumping investigation on nylon yarn from Japan. This investigation began 6 weeks after the filing of the antidumping complaint against nylon yarn from France. On May 25, 1978, Treasury terminated its investigation on the basis of the withdrawal of the original antidumping petition by counsel for the petitioners, E. I. du Pont de Nemours & Co., Inc., Wilmington, Del. The withdrawal of the petition by Du Pont was undertaken by reason of assurances given

^{1/} The petitioner claimed at the Commission's hearing and in briefs submitted to the Commission that official statistics of the Department of Commerce seriously understated imports of nylon yarn from France under the above TSUSA items. The petitioner's claims have been substantiated through questionnaire responses submitted to the Commission by the importers of the subject articles. The questionnaire-derived figures for imports of nylon yarn from France are used here and throughout the report, unless otherwise noted.

by counsel for two Japanese manufacturers of textile nylon yarn, Toray Industries, Inc., and Kanebo Textiles, Ltd., that they were willing to increase prices of certain textile nylon yarns in order to effect withdrawal. These price increases were to go into effect August 1, 1978. ^{1/}

Consideration of Injury

U.S. producers' shipments, exports, and apparent consumption

Data cited in this report on U.S. producers' domestic shipments include textile nylon yarn and grouped nylon filaments manufactured in the United States and shipped to independent domestic customers, or transferred within firms for use in the manufacture of downstream products. Producers' shipments declined from 360.6 million pounds in 1975 to 341.4 million pounds in 1976, or by 5.3 percent. Demand quickened in 1977, however, resulting in domestic shipments of 366.3 million pounds, or 7.3 percent higher than in the previous year and 1.6 percent higher than in 1975. The recovery of the industry continued into the first half of 1978, with domestic shipments 11.3 million pounds higher than in the corresponding period of 1977, an increase of 5.9 percent (table 4).

U.S. exports of textile nylon yarn closely tracked the fluctuations in U.S. producers' domestic shipments. Exports declined by 1.6 million pounds from 1975 to 1976, but then rebounded sharply in 1977, increasing by 2.9 million pounds to 9.6 million pounds, or by 43.3 percent over exports in 1976 and 14.3 percent over those in 1975. Furthermore, exports increased dramatically during January-June 1978 compared with those in the corresponding period of 1977, indicating a growing demand in foreign markets for U.S. yarns (table 4).

Apparent U.S. consumption of textile nylon yarn and grouped filaments decreased slightly from 1975 to 1976, from *** million pounds to *** million pounds, or by *** percent; it then rose sharply in 1977 to *** million pounds, or by *** percent over consumption in the previous year and *** percent over that in 1975. Apparent consumption of textile nylon yarn continued to increase during January-June 1978, rising to *** million pounds, *** percent more than in the corresponding period of 1977 (table 4).

The fluctuating U.S. consumption figures primarily reflect the business cycle of the textile sector of the economy, which began a downturn in mid-1974 and bottomed out in 1976. The relatively modest growth rates for the textile nylon yarn industry can be attributed to a number of factors. First, it is classified by industry spokesmen as a "mature" industry, in which markets are fairly well defined and expansion is limited. Second, imports increased substantially during the 3-1/2 year period under consideration, and are said to have severely impacted certain textile nylon yarn markets--e.g., markets for circular knit sweaters and socks, and warped knit goods. Third, there is there is increased competition from polyester in some markets heretofore serviced by nylon.

^{1/} Copies of Treasury's notices on nylon yarn from Japan are presented in app. E.

The largest penetration of polyester has been in outer apparel, where the relatively low price of polyester and its wrinkle-free quality have chipped away at some of nylon's markets. However, hosiery, athletic wear, and other areas where stretch and durability are desired characteristics remain strongholds for textile nylon yarn.

Finally, there is some erosion of nylon 66 markets by nylon 6. Nylon 6 is less expensive to produce than nylon 66; although it has a lower melting point than nylon 66, and hence is not generally used as feed yarn for texturing, it is readily substitutable for most flat yarn applications.

Utilization of productive facilities

As part of its consideration of injury to the domestic industry, the Commission asked U.S. producers of textile nylon yarn to report their annual capacities to produce such yarn in their domestic facilities. "Capacity" was defined as the maximum sustainable output reflecting a normal product mix during the period under investigation--in the present case, January 1975-June 1978.

Before the results are analyzed, a number of caveats concerning this method of determining capacity, which directly affect the present case, should be noted. First, labor strikes and other interruptions in production depress the production/capacity ratio, yet are not directly related to the question of injury to a domestic industry by LTFV imports. In the present case, one domestic producer of textile nylon yarn, American Enka Co., experienced what it termed "significant" reduction in production in its Enka, N.C. plant from November 6, 1977, to March 15, 1978, due to flood damage.

Second, * * * * *

The following tabulation shows the percentage of U.S. capacity for the production of textile nylon yarn that was utilized during the period January 1975-June 1978:

	<u>Capacity utilitization Percent</u>
1975-----	81.2
1976-----	80.9
1977-----	79.1
January-June--	
1977-----	77.9
1978-----	86.2

For the reasons cited above, capacity utilization may be closer to effective capacity. The data indicate an upward trend of capacity utilization in the industry in 1978.

Employment and hours worked

The Commission received employment data from all but one minor U.S. producer of textile nylon yarn. The average number of production and related workers and man-hours worked by them increased steadily from 1975 to 1977 and remained level during January-June 1978, as shown in the following tabulation:

Item	1975	1976	1977	January-June--	
				1977	1978
Average number of production and related workers-----	10,014	10,687	10,934	10,846	10,845
Man-hours worked by production and related workers-----1,000 hours--	21,518	22,688	23,538	13,821	13,895

Profit-and-loss experience

The Commission sent financial questionnaires to all eight U.S. producers of textile nylon yarn and received responses from seven of them, which represented 99.4 percent of all domestic production of textile nylon yarn from 1975 through 1977. The aggregated results are given in table 5.

Net sales rose steadily throughout the period, showing an average annual increase of 3.4 percent. Healthy demand conditions in January-June 1978 continued to spur sales, which are projected to increase 11.1 percent on an annual basis from 1977.

Net operating profit and net profit before taxes, however, showed a different pattern, rising substantially in 1976, plummeting in 1977, and recovering modestly in 1978. Net profit before taxes for the industry increased from \$25.8 million in 1975 to \$43.3 million in 1976, or by 68 percent; and then fell off sharply in 1977 to \$8.8 million, a decrease of 80 percent from 1976 and 66 percent from 1975. Net profit before taxes for 1978 projected on an annual basis indicate an increase of 16 percent over profit in 1977.

To analyze these developments, the Commission computed a number of analytical ratios. Labor productivity ratios were computed to monitor any changes in productivity in the domestic textile nylon yarn industry, and costs were aggregated and indexed to examine trends in that area.

The labor productivity ratio is defined as the number of man-hours worked by production and related workers producing textile nylon yarn per unit of output. It is extremely unlikely that productivity difficulties caused the downturn in industry profit in 1977, since ratios for the industry have remained within narrow limits from 1975 to June 1978, as shown in the following tabulation:

Labor
productivity ratio
(man-hours per pound)

1975-----	.06
1976-----	.07
1977-----	.06
January-June--	
1977-----	.07
1978-----	.07

A cost analysis of the textile nylon yarn industry was also undertaken to search for possible explanations of the trend in profits. Cost of goods sold as well as general, selling, and administrative costs for the industry were indexed to show relative increases or decreases from 1975, the start of the period under review. The results are shown in the tabulation below (1975=100):

	<u>Index of cost</u> <u>of goods sold</u>	<u>Index of general,</u> <u>selling, and</u> <u>administrative costs</u>
1975-----	100	100
1976-----	100	107
1977-----	110	119
1978 January-June-- <u>1/</u>	122	<u>1/</u> 120

1/ Estimated.

These figures suggest that rising costs, unless compensated by increased sales prices, could have had a strong impact on profitability. Such was in fact the case. In 1976, as the figures indicate, expenses rose modestly, as manufacturing costs held stable while general, selling, and administrative expenses moved up by 7 percent. Manufacturers' sales prices, however, rose healthily that year; data presented in a later section of this report suggest average price rises of about 10 percent to more than 20 percent, depending on the type of yarn examined. Hence, analysis of the combined movements of prices and costs provides an adequate explanation for the substantial jump in profit recorded for 1976. In 1977, on the other hand, cost pressures were much more severe, and prices actually fell from the levels of 1976; the result was the precipitous decline in profitability recorded for 1977. The data for January-June 1978 are less clear as indicators, but they suggest that at least some abatement of both cost escalation and pricing weakness may lie behind the increase in profitability revealed in the financial statements.

A further explanation of profit movements in the textile nylon industry lies in individual firm performance. *** accounted for *** of the

*** decrease in net profit before taxes for the industry in 1977. Company spokesmen ***stated that decreases in net profit were due to the company's inability to raise prices or to maintain prices on certain yarns in the face of increased costs. They claimed that the inability to increase prices was in turn due to competition from increased imports of feed yarns from France and to competition from increased imports of broadwoven and warp knit yarns from Japan. Data submitted by the company showed production increasing from *** in 1976 to *** in 1977, but the value of shipments plus exports decreased from *** in 1976 to *** in 1977. Feed yarn shipments decreased from *** in 1976 to *** in 1977, or by *** percent.

The company stated that in an attempt to maintain profit margins by holding prices firm, business was lost to low-cost feed-yarn imports and to domestic competitors, which cut prices on their feed yarns in order to be able to maintain market share. In this context, much of *** may have gone to *** whose net sales of feed yarns increased from *** in 1976 to *** in 1977 as ***.

Inventories

The consensus of participants in the nylon yarn market is that inventories and their variation have little significance. Domestic producers stated at the Commission's hearing that although some inventories are held, production of textile nylon yarn roughly equals shipments for the industry. The chief importer of the product has also stated that shipments equal imports, after a minimal time lag.

Nevertheless, the Commission's questionnaire responses from seven of eight domestic producers revealed significant inventories of textile nylon yarn over the period January 1975-June 1978. The quantity and value of inventories are given in the following table. In addition, the ratio of inventories to producers' shipments and inventory-turnover ratios have been computed.

Textile nylon yarn: U.S.-producers' inventories, the ratios of such inventories to producers' shipments, and inventory-turnover ratios of 7 U.S. producers, Dec. 31 of 1975-77 and June 30 of 1977 and 1978

Date	Producers'		Ratio of	Inventory- turnover ratio
	inventories		producers'	
	Quantity	Value	inventories	
			to producers'	
			shipments	
	<u>1,000</u>	<u>1,000</u>		
	<u>pounds</u>	<u>dollars</u>	<u>Percent</u>	
Dec. 31--				
1975-----	14,375	14,507	4.3	<u>1/</u>
1976-----	18,456	18,900	5.7	25.8
1977-----	29,627	28,013	8.6	18.4
June 30--				
1977-----	18,129	17,615	10.1	<u>1/</u>
1978-----	28,778	29,348	15.3	18.3

1/ Not available.

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

The inventory-turnover ratio is defined as the cost of goods sold over a particular period divided by an average of the opening and closing inventories for that period. Inventory turnover is a calculation of how fast inventory on hand is sold and converted into cash or accounts receivable; hence, if calculated over time, it gives some indication of the salability of the industry's product. For example, a decrease of the inventory-turnover ratio over time may indicate that an industry's product is becoming less salable or that the industry is caught up in a general slowdown of the economy.

The data show the seven U.S. producers' inventories steadily increasing, from 4.3 percent of domestic shipments at the end of 1975 to 8.6 percent in December 1977 and 15.3 percent in June 1978. The inventory-turnover ratio dropped noticeably during the period, although it is projected to level off in 1978. The drop in this ratio reveals a slower inventory-liquidation cycle, indicating that the industry's goods became less salable over the period. It also gives evidence of overuse of capacity in the industry.

The data on inventories were affected, however, by ***. The company was still experiencing inventory/shipments ratios well in excess of the industry profile during January-June of 1978. Excluding *** inventory data lowers the inventory/shipments ratio by approximately *** percent from 1975 through 1977 and by approximately *** percent in January-June 1978. The inventory-turnover ratio is significantly altered, rising from *** in 1976 to *** in 1977 and rising even more, to *** in January-June 1978. The inventory-turnover ratio excluding data for *** then, gives support to other data showing a continued recovery in the textile nylon yarn industry in 1978.

Consideration of the Causal Relationship Between
Alleged Injury and LTFV Sales

The Department of the Treasury found LTFV margins on 83 percent of sales to the United States from Rhone Poulenc during the period of its investigation. The LTFV margin on sales compared was 22.4 percent.

Market penetration

As shown in the following table, imports from France increased from 1.5 percent of total apparent U.S. consumption in 1975 to 1.9 percent in 1977 before falling off precipitously to 0.7 percent during January-June 1978. The market penetration of all imports rose at a faster pace than that of imports from France in 1976 and 1977, and dropped less sharply in January-June 1978. Imports from Japan more than trebled their share of the U.S. market from 1975 to 1977, and Italy and the United Kingdom also made significant penetration into the U.S. market. On the other hand, West Germany's position fell off rapidly from its high point in 1976.

Textile nylon yarn: Ratios of U.S. imports to apparent consumption, by
principal sources, 1975-77, January-June 1977, and January-June 1978

(In percent)						
	1975	1976	1977	Jan.-June--		
				1977	1978	
Japan-----	***	***	***	***	***	***
France-----	1.5	1.6	1.9	1.5	.7	
United Kingdom-----	***	***	***	***	***	***
Italy-----	***	***	***	***	***	***
West Germany-----	***	***	***	***	1/	
Canada-----	***	***	***	***	***	***
Ireland-----	***	***	***	***	***	***
All other-----	***	***	***	***	1/	
Total-----	***	***	***	***	***	***

1/ Less than 0.05 percent.

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

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

Prices of textile nylon yarn

Lowest net selling price data on three representative denier textile nylon yarns were analyzed by the Commission. The margins of underselling or overselling by imports of textile nylon yarn from France vis-a-vis the domestic producers' average lowest net selling prices are given in the following table.

Textile nylon yarn: Average margins of underselling (-) or overselling by imports of textile nylon yarn from France vis-a-vis domestic producers' prices, by types and by quarters, January 1975-June 1978

(In percent)			
Period	Semidull		
	40/10-16	70/23-36	100/32-36
1975:			
January-March-----	1/	1/	1/
April-June-----	1/	1/	1/
July-September-----	4	1/	-2
October-December-----	2	-8	-5
1976:			
January-March-----	4	-13	-7
April-June-----	1	-10	1/
July-September-----	1	-10	-5
October-December-----	6	-11	-5
1977:			
January-March-----	5	-8	-6
April-June-----	4	-7	-6
July-September-----	6	-9	-6
October-December-----	3	-8	-3
1978:			
January-March-----	-3	-6	-1
April-June-----	-6	-5	-4

1/ During this period no shipments from importers were reported.

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

Lowest net selling prices of representative denier domestically produced textile nylon yarns rose steeply in 1976 but fell back in 1977, although they remained above 1975 levels. Imports of textile nylon yarn from France entered the U.S. market in the third quarter of 1976, and their prices remained relatively stable through June 1978. Indexes of average lowest net selling prices of the representative U.S.-made and French-made yarns are presented in the following table.

Textile nylon yarn: Indexes of average lowest net selling prices received by U.S. producers and by importers of French-made representative denier textile nylon yarn, by types and by quarters, January 1975-June 1978

(U.S. price for January-March 1975=100)							
Period	Semidull 40/10-16		Semidull 70/23-36		Semidull 100/32-36		
	U.S. producers' price	Importers' price	U.S. producers' price	Importers' price	U.S. producers' price	Importers' price	
1975:							
Jan.-Mar---	100	1/	100	1/	100	1/	
Apr.-June--	97	1/	100	1/	100	1/	
July-Sept--	103	107	108	1/	111		109
Oct.-Dec---	107	109	119	110	114		109
1976:							
Jan.-Mar---	108	112	125	111	122		114
Apr.-June--	112	112	124	113	120	1/	
July-Sept--	112	111	123	112	119		114
Oct.-Dec---	103	109	123	111	118		113
1977:							
Jan.-Mar---	100	106	119	110	119		113
Apr.-June--	106	111	117	109	119		113
July-Sept--	103	109	119	109	119		113
Oct.-Dec---	101	104	115	107	115		112
1978:							
Jan.-Mar---	106	103	114	108	113		112
Apr.-June--	110	104	112	107	113		109

1/ During this period no shipments from importers were reported.

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

Lost sales

Of the eight domestic producers of textile nylon yarn, three furnished specific information to the Commission on sales lost to imports from France. The Commission contacted nine major customers for domestic and French-made textile nylon yarn, including *** . The purchasers were asked to rank, on a scale of 1 to 5, their reasons for purchasing textile nylon yarn from France over the domestic product, with 5 being a "very important factor" in their purchasing decisions and 1 being a "not at all important" factor. The aggregated averages of the queries are given in the following tabulation:

<u>Factor</u>	<u>Average aggregated score</u>
Quality-----	4.3
Alternative source-----	4.0
Availability-----	4.0
Price-----	3.8
Because a competitor did so-----	1.6

In addition, the Commission asked the purchasers to list their most important reason for the purchase of textile nylon yarn from France over U.S.-produced yarn. Three purchasers mentioned availability of particular yarns as the most important reason, stating that they were unable to procure such yarns from domestic sources. Two mentioned alternative source as the most important factor, stating that they were unable to purchase sufficient quantities of yarn from domestic sources. One purchaser mentioned quality as the most important reason for his purchases of nylon yarn from France, one mentioned price, one mentioned price and quality equally, and one mentioned price and alternative source equally.

Finally, the Commission requested information from the purchasers concerning their reasons for terminating purchases of textile nylon yarn from France, if indeed they had done so. Of nine purchasers, seven had terminated purchases. Of the seven, three informed the Commission that prices of the French yarn were no longer competitive with those of yarns purchased from domestic sources, two cited the increased availability of domestic yarns, and one cited the poor quality of French yarn for certain applications. One purchaser mentioned price and availability of domestic yarns as equal factors.

Consideration of the Likelihood of Injury

Two factors will determine the likelihood of future injury to the domestic textile nylon yarn industry: The demand for textile nylon yarn in the United States, and the ability and intention of Rhone Poulenc and SNIA Viscosa, the two French producers, to export the subject articles to the United States at LTFV.

Apparent U.S. consumption data show a *** percent increase in 1977 from 1975 and a further *** percent increase in consumption for January-June 1978 from the corresponding period of 1977. Since no new major encroachment on nylon's markets by polyester is anticipated by the industry, the demand for textile nylon yarn should grow in the years ahead in the steady but not spectacular manner typical of a mature industry in the United States (transcript of the hearing, pp. 67-68).

Apparently agreeing with this assessment, Monsanto Textiles Co., the second-largest producer of textile nylon yarn in the United States, increased prices of its textile-denier nylon yarns by 7 to 9 percent, effective October 2, 1978, and Chevron Chemical Co. purchased and reactivated a textile nylon plant of significant capacity in 1976.

According to information received by the Commission, SNIA Viscosa, S.A. ceased production of textile nylon yarn in its French plant, and has no future plans to export nylon yarn to the United States from France. SNIA's last shipments to the United States were in March 1978.

Rhone Poulenc Textiles, stated at the Commission's hearing and in a post-hearing brief that the company's production/capacity ratio for textile nylon yarn was at 100 percent, and hence any imports of yarn to the United States were limited (transcript of the hearing, p. 181). Future imports are likely to be limited by the same capacity constraint and by company plans to consolidate its manmade-fiber production facilities, which would place increasingly severe limits on exports of textile nylon yarns to the United States, and result in a total withdrawal from the U.S. market by 1981 (transcript of the hearing, pp. 183-84; statement from posthearing brief, p. 23). In addition, a witness for Rhone Poulenc submitted exhibits and discussed plans by various European manufacturers of manmade fibers, among them Rhone Poulenc and SNIA Viscosa, to reduce excess capacity for manmade fibers by 400,000 tons (14 percent of present capacity) in the European Community (EC) by means of a cartel arrangement (transcript of the hearing, p. 186).

In the public testimony at the Commission's hearing and in a subsequent posthearing brief submitted to the Commission, the petitioner in the present case strongly contested many of the above statements. The petitioner maintains that even if plans to phase out textile nylon imports from Rhone Poulenc by 1981 prove true, substantial injury to the domestic industry could occur until that time. The petitioner also mentions the tentative nature of the proposed EC agreement on the establishment of a manmade fibers cartel, pointing out that the EC has yet to formally approve the plan and that there is strong opposition in some member countries to it (statement from the post-hearing brief, pp. 20-21).

Finally, continued depreciation of the U.S. dollar relative to the French franc will have a dampening effect on imports, because depreciation of the dollar will force the foreign manufacturer to raise prices on its exports if it is to realize a constant rate of return on its U.S. sales, under ceteris paribus conditions (app. F).

APPENDIX A

U.S. INTERNATIONAL TRADE COMMISSION NOTICE OF INVESTIGATION AND HEARING
CONCERNING INVESTIGATION NO. AA1921-185, CERTAIN NYLON YARN AND
GROUPED NYLON FILAMENTS FROM FRANCE

A-20
UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

(AA1921-185)


NYLON YARN FROM FRANCE

Notice of Investigation and Hearing

Having received advice from the Department of the Treasury on July 18, 1978, that certain nylon yarn and grouped nylon filaments from France is being, or is likely to be, sold at less than fair value, the United States International Trade Commission on July 26, 1978, instituted investigation No. AA1921-185 under section 201(a) of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)), to determine whether an industry in the United States is being, or is likely to be injured, or is prevented from being established, by reason of the importation into the United States of nylon yarn and grouped nylon filaments, not textured, provided for in items 309.3030, 309.3130, 310.0149 and 310.0249 of the Tariff Schedules of the United States Annotated.

A public hearing in connection with the investigation will be held on Tuesday, August 29, 1978, in the Commission's Hearing Room, United States International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436, beginning at 10:00 a.m., e.d.t. Requests to appear at the public hearing should be filed with the Secretary of the Commission, in writing, not later than noon, Thursday, August 24, 1978.

By order of the Commission.


Kenneth R. Mason
Secretary

Issued: July 27, 1978

APPENDIX B

TREASURY DEPARTMENT NOTICES ON NYLON YARN AND GROUPED NYLON
FILAMENTS FROM FRANCE AS PUBLISHED IN THE FEDERAL REGISTER



A-22

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

RECEIVED

JUL 14 1978 '78 JUL 18 PM 1:14

The Honorable
Joseph O. Parker
Chairman
U.S. International Trade Commission
Washington, D. C. 20436

DOCKETED

DOCKET NUMBER 1
#525
U.S. I.T.C.
Secretary
Int'l Trade Commission

Dear Mr. Chairman:

In accordance with section 201(a) of the Antidumping Act, 1921, as amended, you are hereby advised that nylon yarn from France is being, or is likely to be, sold at less than fair value within the meaning of the Act.

For purposes of this investigation, the term "nylon yarn" means nylon yarn and grouped nylon filaments, not textured, provided for in items 309.3030, 309.3130, 310.0149 and 310.0249, Tariff Schedules of the United States, Annotated (TSUSA).

The U. S. Customs Service is making the files relative to this determination available to the International Trade Commission under separate cover. These files are for the Commission's use in connection with its investigation as to whether an industry in the United States is being, or is likely to be, injured by reason of the importation of this merchandise into the United States. Since some of the data in these files is regarded by the Treasury to be of a confidential nature, it is requested that the Commission consider all information therein contained for the use of the Commission only, and not to be disclosed to others without prior clearance with the Treasury Department.

Sincerely yours,

Robert H. Mundheim

NOTICES

yarn and grouped nylon filaments, not textured, provided for in items 309.3030, 309.3130, 310.0149, and 310.0249, Tariff Schedules of the United States, Annotated.

Pricing information thus far obtained indicates that imports of nylon yarn from France may be sold up to 40 percent below French home market prices for such or similar merchandise.

There is evidence on record concerning injury to, or likelihood of injury to, or prevention of establishment of an industry in the United States. This information indicates that imports of nylon yarn from France are underselling prices of domestic nylon yarn by approximately 10 percent. This underselling is fully accounted for by the alleged dumping margins. In addition, petitioner's production of nylon yarn which had previously been returning profits has now declined to a loss position. Employment in petitioner's plants producing nylon yarn have declined approximately 21 percent between 1975 and 1977, accompanied by a decline in production of similar proportions. Capacity utilization and capital investment have also declined.

Having conducted a summary investigation as required by § 153.29 of the Customs Regulations (19 CFR 153.29) and having determined as a result thereof that there are grounds for so doing, the U.S. Customs Service is instituting an inquiry to verify the information submitted and to obtain the facts necessary to enable the Secretary of the Treasury to reach a determination as to the fact or likelihood of sales at less than fair value.

This notice is being published pursuant to § 153.30 of the Customs Regulations (19 CFR 153.30).

HENRY C. STOCKELL, Jr.,
Acting General Counsel of
the Treasury.

JANUARY 19, 1978.

[FR Doc. 78-2102 Filed 1-24-78; 8:45 am]

[4810-22]

NYLON YARN FROM FRANCE

Antidumping Proceeding Notice

AGENCY: U.S. Treasury Department.

ACTION: Initiation of Antidumping Investigation.

SUMMARY: This notice is to advise the public that a petition in proper form has been received and an antidumping investigation is being initiated for the purpose of determining whether nylon yarn is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Sales at less than fair value generally occur when the prices of the merchandise sold for exportation to the United States are less than the prices in the home market or to third countries.

EFFECTIVE DATE: January 25, 1978.

FOR FURTHER INFORMATION CONTACT:

David P. Mueller, Operations Officer, United States Customs Service, Office of Operations, Duty Assessment Division, Technical Branch, 1301 Constitution Avenue NW., Washington, D.C. 20229, 202-566-5492.

SUPPLEMENTARY INFORMATION: On December 15, 1977, information was received in proper form pursuant to §§ 153.26 and 153.27, Customs Regulations (19 CFR 153.26, 153.27), from E. I. duPont de Nemours & Company, Inc., Wilmington, Del., indicating the possibility that the subject merchandise from France is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.).

For purposes of this investigation, the term "nylon yarn" means nylon

[4810-22]

Office of the Secretary

NYLON YARN FROM FRANCE

**Antidumping; Withholding of Appraisement
Notice and Determination of Sales at Less
Than Fair Value**

AGENCY: U.S. Treasury Department.

ACTION: Withholding of appraisement and determination of sales at less than fair value.

SUMMARY: This notice is to advise the public that an antidumping investigation has resulted in a determination that nylon yarn from France is being sold at less than fair value under the Antidumping Act, 1921. (Sales at less than fair value generally occur when the price of merchandise for exportation to the United States is less than the price of such or similar merchandise sold in the home market or to third countries.) Appraisements of entries of this merchandise will be suspended for 3 months. This case is being referred to the U.S. International Trade Commission for a determination concerning possible injury to an industry in the United States.

EFFECTIVE DATE: July 20, 1978.

**FOR FURTHER INFORMATION
CONTACT:**

Michael E. Crawford, Duty Assessment Division, U.S. Customs Service, 1301 Constitution Avenue NW., Washington, D.C. 20229, telephone 202-566-5492.

SUPPLEMENTARY INFORMATION: On December 15, 1977, a petition in proper form was received from E.I. du Pont de Nemours & Co., Inc., Wilmington, Del., alleging that nylon yarn from France is being sold at less than fair value, thereby causing injury to, or the likelihood of injury to, an industry in the United States, within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.) (referred to in this notice as "the act"). On the basis of this information and subsequent preliminary investigation by the Customs Service, an "Antidumping Proceeding Notice" was published in the FEDERAL REGISTER of January 25, 1978 (43 FR 3470).

For purposes of this investigation, the term "nylon yarn" means nylon yarn and grouped nylon filaments, not textured, provided for in items

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NOTICES

309.3030, 309.3130, 310.0149, and 310.0249, Tariff Schedules of the United States, Annotated (TSUSA).

STATEMENT OF REASONS ON WHICH THIS DETERMINATION IS BASED

The reasons and basis for the above determination are as follows:

(a) *Scope of the investigation.*—Virtually all of the imports of the subject merchandise from France are manufactured by Rhone Poulenc Textiles, Paris, France. Therefore, the investigation was limited to this manufacturer.

(b) *Basis of comparison.*—For the purposes of considering whether the merchandise in question is being, or is likely to be, sold at less than fair value within the meaning of the act, the proper basis of comparison is between the purchase price and the home market price of such or similar merchandise. Purchase price, as defined in section 203 of the act (19 U.S.C. 162), was used since all export sales to the United States were made to nonrelated customers. Home market price, as defined in section 153.2, Customs Regulations (19 CFR 153.2) was used since such or similar merchandise was sold in the home market in sufficient quantities to provide a basis for fair value.

In accordance with section 153.31(b), Customs Regulations (19 CFR 153.31(b)), pricing information was obtained concerning imports and home market sales during the period August 1, 1977, through January 31, 1978.

(c) *Purchase price.*—For the purposes of this determination, since all merchandise was purchased or agreed to be purchased prior to the time of exportation, by the persons by whom or for whose account it was imported, within the meaning of section 203 of the act, the purchase price has been calculated on the basis of the C and F price to Wilmington, N.C., and Charleston, S.C. Adjustments were allowed for ocean freight and inland freight.

(d) *Home market price.*—For the purposes of this determination of sales at less than fair value, the home market price has been calculated on the basis of the delivered price with adjustments for inland freight and advertising.

The adjustment for advertising expenses was made in accordance with section 153.10 of the Customs Regulations (19 CFR 153.10) in that the expenses were incurred for the benefit of the purchaser.

Respondent also made claims for adjustments based on expenses incurred for technical and marketing services provided customers in the home market. However, in neither instance was the claim shown to be directly related to the sales under consideration, as required by section 153.10, Customs Regulations (19 CFR 153.10). Further, insufficient documentation was provided concerning these claims. Therefore, these adjustments were disallowed.

(e) *Results of fair value comparisons.*—Using the above criteria, comparisons were made on approximately 83 percent of the nylon yarn sales to the United States during the representative period. Those comparisons indicate that the purchase price was less than the home market price of such or similar merchandise. Margins were found ranging from approximately 18 to 27 percent on 100 percent of the sales compared. The weighted average margin of

those sales on which comparisons were made amounted to 22.5 percent.

The Secretary has provided an opportunity to known interested persons to present written and oral views pursuant to § 153.40, Customs Regulations (19 CFR 153.40). However, no one has elected to present such views.

Based on the reasons noted above, Customs officers are being directed to withhold appraisement of nylon yarn from France in accordance with § 153.48, Customs Regulations (19 CFR 153.48).

This withholding of appraisement notice, which is published pursuant to § 153.35(a), Customs Regulations (19 CFR 153.35(a)), shall become effective July 20, 1978. It shall cease to be effective at the expiration of 3 months from the date of this publication unless previously revoked.

The U.S. International Trade Commission is being advised of this determination.

This determination is being published pursuant to section 201(d) of the act (19 U.S.C. 160(d)).

ROBERT H. MUNDHEIM,
General Counsel
of the Treasury.

JULY 14, 1978.

[FR Doc. 78-20147 Filed 7-19-78; 8:45 am]

APPENDIX C

EXPLANATORY DIAGRAM

Some Major Uses

(Apparel)

Blouses
Dresses
Foundation garments
Hosiery
Lingerie and underwear
Raincoats
Ski and snow apparel
Suits
Windbreakers

(Home Furnishings)

Bedspreeds
Carpets
Draperies and curtains
Upholstery

(Others)

Air hoses
Conveyer and seat belts
Military uses
Parachutes
Racket strings
Ropes and nets
Sleeping bags
Tarpaulins
Tents
Thread
Tire cord

General Care Tips

1. Most items made from nylon can be machine washed and tumble dried at low temperatures. Use warm water and add a fabric softener to the final rinse cycle.
2. Remove articles from dryer as soon as tumbling cycle is completed.
3. If ironing is required, use warm iron.

Nytril

(Production discontinued in U.S.)

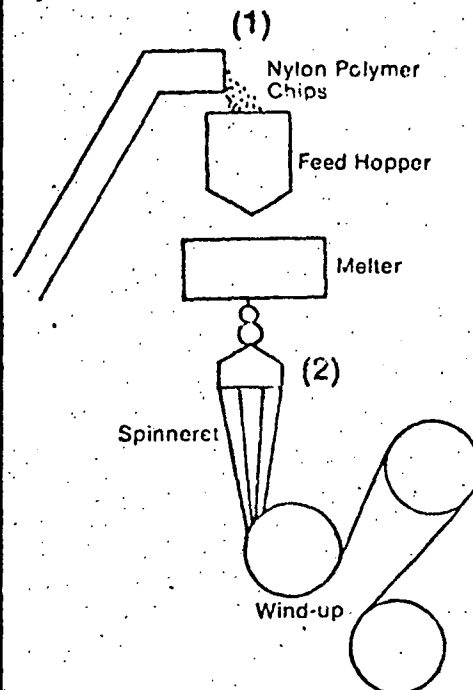
Federal Trade Commission Definition

Nytril — a manufactured fiber containing at least 85% of a long chain polymer of vinylidene dinitrile. $(-\text{CH}_2-\text{C}(\text{CN})_2-)$ where the vinylidene dinitrile content is no less than every other unit in the polymer chain.

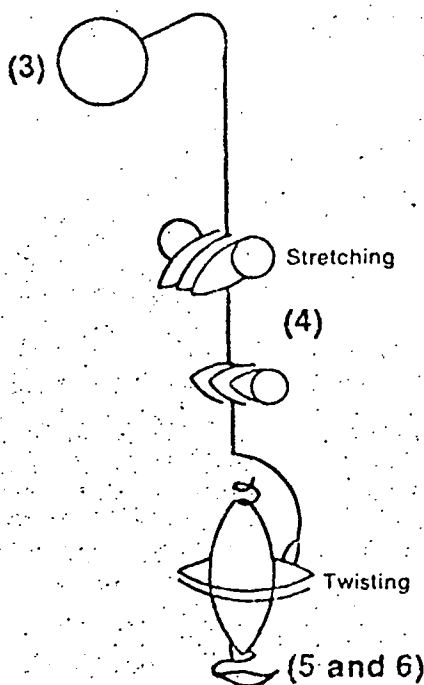
Characteristics and Uses

Nytril fibers are soft and resilient. Like modacrylic fibers, they soften at somewhat lower temperatures than acrylic fibers and are therefore most commonly used in articles that do not require pressing. Nytril fibers

Nylon Production



1. The production of nylon fibers begins with hard white fragments called nylon polymer chips.
2. The chips are melted and the fluid is pumped to a spinneret where it is extruded and solidified to form continuous monofilaments.
3. Assembled continuous monofilaments are taken up on a bobbin.
4. The bobbin is transported to another area where the nylon is stretched. Stretching allows molecules within the continuous monofilaments to be arranged in a more orderly pattern.
5. The assembled continuous monofilaments are twisted into yarn.
6. The yarn is then wound onto bobbins and is ready for shipment.



APPENDIX D

STATISTICAL TABLES

Table 1.—Textile nylon yarn: Percentage distribution of domestic shipments of textile nylon yarn to domestic mills, by end-uses, 1975-77

(In percent)			
Item	1975	1976	1977 ^{1/}
Circular knit sweaters and socks:			
Textured-----	27	24	24
Nontextured-----	-	-	-
Total-----	27	24	24
Warp knit (nightgowns, etc.)			
Textured-----	1	1	1
Nontextured-----	37	35	35
Total-----	38	36	37
Broadwoven apparel (athletic outerware, etc.)			
Textured-----	-	-	-
Nontextured-----	11	14	12
Total-----	11	14	12
Hosiery:			
Textured-----	9	9	9
Nontextured-----	1	1	2
Total-----	10	10	11
Other (home furnishings, threads, etc.):			
Textured-----	4	3	3
Nontextured-----	10	13	13
Total-----	14	16	16
Grand total-----	100	100	100
Total, textured-----	41	37	37
Total, nontextured-----	59	63	63

^{1/} Estimated.

Source: Compiled from data submitted to the U.S. International Trade Commission by E. I. du Pont de Nemours & Co., Inc.

Table 2.—Textile nylon yarn: 1/ U.S. imports for consumption, by principal sources, 1975-77, January-June 1977, and January-June 1978

Source	1975	1976	1977	Jan.-June--	
				1977	1978
Quantity (1,000 pounds)					
Japan-----	5,489	10,326	20,457	11,614	10,870
France-----	***	***	***	***	***
United Kingdom-----	0	2,573	3,863	2,736	1,483
Italy-----	1,446	3,300	4,575	2,088	3,268
West Germany-----	2,937	4,230	2,361	1,796	68
Canada-----	0	0	393	6	1,289
Ireland-----	111	763	0	0	665
All other-----	587	2,148	745	527	76
Total-----	***	***	***	***	***
Value (1,000 dollars)					
Japan-----	4,492	9,486	18,089	9,864	10,528
France-----	***	***	***	***	***
United Kingdom-----	-	2,412	3,764	2,670	1,443
Italy-----	1,363	3,068	4,420	1,952	3,095
West Germany-----	2,929	4,374	2,217	1,656	101
Canada-----	-	-	356	11	1,138
Ireland-----	77	825	-	-	656
All other-----	540	2,330	863	635	123
Total-----	***	***	***	***	***
Unit value (per pound)					
Japan-----	\$0.82	\$0.92	\$0.88	\$0.84	\$0.96
France-----	***	***	***	***	***
United Kingdom-----	-	.94	.97	.97	.97
Italy-----	.94	.93	.97	.93	.94
West Germany-----	1.00	1.03	.94	.92	1.48
Canada-----	-	-	.91	1.83	.88
Ireland-----	\$0.69	1.08	-	-	.98
All other-----	.92	1.09	1.16	1.20	1.61
Average-----	***	***	***	***	***

1/ Data for 1975 and 1976 include TSUSA items 309.3020, 309.3120, 310.0148, and 310.0248; data for 1977 and January-June 1978 include items 309.3030, 309.3130, 310.0149, and 310.0249.

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

Table 3.--Textile nylon yarn: Apparent U.S. consumption, imports from France, and total imports, 1975-77, January-June 1977, and January-June 1978

Period	Apparent consumption (1)	Imports from France (2)	Total imports (3)	Ratio of--	
				(2) to (1)	(3) to (1)
	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>Percent</u>	<u>Percent</u>
1975-----	***	***	***	1.5	***
1976-----	***	***	***	1.6	***
1977-----	***	***	***	1.9	***
January-June--					
1977-----	***	***	***	1.5	***
1978-----	***	***	***	.7	***

Source: Imports from France and total imports, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; apparent consumption, compiled from official statistics of the U.S. Department of Commerce and from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 4.--Textile nylon yarn: U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1975-77, January-June 1977, and January-June 1978

Period	Producers' shipments	Imports	Exports	Apparent consumption	Ratio of imports to consumption
	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>Percent</u>
1975-----	360,600	***	8,380	***	***
1976-----	341,386	***	6,736	***	***
1977-----	366,311	***	9,579	***	***
January-June--					
1977-----	190,525	***	4,099	***	***
1978-----	201,778	***	8,548	***	***

Source: U.S. producers' shipments and exports, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; apparent consumption, compiled from official statistics of the U.S. Department of Commerce and from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 5.--Profit-and-loss experience of 7 U.S. producers on their textile nylon yarn operations, accounting years 1975-77 and January-June 1978

Item	1975	1976	1977	Jan.-June-- 1978
Net sales-----1,000 dollars--:	490,849	509,327	523,942	291,073
Cost of goods sold-----do-----:	431,069	431,014	476,107	261,930
Gross profit-----do-----:	59,780	78,313	47,835	29,143
General, selling, and administrative expenses-----do-----:	32,745	34,988	38,817	19,567
Net operating profit-----do-----:	27,035	43,325	9,018	9,576
Net profit before taxes-----do-----:	25,753	43,325	8,843	10,179
Ratio of net operating profit to net sales-----percent--:	5.5	8.5	1.7	3.3
Ratio of net profit before taxes to net sales-----percent--:	5.2	8.5	1.7	3.5
Number of firms reporting losses:				
Operating losses----1,000 dollars--:	***	***	***	***
Net losses-----do-----:	***	***	***	***
Range of individual firms' sales:				
High-----1,000 dollars--:	***	***	***	***
Low-----do-----:	***	***	***	***
Range of individual firms' net operating profit or (loss):				
High-----1,000 dollars--:	***	***	***	***
Low-----do-----:	***)	***	***	***
Range of individual firms' net profit or (loss) before taxes:				
High-----1,000 dollars--:	***	***	***	***
Low-----do-----:	***)	***	***	***

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

APPENDIX E

TREASURY DEPARTMENT NOTICES ON NYLON YARN AND GROUPED NYLON FILAMENTS
FROM JAPAN AS PUBLISHED IN THE FEDERAL REGISTER

[4810-22]

NYLON YARN FROM JAPAN**Antidumping Proceeding****AGENCY:** U.S. Treasury Department.**ACTION:** Initiation of Antidumping Investigation.

SUMMARY: This notice is to advise the public that a petition in proper form has been received and an antidumping investigation is being initiated for the purpose of determining whether nylon yarn from Japan is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Sales at less than fair value generally occur when the prices of the merchandise sold for exportation to the United States are less than the prices in the home market or the constructed value.

EFFECTIVE DATE: March 10, 1978.**FOR FURTHER INFORMATION CONTACT:**

David R. Chapman, Operations Officer, United States Customs Service, Office of Operations, Duty Assessment Division, Technical Branch, 1301 Constitution Avenue NW., Washington, D.C. 20229, 202-566-5492.

SUPPLEMENTARY INFORMATION:

On February 3, 1978, information was received in proper form pursuant to §§ 153.26 and 153.27, Customs Regulations (19 CFR 153.26, 153.27), from E.I. du Pont de Nemours & Co., Inc., Wilmington, Del., indicating the possibility that the subject merchandise from Japan is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.).

For purposes of this investigation, the term "nylon yarn" means nylon

yarn and grouped nylon filaments, not textured, provided for in items 309.30, 309.31, 310.01, and 310.02, Tariff Schedules of the United States.

Pricing information was supplied by petitioner on two types of nylon yarn—warp knitting yarn and broadweaving yarn. With respect to warp knitting yarn, petitioner submitted Japanese home market and export prices which indicate there may be less-than-fair-value margins of as great as 43 percent. With respect to broadweaving yarn, petitioner invoked section 205(b) of the Act, claiming sales in the home market below the cost of production. Consequently, petitioner constructed the value of broadweaving yarn produced in Japan and, in comparison with a representative export price to the United States, arrived at an alleged less-than-fair-value margin of 42 percent.

With respect to warp knitting yarn, a price-to-price comparison will be used in the investigation hereby initiated. With respect to broadweaving yarn, the investigation will cover not only price-to-price comparisons but will also seek to determine whether (1) there have been sales made in the home market at less than the cost of production over an extended period of time and in substantial quantities and (2) such sales were not at prices which permit recovery of all costs within a reasonable period of time in the normal course of trade. If there have been such sales, those sales will be disregarded in the determination of foreign market value. If insufficient sales remain at not less than the cost of production, then the constructed value will be employed as the basis of fair value.

There is evidence on record concerning injury to, or likelihood of injury to, an industry in the United States that produces nylon yarn. This information indicates that imports of nylon yarn from Japan are underselling domestic nylon yarn by margins of at least 5 percent, which is fully accounted for by the alleged dumping margins. As a result, in part, of the alleged sales at less than fair value, imports of nylon yarn from Japan have increased in both absolute and relative terms. In addition, domestic production, capacity utilization and sales have all declined in the latest 3-year period. Furthermore, petitioner's profitability in the production of nylon yarn has declined appreciably and employment in petitioner's plants has been affected by lost sales.

In addition, in the **FEDERAL REGISTER** of January 25, 1978, (43 FR 3470), an "Antidumping Proceeding Notice" was published initiating an antidumping investigation concerning nylon yarn from France. The nylon yarns that are the subject of that investigation also appear to be the subject of this inves-

tigation. The cumulative effect of imports of a single product from more than one country must be considered in assessing the injurious effects of alleged "less than fair value" imports. When the imports from Japan are cumulated with those alleged to exist from France, the level of import penetration exceeds 5 percent of current U.S. consumption.

Counsel for a Japanese exporter has asserted that the nylon yarn at issue here is within the coverage of the Agreement Regarding International Trade in Textiles (MFA), TIAS 7934, and is also covered in an exchange of notes dated December 19, 1975, between the United States and Japan TIAS 8181, under which either government may initiate consultations concerning possible market disruptions caused by imports in textiles and yarns. However, there are no quantitative or other restrictions now in effect concerning imports of the Japanese nylon yarn under the provisions of the MFA or the note of December 19, 1975, which would limit the adverse impact of sales of nylon yarn at less-than-fair-value. Therefore, this case does not present the issue of whether the existence of international agreements or procedures for addressing market disruption caused by the imports under investigation is a relevant factor in considering whether "substantial doubt" of injury exists requiring a reference of the case to the ITC at this time pursuant to section 201(c)(2) of the Act (19 U.S.C. 160(c)(2)).

Accordingly, based upon the available information of injury resulting from sales at less than fair value, no "substantial doubt" of injury exists and no reference of this case to the ITC will be made.

Having conducted a summary investigation as required by § 153.29 of the Customs Regulations (19 CFR 153.29) and having determined as a result thereof that there are grounds for so doing, the U.S. Customs Service is instituting an inquiry to verify the information submitted and to obtain the facts necessary to enable the Secretary of the Treasury to reach a determination as to the fact of likelihood of sales at less than fair value.

This notice is being published pursuant to § 153.30 of the Customs Regulations (19 CFR 153.30).

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

MARCH 7, 1978.

[FR Doc. 78-6331 Filed 3-9-78; 8:45 am]

Office of the Secretary
NYLON YARN FROM JAPAN

Termination of Antidumping Investigation

AGENCY: Treasury Department.

ACTION: Termination of Antidumping Investigation.

SUMMARY: This notice is to advise the public that the antidumping inves-

tigation of nylon yarn from Japan is being terminated. The termination is based on the withdrawal of the original antidumping petition, as detailed in the body of this notice and appendices hereto.

EFFECTIVE DATE: May 25, 1978.

FOR FURTHER INFORMATION CONTACT:

James C. Davenport, Assistant to the Director, Office of Tariff Affairs, U.S. Treasury Department, 15th and Pennsylvania Avenue Washington, D.C. 20220, 202-566-2951.

SUPPLEMENTARY INFORMATION: On February 3, 1978, information was received in proper form pursuant to sections 153.26 and 153.27, Customs Regulations (19 CFR 153.26 and 153.27), from E. I. du Pont de Nemours and Co., alleging that nylon yarn from Japan is being, or is likely to be sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.). This information was the subject of an Antidumping Proceeding Notice published in the FEDERAL REGISTER of March 10, 1978 (43 FR 9813).

On March 29, 1978, counsel on behalf of the Japanese manufacturers subject to this investigation, Toray Industries, Inc. and Kanebo Textiles, Ltd., submitted a letter to the Treasury Department in which the two manufacturers offered to revise their selling prices to the United States. On May 12, 1978, the Treasury received from du Pont a letter stating that because, in its opinion the revised prices proposed by Toray and Kanebo would substantially reduce the dumping margins alleged in the petition, it was withdrawing its petition. These letters, as well as the Treasury reply to du Pont, are reproduced as appendices to this notice.

Based upon the withdrawal of the antidumping petition, on the bases expressed in the letters appended hereto, I conclude that it is appropriate to terminate this investigation. This termination is without prejudice to the filing of a subsequent antidumping petition concerning the same product at any time in the future.

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

MAY 19, 1978.

DANIELS, HOULIHAN & PALMER,
March 29, 1978.

Mr. PETER D. EHRENHAFT,
Deputy Assistant Secretary for Tariff Affairs,
Main Treasury, Washington, D.C.
 Re Nylon Yarn from Japan.

DEAR Mr. EHRENHAFT: The purpose of this letter is to transmit to you, on behalf of our client, Toray Industries Inc. (hereinafter referred to as "Toray"), a proposal to settle the above-styled matter. Toray is prepared to undertake to sell the subject yarns at

prices calculated to be above prices which could be found to be LTFV prices, and above cost of production in the case of 70 denier yarns.

These prices are also substantially above the equivalent prices (based on our best information) of the petitioners for similar, and possibly competitive yarns, obviating any possibility of injury.

This offer is conditioned upon withdrawal of the petition or some other expeditious method of terminating this case.

We have recently been retained by Kanebo Textiles Ltd. (hereinafter referred to as "Kanebo"), the other major exporter of the subject yarns, and although there has been insufficient time to fully consult with them, we believe, subject to formal confirmation, that they are prepared to make a similar or identical offer on 40 denier yarns (Kanebo is not a factor in 70 denier yarns).

Attached hereto are tables showing Toray's home market prices for 40 and 70 denier yarns and Toray's calculated cost of production for 70 denier yarns. This data is submitted as confidential business data.

You will appreciate that given the limited amount of time available to us we were not able to engage in as extensive a response as would occur in a formal investigation. Because of these time strictures we have adopted what we believe to be a conservative approach. Uncertainties were resolved in a manner that would increase rather than decrease the price level of home market sales in the case of both deniers and the cost of production in the case of 70 denier yarns.

Also because of the time problem the data was computed for periods not exactly identical with that which we understand has been adopted as the relevant period in this investigation, but are nevertheless representative of the relevant period.

We would also call to your attention the fact that 40 and 70 denier yarns to which this offer is confined represent approximately 97.7 percent of exports from Japan of all nylon yarns and that for 40 and 70 denier yarns Toray and Kanebo accounted for 87.6 percent of total exports from Japan in 1977 (see table).

Specifically the Toray proposal is to sell 40 denier yarns on a duty paid delivered (DPD) basis at a price not less than \$1.47 per pound and not less than \$1.33 per pound for 70 denier yarns. The attached business confidential summary sheet shows the equivalent ex-factory prices calculated from these DPD prices. This undertaking would commence with August 1978 entries.

This table also shows that the prices are at or above home market price for 40 and 70 denier and above cost of production for 70 denier yarn.

We have also attached a table (not business confidential) comparing Toray's proposed prices, DPD, with the petitioners current prices. These comparisons indicate, after proper adjustment, that the proposed prices are substantially above those currently being offered by Petitioner.

We trust that these proposed prices and the underlying calculations on home market price and cost of production will be received as an offer of settlement and without prejudice to submissions in a formal investigation should this proposal be rejected.

We look forward to conferring with you on this matter at our meeting scheduled for Wednesday, March 23th.

Respectfully submitted,

MICHAEL P. DANIELS.

*Comparison of proposed Toray prices and
current prices of petitioners*

40 Denier: Toray:			
Proposed price DPD.....	\$1.47		\$1.47
Adjustment: Beaming15		.18
<hr/>			
Total	1.62		1.65
Petitioners: On beam.....			1.30
<hr/>			
70 Denier: Toray:			
	Warp	West	
Proposed price (DPD)	1.33		1.33
Adjustment:			
Sizing05		
Beaming15		
Nylon 6 and 66 differential12		.12
<hr/>			
Total	1.65		1.45
Petitioners: Warp beamed, sized, and rebeamed.....	1.45		1.27

MAY 9, 1978.

Mr. PETER D. EHRENHAFT,
Deputy Assistant Secretary for Tariff Af-
fairs, U.S. Department of the Treasury,
Washington, D.C.

ANTIDUMPING COMPLAINT, NYLON YARN FROM
JAPAN

DEAR MR. EHRENHAFT: By letter of March 29, 1978, to your office, counsel for Toray Industries, Inc., and Kanebo Textiles Ltd. stated that his clients were willing to sell the subject nylon yarns at or above certain price levels to effect withdrawal of the above-captioned antidumping proceeding. The specific U.S. selling prices stated by Toray and Kanebo are not less than \$1.47 duty paid delivered for 40 denier nylon yarn on tubes and not less than \$1.33 duty paid delivered for 70 denier nylon yarn on tubes.

Pursuant to your request for Du Pont's response to the Toray and Kanebo proposal, we can state that the revised prices proposed by Toray and Kanebo would substantially reduce the dumping margins alleged in our petition and, if promptly implemented, should avoid the need for continuing these proceedings. Accordingly, Du Pont hereby requests withdrawal of its antidumping petition dated February 3, 1978.

Du Pont's position is taken with the expectation that Toray and Kanebo will export subject products in accordance with U.S. antidumping laws. However, Du Pont reserves the right to seek relief in the future under the Antidumping Act should Du Pont conclude that sales at the foregoing prices or at any other prices established by Toray and Kanebo are at less than fair value and in violation of the U.S. antidumping laws. We would ask that the Treasury Department process any such future petition as expeditiously as possible.

According to their counsel's letter, Toray and Kanebo propose to implement the foregoing prices on August 1. There appears to be no good reason for delaying the price adjustment for such a long period. In view of the Japanese firms' express intention to comply with our antidumping laws, we would expect to see the proposed price increases effected at the earliest possible date and not later than June 1, 1978. Moreover, it is recognized that the Treasury Department has no responsibility to monitor the price of such nylon imports.

Respectfully submitted,

THEODORE F. KILLHEFFER.

MAY 16, 1978.

THEODORE E. KILLHEFFER, Esquire,
Legal Department, E. I. du Pont de Nemours
& Co., Wilmington, Del.

Dear Mr. Killheffer: This is to acknowledge receipt of your letter of May 9, 1978 in which, on behalf of the du Pont Company, you unconditionally withdrew the antidumping petition filed February 3, 1978 relative to nylon yarn from Japan.

In response to your letter, I wish to indicate to you that the antidumping investigation begun on March 10, 1978, as a result of your petition, will be terminated immediately, subject to the approval of Treasury's General Counsel.

At the same time, the Treasury Department recognizes that your withdrawal of the petition is without prejudice to the filing of a new complaint at any time in the future. However, I should also state, as you recognize in the concluding sentence of your letter, that Treasury has no future responsibility to monitor the prices at which the Japanese manufacturers sell nylon yarn to the United States.

Sincerely yours,

PETER D. EHRENHAFT,
Deputy Assistant Secretary
and Special Counsel

[FR Doc. 78-14646 Filed 5-24-78; 8:45 am]

APPENDIX F

EXCHANGE-RATE FLUCTUATIONS

Exchange-rate fluctuations can substantially affect the calculations of home-market prices and costs of production, and, hence, calculations of LTFV margins. In periods of rapid depreciation of the U.S. dollar relative to the home-market currency, home-market prices or costs may rise relative to the dollar if such prices and costs are converted to dollars for purposes of analysis. Thus, LTFV margins based on home-market prices or costs may rise or fall even though actual costs and prices in the home-market remain stable. This fact was emphasized by a witness for the importers at the Commission's hearing in the present case (transcript of the hearing, p. 187).

Over the period of Treasury's investigation, August 1, 1977, through January 31, 1978, the French franc appreciated mildly against the U.S. dollar, rising from a monthly average of 20.4 cents in August 1977 to 21.2 cents in January 1978. For the majority of the period, it fluctuated between 20.3 cents and 20.6 cents per franc. Since Treasury calculated all LTFV margins on the constant basis of *** cents per franc, U.S. dollar depreciation could not have caused a widening of LTFV margins.

Exchange-rate changes also affect the return the foreign manufacturer realizes from sales of merchandise in the United States. In times of U.S. dollar depreciation, the foreign manufacturer will be forced to raise prices on its exports if it is to realize a constant rate of return on its U.S. sales, under ceteris paribus conditions. Thus, the recent depreciation of the U.S. dollar relative to the French franc may have contributed to the 50-percent decrease in imports of textile nylon from France in January-June 1978, compared with the corresponding period of 1977.

Library Cataloging Data

U.S. International Trade Commission.

Certain nylon yarn and grouped nylon filaments from France. Determination of no injury in investigation no. AA1921-185 under the Antidumping act, 1921, as amended together with the information obtained in the investigation. Washington, 1978.

A 42 p. illus. 28 cm. (USITC Publication 922)

1. Nylon. 2. Nylon--France. 3. Nylon--U.S.
- I. Title.

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

OFFICIAL BUSINESS

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